

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 16, 2016

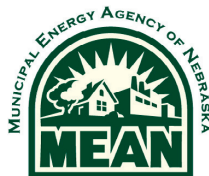
NEW ISSUE—Book Entry Only

RATINGS: S&P: “A”

FITCH: “A”

See “BOND RATINGS” herein

Subject to compliance by MEAN with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel to MEAN, under present law, interest on the 2016 Series A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. In the opinion of Bond Counsel, under the existing laws of the State of Nebraska, as presently enacted and construed, interest on the 2016 Series A Bonds is exempt from Nebraska state income taxation. See “TAX MATTERS.”



MUNICIPAL ENERGY AGENCY OF NEBRASKA

\$68,215,000*

POWER SUPPLY SYSTEM

REFUNDING REVENUE BONDS

2016 SERIES A

MEAN

Dated: Date of delivery

Due: As shown on the inside cover

The 2016 Series A Bonds are issued in book-entry only form through The Depository Trust Company, which will act as securities depository for the 2016 Series A Bonds. Purchases of the 2016 Series A Bonds may be made only in book-entry form in denominations of \$5,000 or any multiple thereof. Interest on the 2016 Series A Bonds is payable on each April 1 and October 1, commencing April 1, 2017. The 2016 Series A Bonds are subject to optional redemption prior to maturity. Wells Fargo Bank, National Association, is the Trustee, Paying Agent and Bond Registrar for the 2016 Series A Bonds. See “THE 2016 SERIES A BONDS.”

The 2016 Series A Bonds are being issued by the Municipal Energy Agency of Nebraska (“MEAN”) to (a) provide for the advance refunding and defeasance of all MEAN’s outstanding Power Supply System Refunding Revenue Bonds, 2009 Series A, maturing on or after April 1, 2020, and (b) pay certain costs of issuing the 2016 Series A Bonds. See “PLAN OF FINANCE.”

The 2016 Series A Bonds are special obligations of MEAN payable solely from and secured solely by a pledge of the Revenues and certain other funds and amounts pursuant to the Resolution. The Revenues consist of all of the income from MEAN’s Power Supply System, including the payments made by MEAN’s 54 Long-Term Total Requirements Participants under Long-Term Power Supply Contracts that extend beyond the final maturity of the 2016 Series A Bonds. The Long-Term Total Requirements Participants have agreed to purchase all of their net electric power and energy requirements from MEAN and to make payments to MEAN sufficient to pay all of the costs of the Power Supply System, including the debt service on the 2016 Series A Bonds. The Long-Term Total Requirements Participants have agreed to make such payments solely from the available revenues and income of their respective municipal electric utilities as an operating expense and a cost of purchased power and energy. The Revenues also include MEAN’s income from its power supply contracts with its other Participants and from its power sales to others. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

MATURITY SCHEDULE, INTEREST RATES AND YIELDS
(see inside cover)

The 2016 Series A Bonds do not constitute a debt, liability or obligation of any of the Participants, any Member of MEAN or of the State of Nebraska, and none of these entities is responsible for the payment of the 2016 Series A Bonds. MEAN has no taxing power.

The 2016 Series A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Chapman and Cutler LLP, Bond Counsel to MEAN, and certain other conditions. Certain legal matters will be passed on for MEAN by Chris Dibbern, general counsel to MEAN, and for the Underwriters by Sutherland Asbill & Brennan LLP. It is expected that the 2016 Series A Bonds will be available for delivery in book-entry form on or about _____, 2016.

BofA Merrill Lynch

Wells Fargo Securities

Goldman, Sachs & Co.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. This Official Statement is dated _____, 2016, and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$68,215,000*
MUNICIPAL ENERGY AGENCY OF NEBRASKA
POWER SUPPLY SYSTEM
REFUNDING REVENUE BONDS
2016 SERIES A

Dated: Date of delivery

DUE: As shown below

<u>DUE APRIL 1,*</u>	<u>PRINCIPAL AMOUNT*</u>	<u>INTEREST RATE</u>	<u>YIELD†</u>	<u>CUSIP†† (625914)</u>
2020	\$ 1,380,000	%	%	
2021	1,450,000			
2022	1,520,000			
2023	1,595,000			
2024	1,690,000			
2025	1,765,000			
2026	1,845,000			
2027	1,945,000			
2028	2,040,000			
2029	2,140,000			
2030	2,260,000			
2031	2,365,000			
2032	2,485,000			
2033	2,605,000			
2034	2,705,000			
2035	2,820,000			
2036	4,665,000			
2037	9,915,000			
2038	10,310,000			
2039	10,715,000			

* Preliminary; subject to change.

† Priced to par call on _____.

†† *CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included for the convenience of the owners of the 2016 Series A Bonds. Neither MEAN nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth above.*

MUNICIPAL ENERGY AGENCY OF NEBRASKA

8377 Glynoaks Drive
Lincoln, NE 68516
(402) 474-4759

MEAN PARTICIPANTS

COLORADO	IOWA	NEBRASKA		WYOMING
Arkansas River Power Authority	Breda	Alliance	Kimball	Basin
Aspen	Carlisle	Ansley	Lyman	Torrington
Delta	Denver	Arnold	Mitchell	
Fleming	Fonda	Bayard	Morrill	
Fort Morgan	Indianola	Beaver City	Nebraska City	
Fountain	Municipal Utilities	Benkelman	Neligh	
Glenwood Springs	Lake View	Blue Hill	Oxford	
Gunnison	Rockford	Bridgeport	Paxton	
Haxtun	Light Plant	Broken Bow	Pender	
Holyoke	Sergeant Bluff	Burwell	Pierce	
Julesburg	Wall Lake	Callaway	Plainview	
Lyons	Waverly Municipal Electric Utility	Chappell	Red Cloud	
Oak Creek		Crete	Sargent	
Wray		Curtis	Shickley	
Yuma		Fairbury	Sidney	
		Falls City	Snyder	
		Gering	Spencer	
		Grand Island	Stuart	
		Grant	Trenton	
		Hastings	West Point	
		Imperial Public Power District	Wisner	
			Wood River	

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Tom Ourada - Vice Chair
Darrel Wenzel - Secretary-Treasurer
Bob Poehling - Executive Director
Tim Sutherland - Director of Wholesale Electric Operations
Jamie Johnson - Director of Finance and Accounting
Chris Dibbern – General Counsel

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GENERAL INFORMATION

The information contained in this Official Statement has been furnished by MEAN, DTC, and other sources that are believed to be reliable. No dealer, broker, sales representative or any other person has been authorized by MEAN or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by MEAN or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the 2016 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made thereunder shall under any circumstances create any implication that there has been no change in the affairs of MEAN or in any other information contained herein, since the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may engage in transactions that stabilize, maintain, or otherwise affect the market prices of the 2016 Series A Bonds. Such transactions, if commenced, may be discontinued at any time.

The 2016 Series A Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws. When used in this Official Statement, the words “project,” “estimate,” “duplicate,” “intend,” “expect,” “proforma” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The forward-looking statements have neither been reviewed nor reported on by any third party.

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as representations of fact.

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GENERAL INFORMATION (CONTINUED)

Brief descriptions of MEAN, the Power Supply System, the 2016 Series A Bonds, the Resolution and the Participants are included in this Official Statement. Such descriptions do not purport to be complete, comprehensive or definitive. The summaries of and references to all documents, statutes, reports, and other instruments referred to herein, including the Municipal Cooperative Financing Act, the Power Supply Contracts, the Resolution, and the 2016 Series A Bonds (each as defined herein), do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to such document, statute, report, or instrument. Descriptions of the Resolution and the 2016 Series A Bonds are qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction.

Copies of the Resolution and other agreements are available for inspection at the office of the Trustee on or after the delivery of the 2016 Series A Bonds. During the period of the offering of the 2016 Series A Bonds, copies of the Resolution will be available from the Underwriters and from MEAN's Director of Finance and Accounting, Jamie Johnson at (402) 474-4759.

GLOSSARY OF CERTAIN ELECTRIC TERMS

"kW" or *"kilowatt"* means a unit of power equal to 1,000 watts.

"kWh" or *"kilowatt-hour"* means the amount of energy produced by one kilowatt of power for a period of one hour.

"MW" or *"megawatt"* means a unit of power equal to 1,000 kilowatts.

"MWh" or *"megawatt-hour"* means the amount of energy produced by one megawatt of power for a period of one hour. MWh also means 1,000 kilowatt hours, or the amount of power necessary to power 10,000 100-watt appliances for one hour.

"GW" or *"gigawatt"* means a unit of power equal to 1,000 megawatts.

"GWh" or *"gigawatt-hour"* means the amount of energy produced by one gigawatt of power for one hour, or 1,000 megawatt hours.

OFFICIAL STATEMENT

MUNICIPAL ENERGY AGENCY OF NEBRASKA

\$68,215,000*

**POWER SUPPLY SYSTEM
REFUNDING REVENUE BONDS
2016 SERIES A**

INTRODUCTION

This introduction provides brief descriptions of the 2016 Series A Bonds and the information contained in the Official Statement. Prospective investors should make a full review of the Official Statement, including the Appendices.

The definitions of certain terms used but not defined below are included in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”.

THE MUNICIPAL ENERGY AGENCY OF NEBRASKA

The Municipal Energy Agency of Nebraska (“MEAN”) is a body corporate and politic under the laws of the State of Nebraska. MEAN’s power supply system consists of ownership and contractual rights and interests in various electric generating and transmission resources and supplies (the “Power Supply System”). MEAN uses the Power Supply System to provide wholesale power supply, transmission and ancillary services to its participating municipal utilities (the “Participants”). Through its professional staff, MEAN also provides planning, engineering, financing, regulatory and governmental affairs services to its Participants. See “THE MUNICIPAL ENERGY AGENCY OF NEBRASKA.”

THE 2016 SERIES A BONDS

The \$68,215,000* Power Supply System Refunding Revenue Bonds, 2016 Series A (the “2016 Series A Bonds”) will mature and bear interest as shown on the inside cover page. Interest on the 2016 Series A Bonds is payable on April 1 and October 1, commencing April 1, 2017.

AUTHORIZATION

The 2016 Series A Bonds are being issued pursuant to the Municipal Cooperative Financing Act, Sections 18-2401 through 18-2485, Reissue Revised Statutes of Nebraska, as amended (the “Act”). The 2016 Series A Bonds will be issued and secured under the 2003 Power Supply System Revenue Bond Resolution adopted by the MEAN Board of Directors on August 21, 2003 and a Sixth Supplemental Resolution, adopted by the MEAN Board of Directors on August

* Preliminary; subject to change.

18, 2016 (collectively, the “*Resolution*”). Wells Fargo Bank, National Association will act as Trustee, Paying Agent and Registrar.

PLAN OF REFUNDING

MEAN has previously issued its Power Supply System Revenue and Refunding Bonds, 2009 Series A (the “*2009 Series A Bonds*”), which are currently outstanding in the aggregate principal amount of \$72,235,000, to finance the costs of acquiring an undivided 23.5% ownership interest in the Wygen Unit I, an approximately 85 MW coal-fired, steam electric generating unit located in Campbell County, Wyoming (the “*Wygen Unit I*”), and certain reserves, contingencies and other costs related to Wygen Unit I and the 2009 Series A Bonds. A portion of the proceeds of the 2009 Series A Bonds were also used to refund MEAN’s then-outstanding Power Supply System Revenue Bonds, 2003 Series B, which were issued to finance a portion of MEAN’s share of the costs of construction of Unit 4 of the Walter Scott, Jr. Energy Center in Council Bluffs, Iowa.

Proceeds of the 2016 Series A Bonds will be used to (a) provide for the advance refunding and defeasance of \$69,685,000 principal amount of the 2009 Series A Bonds maturing on or after April 1, 2020 (the “*Refunded Bonds*”) and (b) pay certain costs of issuing the 2016 Series A Bonds. See “PLAN OF REFUNDING.”

THE PARTICIPANTS

MEAN’s 70 Participants currently include 42 municipalities and one public power district in Nebraska, 14 municipalities and one joint action agency in Colorado, two Wyoming municipalities and 10 Iowa municipalities. Each of the Participants owns and operates an electrical utility system that provides electric service to consumers. Sixty-two of the Participants (the “*Total Requirements Participants*”) receive “total-requirements” electric supply services from MEAN,* exclusive only of their allocations of firm power and energy from the Western Area Power Administration of the U.S. Department of Energy (“*WAPA*”), except for certain generating facilities of Waverly Municipal Electric Utility, Iowa (a municipal utility of the City of Waverly, Iowa) (“*Waverly Utilities*”) and Aspen, Colorado as discussed herein. Together, the Total Requirements Participants provide electric utility service at retail to approximately 114,000 residential, commercial, institutional, agricultural and industrial customers, representing a total population of approximately 174,000. Participants’ total energy usage for MEAN’s fiscal year ended March 31, 2016 was 2,459,000 MWh (which includes 352,000 MWh of Participant WAPA allocations). See “THE PARTICIPANTS—Summary of Total Energy Sales”.

* This includes Trenton, Nebraska, which is a Service Schedule J Participant that will begin purchasing power from MEAN effective January 1, 2017. See “THE PARTICIPANTS—Limited-Term Total Requirements Participants.”

POOLING AGREEMENT AND POWER SUPPLY CONTRACTS

Each of the Participants has entered into the Electrical Resources Pooling Agreement (the “*Pooling Agreement*”) with MEAN. The Pooling Agreement includes various service schedules under which MEAN provides power supply services to the Participants on varying terms. A Participant may elect to become a Total Requirements Participant, in which case it receives all power and energy from MEAN (exclusive only of its firm power and energy allocations from WAPA). Alternatively, a Participant may elect to become a Service Power Participant (described below), in which case it retains full responsibility for meeting its power and energy requirements and may enter into buy/sell power and energy or other transactions with MEAN.

Fifty-four of the Participants (the “*Long-Term Total Requirements Participants*”) have entered into Service Schedule M of the Pooling Agreement (the “*Long-Term Power Supply Contracts*”). The Long-Term Total Requirements Participants, with the limited exception of Aspen, Colorado and Waverly Utilities as discussed herein, have agreed to purchase all of their firm electric requirements from MEAN, exclusive of any firm power and energy allocated to such Long-Term Total Requirements Participants by WAPA. The term of the Long-Term Power Supply Contracts currently extends to at least January 1, 2041.

Eight of the Total Requirements Participants (sometimes referred to herein as the “*Limited-Term Total Requirements Participants*”) have contracted with MEAN for “total-requirements” electric supply services by entering into a Supplemental Agreement to Service Schedule J of the Pooling Agreement (“*Service Schedule J Participants*”) or Service Schedule K or K-1 of the Pooling Agreement (“*Service Schedule K and K-1 Participants*”). Such Participants have agreed to purchase all of their electric requirements from MEAN, exclusive of any firm power and energy allocated to such Limited-Term Total Requirements Participants by WAPA. These agreements vary in length, but generally have terms of five to ten years. Collectively, the Long-Term Total Requirements Participants and the Limited-Term Total Requirements Participants are referred to herein as the “*Total Requirements Participants*.”

Eight of the Participants (the “*Service Power Participants*”) do not receive “total-requirements” electric supply services from MEAN, and instead may enter into buy/sell power and energy or other transactions with MEAN from time to time. Three of the Service Power Participants currently receive only agent and scheduling services from MEAN with respect to transactions in the Southwest Power Pool (“*SPP*”) Integrated Marketplace (“*IM*”). MEAN also enters into other agreements and interchange sales with non-Participant electric utilities and organizations such as SPP and Midwest Independent System Operator (“*MISO*”) markets.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE PARTICIPANTS.”

OUTSTANDING BONDS

The 2016 Series A Bonds are special obligations of MEAN payable solely from and secured solely by a pledge of the Revenues and certain other funds and amounts pursuant to the Resolution, on a parity with (a) MEAN’s Power Supply System Revenue and Refunding Bonds, 2013 Series A (the “*2013 Series A Bonds*”), currently outstanding in the aggregate principal

amount of \$30,015,000, (b) MEAN's Power Supply System Revenue Bonds, 2013 Series B (Federally Taxable) (the "*2013 Series B Bonds*"), currently outstanding in the aggregate principal amount of \$5,835,000, (c) MEAN's Power Supply System Revenue Refunding Bonds, 2012 Series A (the "*2012 Series A Bonds*"), currently outstanding in the aggregate principal amount of \$55,465,000, (d) MEAN's Power Supply System Refunding Revenue Bonds, 2009 Series A, which are presently outstanding in the aggregate principal amount of \$72,235,000 and will, upon the issuance of the 2016 Series A Bonds and the defeasance of the Refunded Bonds, be outstanding in the aggregate principal amount of \$2,550,000, and (e) any additional parity bonds which may be issued under the Resolution (collectively, the "*Bonds*"). See "DEBT SERVICE RESERVE REQUIREMENTS."

SECURITY AND SOURCES OF PAYMENT

Pledge of Resolution. The Bonds are special obligations of MEAN payable solely from and secured solely by a pledge and assignment of (i) the Revenues, which include primarily all payments received by MEAN pursuant to the Power Supply Contracts; (ii) all right, title and interest of MEAN under the Power Supply Contracts; and (iii) all Funds (excluding the Operating Credit Account) established by the Resolution.

Power Supply Contracts. Payments to MEAN by its 54 Long-Term Total Requirements Participants under the Long-Term Power Supply Contracts (which extend beyond the final maturity of the 2016 Series A Bonds) constitute the largest source of Revenues. Under the Long-Term Power Supply Contracts, the Long-Term Total Requirements Participants have agreed to pay rates that are sufficient, along with other revenues of MEAN, to pay all of MEAN's costs and expenses relating to the acquisition and sale of electric power and energy and transmission services, including operation and maintenance expenses and debt service on all bonds and other obligations of MEAN, which amounts are payable as an operating expense and a cost of purchased power and energy. In addition to the Revenues from the Long-Term Total Requirements Participants, MEAN also receives Revenues from the Limited-Term Total Requirements Participants, interchange sales and other sources and transactions. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pooling Agreement and Long-Term Power Supply Contracts."

None of the Participants has guaranteed or is responsible for the payment of the 2016 Series A Bonds, nor do the 2016 Series A Bonds constitute an indebtedness or liability of any of the Participants. The obligations of the Participants are limited to those set forth in their respective Power Supply Contracts with MEAN.

Debt Service Reserve. The Bonds are equally and ratably secured by the Debt Service Reserve Account. The Debt Service Reserve Requirement has been funded with money deposited by MEAN into the Debt Service Reserve Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Debt Service Reserve Requirement."

Rate Covenant. MEAN has covenanted in the Resolution to establish and collect rates and charges under the Long-Term Power Supply Contracts and otherwise charge and collect rates and charges for the use or the sale of the output, capacity or service of the Power Supply System in each year that are reasonably expected to yield Net Revenues which, together with other available

moneys (including moneys in the rate stabilization account), will be sufficient to pay the aggregate debt service for such year and, together with other available funds, to pay or discharge all other indebtedness, charges, and liens payable out of Revenues under the Resolution for such year, including, without limitation, any payments due under any qualified hedge agreement and any settlement amount related thereto. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant.”

Additional Bonds. The Resolution permits the issuance of additional Bonds secured by the Revenues on a parity with the Bonds currently outstanding upon the satisfaction of certain requirements set forth in the Resolution. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds.”

MEAN has agreed in the Resolution that it will not issue any obligations the payment of the principal of and interest on which is superior to the Bonds or other obligations issued or incurred under the Resolution.

BOOK-ENTRY ONLY FORM

Purchases of ownership interests on the 2016 Series A Bonds will be made through the book-entry only system of The Depository Trust Company (“DTC”). So long as the book-entry system is in effect, payments of principal and interest, and transfers of the 2016 Series A Bonds, will be made through the facilities and under the procedures of DTC. SEE “THE 2016 SERIES A BONDS.”

REDEMPTION

The 2016 Series A Bonds are subject to optional redemption prior to maturity as described herein. SEE “THE 2016 SERIES A BONDS.”

TAX MATTERS

Subject to compliance by MEAN with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel to MEAN, under present law, interest on the 2016 Series A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. In the opinion of Bond Counsel, under the existing laws of the State of Nebraska, as presently enacted and construed, interest on the 2016 Series A Bonds is exempt from Nebraska state income taxation. SEE “TAX MATTERS.”

CONTINUING DISCLOSURE

MEAN will execute a continuing disclosure undertaking for the benefit of the beneficial owners of the 2016 Series A Bonds to enable the Underwriters to comply with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. SEE “CONTINUING DISCLOSURE” and APPENDIX C.

CONDITIONS OF DELIVERY

The 2016 Series A Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Chapman and Cutler LLP, Bond Counsel to MEAN, and certain other conditions. Certain legal matters will be passed on for MEAN by Chris Dibbern, general counsel to MEAN, and for the Underwriters by Sutherland Asbill & Brennan LLP. See “LEGAL MATTERS.”

INVESTMENT CONSIDERATIONS

Investment in the 2016 Series A Bonds is subject to certain risks, including the events and circumstances described under “INVESTMENT CONSIDERATIONS” in this Official Statement.

PLAN OF REFUNDING

Proceeds from the 2016 Series A Bonds will be deposited with Wells Fargo Bank, N.A. (the “*Escrow Agent*”), pursuant to an Escrow Agreement dated as of the closing date of the 2016 Series A Bonds (the “*Escrow Agreement*”) to establish an irrevocable trust escrow account (the “*Escrow Account*”), which may consist of cash, direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States Government, or direct obligations of any agency or instrumentality of the United States Government. Funds in the Escrow Account will be used to refund the Refunded Bonds in advance of their stated maturities, and are pledged solely for the payment of the Refunded Bonds. Upon the deposit of such amounts, the Refunded Bonds will be deemed to be paid and will no longer be Outstanding under the Resolution.

The scheduled maturities, interest rates and CUSIP numbers for the 2009 Series A Bonds expected to be refunded by the 2016 Series A Bonds are as follows:

REFUNDED BONDS

SCHEDULED MATURITY (JANUARY 1)	OUTSTANDING PRINCIPAL AMOUNT	INTEREST RATE	CUSIP [†]
2020	\$ 1,370,000	5.000%	625914 GH3
2021	1,440,000	5.000	625914 GJ9
2022	1,510,000	5.125	625914 GK6
2023	1,585,000	5.125	625914 GL4
2024	1,680,000	5.125	625914 GM2
2029	9,715,000	5.125	625914 GN0
2039	52,385,000	5.375	625914 GP5

The Refunded Bonds will be called for redemption on April 1, 2019, at a redemption price of one hundred percent (100%) of the principal amount thereof plus accrued interest thereon to the redemption date. The cash and investments held in the Escrow Account will bear interest and mature in amounts sufficient to pay interest payments coming due on the Refunded Bonds through, and the redemption price of the Refunded Bonds on, April 1, 2019.

Certain mathematical computations regarding the sufficiency of and the yield on the investments held in the Escrow Account will be verified by Precision Analytics Inc. See “ESCROW VERIFICATION” below. MEAN does not intend to apply for a revised rating on the Refunded Bonds following their defeasance.

[†] CUSIP numbers assigned by the CUSIP Service Bureau. Neither MEAN nor the Underwriters are responsible for the selection or correctness of CUSIP numbers.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the 2016 Series A Bonds are estimated to be as follows:

SOURCES:

Principal of the 2016 Series A Bonds	\$
[Net] initial offering premium	
Available MEAN moneys ⁽¹⁾	_____
TOTAL SOURCES	\$_____

USES:

Deposit to Escrow Account	\$
Costs of issuance ⁽²⁾	_____
TOTAL USES	\$_____

(1) Certain amounts on deposit in the Debt Service Account and the Debt Service Reserve Account to be released upon the refunding of the Refunded Bonds.

(2) Includes Underwriters' discount, legal, financial advisory, rating agency, verification agent and Trustee fees and expenses, and other miscellaneous costs.

THE 2016 SERIES A BONDS

GENERAL

The 2016 Series A Bonds will be dated as of the date of their original issuance and delivery (the "*Dated Date*") and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The 2016 Series A Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, not exceeding the amounts of each maturity.

The 2016 Series A Bonds bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the 2016 Series A Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2017 (each, an "*Interest Payment Date*"). Interest on the 2016 Series A Bonds is computed on the basis of a 360-day year of twelve 30 day months. Interest on the 2016 Series A Bonds accrues from the Dated Date.

Wells Fargo Bank, National Association, is the Trustee, Paying Agent and Bond Registrar for the 2016 Series A Bonds under the Resolution.

OPTIONAL REDEMPTION

The 2016 Series A Bonds maturing on and after April 1, 2027, are subject to redemption prior to maturity at the option of MEAN on or after October 1, 2026,* in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2016 Series A Bonds to be redeemed plus accrued interest to the redemption date.

NOTICE OF REDEMPTION

At least 30 days before the redemption of Bonds, the Trustee will mail a notice to the Bond owners, on behalf of MEAN, of the redemption of Bonds. The notice will specify (i) the series; (ii) the maturities and interest rates within maturities, if any, of the Bonds to be redeemed; (iii) the redemption date and the place or places where amounts due upon such redemption will be payable; (iv) if fewer than all of the Bonds of any series, maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed; and (v) in the case of bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The notice will also state that on the redemption date there will become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon will cease to accrue and be payable. In addition, the notice may provide that the redemption of the Bonds is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price, plus accrued interest, on the Bonds called for redemption, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event.

BOOK-ENTRY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2016 Series A Bonds. The 2016 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2016 Series A Bond certificate will be issued for each maturity of the 2016 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited

* Preliminary; subject to change.

securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2016 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Series A Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2016 Series A Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2016 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2016 Series A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2016 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2016 Series A Bond documents. For example, Beneficial Owners of the 2016 Series A Bonds may wish to ascertain that the nominee holding the 2016 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the

alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an omnibus proxy to MEAN as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Series A Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

As long as the book-entry system is in effect, redemption proceeds, distributions, and interest payments on the 2016 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from MEAN or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Paying Agent, or MEAN, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of MEAN or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016 Series A Bonds at any time by giving reasonable notice to MEAN or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the 2016 Series A Bond certificates are required to be printed and delivered.

MEAN may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, the 2016 Series A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that MEAN and the Underwriters believe to be reliable, but neither MEAN nor the Underwriters take any responsibility for the accuracy thereof.

DEBT SERVICE REQUIREMENTS

The following table shows the aggregate debt service requirements on the 2016 Series A Bonds and all other Bonds Outstanding under the Resolution:

BOND YEAR ENDED APRIL 1	OUTSTANDING BONDS ⁽¹⁾			2016 SERIES A BONDS			AGGREGATE DEBT SERVICE
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2017	\$ 5,715,000	\$ 8,094,858	\$ 13,809,858				
2018	5,945,000	7,856,126	13,801,126				
2019	6,215,000	7,591,676	13,806,676				
2020	5,050,000	7,307,167	12,357,167				
2021	5,285,000	7,077,842	12,362,842				
2022	5,530,000	6,833,964	12,363,964				
2023	5,790,000	6,571,856	12,361,856				
2024	6,085,000	6,280,375	12,365,375				
2025	6,390,000	5,974,025	12,364,025				
2026	5,405,000	5,652,331	11,057,331				
2027	5,680,000	5,379,781	11,059,781				
2028	5,965,000	5,093,356	11,058,356				
2029	6,265,000	4,792,556	11,057,556				
2030	6,580,000	4,476,631	11,056,631				
2031	6,920,000	4,139,138	11,059,138				
2032	7,275,000	3,784,231	11,059,231				
2033	8,240,000	3,411,088	11,651,088				
2034	8,630,000	3,022,256	11,652,256				
2035	9,040,000	2,614,963	11,654,963				
2036	9,465,000	2,188,225	11,653,225				
2037	10,140,000	1,724,300	11,864,300				
2038	10,685,000	1,179,275	11,864,275				
2039	11,255,000	604,956	11,859,956				
TOTAL	\$163,550,000	\$111,650,975	\$275,200,975				

(1) Debt service on all Bonds Outstanding prior to the issuance of the 2016 Series A Bonds, including the Refunded Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

PLEDGE OF THE RESOLUTION

The Bonds are special obligations of MEAN payable solely from and secured solely by a pledge and assignment of (i) the Revenues; (ii) all right, title and interest of MEAN under the Power Supply Contracts; and (iii) all Funds (excluding the Operating Credit Account) established by the Resolution.

The Revenues include (i) all payments received by MEAN pursuant to the Power Supply Contracts; (ii) all revenues, income, rents and receipts derived by MEAN from or attributable to the ownership and operation of the Power Supply System; (iii) the proceeds of any insurance covering business interruption loss; and (iv) receipts of MEAN under any qualified hedge agreement.

The full faith and credit of MEAN is not pledged as security for the Bonds. MEAN has no taxing power. The Bonds do not constitute general obligations of MEAN, the Participants, or any other entity or body, municipal, state or otherwise. MEAN will not mortgage or grant a security interest in the Power Supply System properties, other than the Revenues and certain funds under the Resolution, to secure payment of the Bonds. See “INVESTMENT CONSIDERATIONS—Special Obligations.”

ANNUAL BUDGET

The Resolution requires MEAN to prepare and file with the Trustee an Annual Budget for each Fiscal Year that shows, among other things:

- the estimated Revenues, Operating Expenses and other expenditures of the Power Supply System,
- the appropriations for the estimated Operating Expenses for such Fiscal Year, including provision for any general reserve for Operating Expenses,
- the estimated amount to be deposited during such Fiscal Year in the Reserve and Contingency Fund,
- the requirements, if any, for the amounts estimated to be expended for each Fund and Account established under the Resolution,
- amounts estimated to be expended for each Fund and Account established under the Resolution, and

- such additional detail as shall be necessary or appropriate to comply with all participation and operating agreements to which MEAN is a party and such additional material as MEAN may determine.

Following the end of each quarter of each Fiscal Year, the Resolution requires that MEAN review its estimates set forth in the Annual Budget and, in the event such estimates do not substantially correspond with actual Revenues, Operating Expenses or other results, or if there are at any time during any such Fiscal Year extraordinary receipts or payments of unusual costs, requires MEAN to prepare an amended Annual Budget for the remainder of such Fiscal Year.

RATE COVENANT

MEAN has covenanted in the Resolution that it will at all times establish and collect rates and charges under the Power Supply Contracts and will otherwise charge and collect rates and charges for the use or the sale of the output, capacity or service of the Power Supply System in each year that are reasonably expected to yield Net Revenues that, together with other available moneys, will be sufficient to pay the aggregate debt service for such year and to pay or discharge all other indebtedness, charges and liens payable out of Revenues under the Resolution for such year, including, without limitation, any amounts payable under a qualified hedge agreement and any settlement amount with respect thereto. At least once each year MEAN will review the rates and charges and will promptly revise such rates and charges as necessary to comply with all of its covenants under the Resolution.

DEBT SERVICE RESERVE REQUIREMENT

The Bonds are equally secured by the Debt Service Reserve Account, which is required under the Resolution to be funded in an amount equal to the Debt Service Reserve Requirement. The Debt Service Reserve Requirement for the Bonds is equal to the lesser of (i) 10% of the aggregate original principal proceeds of all series of Bonds then outstanding; (ii) the maximum aggregate Debt Service due in any fiscal year on all series of Bonds then outstanding; and (iii) 125% of the aggregate average Debt Service due on all series of Bonds then outstanding during any fiscal year. Upon the issuance of the 2016 Series A Bonds, the Debt Service Reserve Requirement will equal \$_____, and such amount will be on deposit in the Debt Service Reserve Account. When moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement, the excess will be deposited in the Revenue Fund.

Under the Resolution, the Debt Service Reserve Requirement may be satisfied by a deposit of either moneys and/or investment securities or a debt service reserve policy in accordance with the requirements of the Resolution. As of the date of this Official Statement the Debt Service Reserve Requirement has been satisfied with a deposit of money by MEAN into the Debt Service Reserve Account.

FUNDS AND ACCOUNTS

The following funds and accounts are created under the Resolution:

- Construction Fund, held by the Trustee;
- Revenue Fund, held by MEAN;
- Operating Fund, held by MEAN;
- Debt Service Fund, held by the Trustee, consisting of a Debt Service Account, an Operating Credit Account, a Debt Service Reserve Account and a Subordinated Indebtedness Account;
- Reserve and Contingency Fund, held by MEAN; and
- General Reserve Fund, held by MEAN, consisting of a General Reserve Account and a Rate Stabilization Account.

FLOW OF FUNDS

For so long as the Bonds are outstanding, all Revenues will be deposited into the Revenue Fund held by MEAN under the Resolution. Each month MEAN may transfer from the Revenue Fund to the Rate Stabilization Account, an amount determined by MEAN's Board of Directors to be credited to such Account for the month.

The Revenues are then to be applied in the following manner and order of priority:

First, the Resolution provides for transfers to the Operating Fund for the payment of MEAN's Operating Expenses. Such transfers are to be made as soon as practicable in each month after the deposit of Revenues in the Revenue Fund and in any case no later than the last business day of such month. Under the Resolution, "Operating Expenses" includes all of the costs of operating and maintaining MEAN's Power Supply System.

Second, MEAN will transfer and deposit into the Debt Service Fund:

(a) pro rata on the basis of the amount required (i) for credit to the Debt Service Account, the amount, if any, required so that the balance in the Debt Service Account equals the Accrued Aggregate Debt Service as of the end of the last day of the then current month; *provided* that MEAN may defer monthly transfers and make one or more transfers, in an amount equal to the aggregate of those not made, by no later than the time the next payment is required to be made from the Debt Service Account; (ii) for credit to the Debt Service Account, any net payment required to be made by MEAN under any hedge agreement (other than any Settlement Amount); and (iii) for credit to the Operating Credit Account, the amount, if any, equal to the sum of amounts required to pay principal of and accrued interest on the Operating Credit Obligation for such month; plus

(b) for credit to the Debt Service Reserve Account, the amount, if any, required for such account to equal the Debt Service Reserve Requirement; plus

(c) for credit to the Subordinated Indebtedness Account, an amount, if any, equal to the sum of amounts required to pay principal and premium, if any, of and interest on each issue of Subordinated indebtedness.

Third, MEAN will transfer to the Reserve and Contingency Fund the amount, if any, required for such fund to equal the Reserve and Contingency Fund Requirement.

Last, MEAN will transfer to the General Reserve Fund the remaining balance, if any, in the Revenue Fund.

Any amount on deposit in the General Reserve Fund on the first day of any month and not required to meet a deficiency in the Operating Fund, the Debt Service Account, the Debt Service Reserve Account, the Subordinated Indebtedness Account or the Reserve and Contingency Fund, and not required to be applied to any other purpose may be transferred to the Revenue Fund or may be used for one or more of the following:

- the purchase or redemption of bonds or the payment or prepayment of the Operating Credit Obligation;
- the payments of principal or redemption price of and interest on any Subordinated Indebtedness;
- payments into the Construction Fund;
- payments of any costs of acquisition and construction;
- increases in working capital requirements pursuant to a Power Supply System agreement;
- the payments of any costs associated with the planning, developing and preparation of electric generation or transmission facilities;
- the deposit in a special account created for a decommissioning reserve; and
- any other lawful purpose, including transfers to the Rate Stabilization Account described below.

RATE STABILIZATION ACCOUNT

As a risk management tool, MEAN has created a Rate Stabilization Account within the General Reserve Fund. Amounts in the Rate Stabilization Account may be used to pay operating expenses or debt service or for other purposes that enable MEAN to, or facilitate MEAN's ability to, provide services at stable and economic rates for its participant communities.

MEAN has established a goal to accumulate and utilize funds, within the Rate Stabilization Account. The targeted balance includes 15% of budgeted annual cash operating expenses plus the

annual average of MEAN's preliminary five-year capital budget. For MEAN's Fiscal Year ended March 31, 2016, the targeted balance was equal to \$19,640,889. Additions to and utilization from the fund are determined annually by resolution of the Board of Directors and are considered in conjunction with other financial targets and ratios when developing the annual targeted revenue requirement and related rates and charges.

The Rate Stabilization Account balance as of March 31, 2016 was \$24,947,378 (the "*Current Balance*"). Of this amount, \$3,260,000 is budgeted for use (the "*Budgeted Amount for Use*") in MEAN's fiscal year ending March 31, 2017, to stabilize Participant rates. \$2 million of the Budgeted Amount for Use is budgeted for capital costs.

The Current Balance includes amounts relating to MEAN's regulatory independent transmission system operator and transmission adjustment ("*RITA*"). MEAN established the RITA in order to recover approximately \$6.3 million in transmission costs paid by MEAN to SPP in 2013. Proceeds of the 2013 Series A Bonds were used to pay such amount to SPP. The costs of the RITA have been allocated to each Participant under the Pooling Agreement as of January 2013, which amounts are collected from the Participants typically on a monthly basis over a five-year term that began April 2014 and applied towards principal payments on the 2013 Series A Bonds.

Amounts on deposit in the Rate Stabilization Account that are allocable to the RITA are not credited towards MEAN's established funding goals for the Rate Stabilization Account, as described above. Of the Current Balance, \$3,794,966 is currently allocable to the RITA. Of the Budgeted Amount for Use, \$1,260,000 will be applied towards the principal payment coming due on the 2013 Series A Bonds. For additional discussion on RITA, see *Deferred Revenue – Rate Stabilization* in Note 1 of MEAN's Financial Statements for the Fiscal Years Ended March 31, 2016 and 2015 attached as APPENDIX A.

See also "FINANCIAL AND OPERATING INFORMATION—Budgetary Process—Rate Stabilization" and "—Financial and Operating Policies."

ADDITIONAL BONDS

Pursuant to the Resolution, MEAN has reserved the right to issue additional Bonds ("*Additional Bonds*") having a lien on the Revenues on a parity with the Bonds currently outstanding.

MEAN may issue Additional Bonds to finance the Cost of Acquisition and Construction of the Power Supply System, including the cost of acquiring or constructing additions or improvements to, or acquiring resources for use in, the Power Supply System, or to refund outstanding Bonds upon the receipt of the Trustee of the following:

- A certificate of an authorized officer of MEAN setting forth for any period of 12 consecutive months within the 24 months next preceding the date of the authentication and delivery of such series of Bonds (A) Net Revenues and (B) Aggregate Debt Service during such period, and showing that Net Revenues

for such period plus amounts available for transfer to the Revenue Fund from the General Reserve Fund in each month during such period were at least equal to 1.0 times the Aggregate Debt Service for such period with respect to the Bonds then outstanding;

- An opinion of bond counsel;
- A written order as to the delivery of such Bonds, signed by an authorized officer of MEAN;
- A copy of the supplemental resolution authorizing such Bonds, certified by an authorized officer of MEAN;
- The amount, if any, necessary for deposit in the Debt Service Reserve Account so that such account will equal the debt service reserve requirement;
- The amount, if any, necessary for deposit in the Reserve and Contingency Fund so that such Fund will equal the Reserve and Contingency Fund Requirement;
- The amount, if any, to be deposited in the Operating Fund;
- Except in the case of Refunding Bonds, a certificate of an authorized officer of MEAN stating that either (A) no Event of Default has occurred and is continuing under the Resolution or (B) the application of the proceeds of sale of such series of Bonds will cure any such Event of Default;
- If the Long-Term Power Supply Contracts have been amended, modified or supplemented, an opinion or opinions of counsel to the effect that all Long-Term Power Supply Contracts then in force have been duly authorized, executed and delivered by the parties thereto and constitute valid and binding obligations of such parties in accordance with their respective terms; and
- Such further documents required by the provisions of any supplemental resolution.

POOLING AGREEMENT AND LONG-TERM POWER SUPPLY CONTRACTS

The 54 Long-Term Total Requirements Participants have entered into Long-Term Power Supply Contracts with MEAN to obtain long-term “total-requirements” electric supply services, exclusive only of any firm power and energy allocated to such Long-Term Total Requirements Participants by WAPA (except for certain generating facilities of Waverly Utilities and Aspen, Colorado as described herein). The Long-Term Total Requirements Participants have agreed to make payments to MEAN under nondiscriminatory, fair and reasonable rates and charges designed by MEAN to be sufficient, along with all other revenues of MEAN, to pay all of the costs of the Power Supply System, including the debt service on the 2016 Series A Bonds. Such payments constitute an operating expense of the Participant’s electric system, to be made solely from the revenues of such Participant’s electric system. The Long-Term Power Supply Contracts extend

beyond the final maturity of all of MEAN's outstanding Bonds and the payments to be made under the Long-Term Power Supply Contracts constitute the primary source of Revenues pledged and dedicated to payment of the 2016 Series A Bonds under the Resolution. See "THE PARTICIPANTS—Long-Term Total Requirements Participants" below.

MEAN also receives Revenues from the eight Service Schedule J Participants and Service Schedule K and K-1 Participants. See "THE PARTICIPANTS—Limited-Term Total Requirements Participants".

See also "THE MUNICIPAL ENERGY AGENCY OF NEBRASKA—Power Supply Resources and System-*Pooling Agreement*."

For additional detail regarding MEAN's sources of electric energy sales revenues for its fiscal year ended March 31, 2016, see "FINANCIAL AND OPERATING INFORMATION" below.

THE MUNICIPAL ENERGY AGENCY OF NEBRASKA

GENERAL

MEAN was created on June 22, 1981 as a body corporate and politic under the laws of the State of Nebraska under the Municipal Cooperative Financing Act, Sections 18-2401 through 18-2485, Reissue Revised Statutes of Nebraska (the "*Act*"). MEAN was created for the purpose of planning, acquiring, financing and operating facilities to generate and transmit electric power and energy. MEAN's services include power supply, dispatching, energy load forecasting, wheeling arrangements, load research, limited political action, demand-side management, load factor improvement, training, community development and energy cost analysis.

MEAN currently has 70 Participants, 62 of which are Total Requirements Participants* that receive "total-requirements" electric supply services from MEAN, exclusive only of their firm power and energy allocations from WAPA, except for certain generating facilities of Waverly Utilities and Aspen, Colorado, as discussed under "THE MUNICIPAL ENERGY AGENCY OF NEBRASKA—Power Supply Resources and System-*Pooling Agreement*". Additional municipalities may become Participants of MEAN with the approval of the Management Committee of MEAN.

Participants may take additional steps to become members of MEAN ("*Members*") under the Act by making application with the Nebraska Power Review Board. Each Member appoints and is represented by a director on the MEAN Board of Directors, as described below. MEAN currently has 54 Members, which are:

* This includes Trenton, Nebraska, which is a Service Schedule J Participant that will begin purchasing power from MEAN effective January 1, 2017. See "THE PARTICIPANTS—Limited-Term Total Requirements Participants."

Alliance, NE	Burwell, NE	Glenwood Springs, CO	Lyons, CO	Sidney, NE
Ansley, NE	Callaway, NE	Grant, NE	Mitchell, NE	Stuart, NE
Arnold, NE	Chappell, NE	Gunnison, CO	Morrill, NE	Torrington, WY
Aspen, CO	Crete, NE	Haxtun, CO	Nebraska City, NE	Wall Lake, IA
Basin, WY	Curtis, NE	Imperial Public Power	Neligh, NE	Waverly Utilities
Bayard, NE	Delta, CO	District, NE	Oxford, NE	West Point, NE
Beaver City, NE	Fairbury, NE	Indianola Municipal	Pender, NE	Wisner, NE
Benkelman, NE	Falls City, NE	Utilities, IA	Pierce, NE	Wood River, NE
Blue Hill, NE	Fleming, CO	Julesburg, CO	Red Cloud, NE	Wray, CO
Breda, IA	Fort Morgan, CO	Kimball, NE	Sergeant Bluff, IA	Yuma, CO
Bridgeport, NE	Fountain, CO	Lyman, NE	Shickley, NE	
Broken Bow, NE	Gering, NE			

NMPP ENERGY

MEAN, Nebraska Municipal Power Pool, Public Alliance for Community Energy and National Public Gas Agency comprise a coalition referred to by the trade name NMPP Energy pursuant to a Joint Operating Committee Agreement. MEAN and the other participating organizations share administrative resources and staff, allowing them to more efficiently run their operations and their systems. The coalition provides substantial benefits to MEAN and the other participating organizations, including: (i) the development and utilization of a highly skilled and professional staff with specialized technical expertise in business management, administration, engineering, finance, accounting, governmental affairs, law, and other disciplines; (ii) achieving economies of scale and the sharing of facilities and overheads; (iii) the development and execution of projects, plans, and services that benefit multiple organizations; and (iv) the sharing of institutional experience through the Joint Operating Committee. MEAN and each of the other organizations included in NMPP Energy is an independent financial entity. None of the organizations are financially liable for the debts or obligations of any other associated organization.

ORGANIZATION AND POWERS

The Act authorizes MEAN to plan, construct, operate, participate in or acquire facilities, within or outside the State of Nebraska, for the generation, transmission or distribution of electric power and energy, solely or in common with others. Under the Act, MEAN may sell or exchange excess capacity of any project or electric power or energy owned, purchased, or leased by MEAN not required by its Participants. The Act authorizes MEAN to issue its bonds, notes and other evidences of indebtedness. In the acquisition of property, MEAN may exercise the power of eminent domain.

MEAN is governed by a board of directors (the “*Board of Directors*”) consisting of one director for each of the Members, appointed by the mayor or chair of each Member, and approved by the governing body of each Member. Each director serves for a three-year term or until his or her successor is appointed and is entitled to one vote. A director may be removed for any cause at any time by the governing body of the Member that such director represents. The removal of an

officer requires an affirmative vote by two-thirds of the Members. Amending the MEAN charter requires an affirmative vote of a majority of the Members. Most other actions require the approval of a majority of the Members present.

In addition, MEAN has a management committee that serves as the “operator” for MEAN (the “*Management Committee*”). The Management Committee reviews Service Schedule K and K-1 rates and charges and Service Schedule J contracts as well as operational issues. Each Participant designates one representative to serve on the Management Committee. Each representative is entitled to one vote, unless weighted voting is requested.

The Act authorizes the Board of Directors to create one or more project committees to which the Board of Directors may delegate such powers and duties with respect to a project as the Board of Directors shall specify. The Board of Directors has created the following committees: Executive Committee, Services Committee, Finance Committee, Risk Oversight Committee and Ad Hoc Committee. In addition, pursuant to the Pooling Agreement, the Management Committee has created the Power Supply Committee.

The officers of MEAN are elected each January by the Board of Directors of MEAN to serve terms of one year beginning April 1. The current officers of MEAN are:

Chair. Tom Goulette. Mr. Goulette has served as utility superintendent since 1993, and as city administrator since 2001 for the City of West Point, Nebraska. He has served and provided leadership on various MEAN committees since 2004 including Executive Committee, Management Committee, Ad Hoc, Finance, and Power Supply Committee. Additionally, he has served on the NMPP Board of Directors, Nebraska League of Municipalities, the Nebraska Rural Water Association, and the Governor’s Advisory Council for Drinking Water. Mr. Goulette has received The Larry Hobart Seven Hats Award that recognizes utility officials for outstanding management of a small public power system.

Vice Chair. Tom Ourada. Mr. Ourada has served on the MEAN Board of Directors and various MEAN Committees providing leadership for more than 15 years. He was appointed as the first City Administrator for City of Crete, Nebraska in 2013. Previously he served as the Director of Public Works for the Crete, Nebraska. After attending Doane College (Crete, Nebraska), Mr. Ourada started his career with the City as a lineman in 1979. In 1987, he left the City to study Electrical Engineering at the University of Nebraska-Lincoln. He then joined HDR Engineering in 1990 as power systems technician. In 1991, he returned to the City as the Electric Superintendent. In 1994, all city utilities and the street department were combined into public works and Mr. Ourada was appointed the newly created position of Director. He also serves as the certified Street Superintendent. He is also a member and past president of the Nebraska State Electrical Board since being appointed by Governor Mike Johanns in 2004.

Secretary-Treasurer. Darrel Wenzel. Mr. Wenzel is the CEO/General Manager of Waverly Utilities in Waverly, Iowa. Mr. Wenzel serves as Chair of the MEAN Finance Committee and as Secretary-Treasurer. Mr. Wenzel also serves as President of NMPP and has served or continues to serve on the following: WPPI Energy Executive Committee (2011-2012), WPPI Energy Board Member (2005-2012); America Public Power Association, L & R Committee (2004-

Present); Iowa Association of Municipal Utilities, past Board President (2011-2012), Board of Directors (2005-2012), L & R Committee (2004-Present); Midwest Transmission Group, past President (2010); Iowa Cable Television Association, Board Member (1995-1998). Mr. Wenzel graduated from Upper Iowa University with a Bachelor of Science in both Business Administration and Human Resource Management.

MANAGEMENT

The Board of Directors is assisted by the Executive Director of MEAN, who also serves as Executive Director of NMPP Energy, and NMPP staff. The following is a brief description of the background of the key management of NMPP Energy.

Executive Director. Bob Poehling has served as Executive Director/CEO of MEAN and NMPP Energy since 2015. Mr. Poehling has more than 27 years of energy industry experience that includes 15 years with Aquila Inc. where he held various senior level positions both domestically and internationally. Prior to joining NMPP Energy on April 6, 2015, he served as General Manager of the Kansas Municipal Energy Agency in Overland Park, Kansas. Mr. Poehling has also held Board Memberships with U.S. Oil Company, Aquila Merchant Services, Inc., Everest Communications and Utilimode Proprietary Limited. Mr. Poehling received a Bachelor of Science degree in Business Administration from the University of Nebraska–Lincoln and has completed a number of advanced education courses in sales, marketing and finance.

As the Executive Director, Mr. Poehling directs and administers all activities of the entities that comprise NMPP Energy. He is responsible for sound financial management, delivery of competitively-priced energy supply and services to Participants. Mr. Poehling develops the structure of the various entities needed to serve Participants and the organizational structure of shared staff. In this position, Mr. Poehling directs the entities' legislative activities at both the state and national level and develops short and long-term plans for NMPP Energy.

Director of Wholesale Electric Operations. Tim Sutherland was appointed Director of Wholesale Electric Operations for NMPP Energy in 2013 and is responsible for all operations of MEAN. Mr. Sutherland began his career with NMPP Energy in 1991 as a Member Services Representative and progressed to several management roles at NMPP and the Public Alliance for Community. In his most recent role as Director of Retail Utility Services, he oversaw services of NMPP Energy as well as a competitive retail choice gas program. Prior to joining NMPP Energy, Mr. Sutherland was the Utility Superintendent in Imperial, Nebraska, and served on the NMPP Board of Directors and various committees of NMPP and MEAN. Mr. Sutherland attended the University of Omaha and Lorus College.

The Director of Wholesale Electric Operations is responsible for (a) preparing and monitoring MEAN's fiscal budget and taking corrective actions when needed, (b) managing the overall financial condition of MEAN, (c) promotion and protection of the interests of MEAN, and (d) ensuring that all contract obligations to the Participants are met and compliance requirements are fulfilled.

Deputy Director of Wholesale Electric Operations. Brad Hans joined the NMPP Energy staff in August 2013 as Manager of Transmission and was promoted to his current role of Deputy Director of Wholesale Electric Operations in October 2014. Previously Mr. Hans worked at Lincoln Electric System for 11 years as Plant Manager for the construction, commissioning, staffing and operation of the Terry Bundy Generating Station, a 175 MW combined cycle facility. Mr. Hans earned a Bachelor of Science degree in Civil Engineering from the University of Nebraska-Lincoln. Upon graduation, Mr. Hans received his commission as an officer in the U.S. Navy's Civil Engineer Corps, serving on active duty for seven years. He retired in 2014 from the Navy Reserve. Mr. Hans earned a Master's degree in Business Administration from Wayne State College in 2008.

The Deputy Director of Wholesale Electric Operations leads all day-to-day operational aspects of MEAN wholesale electric operations and ensures the Operations department follows all procedures, guidelines, policies and compliance requirements for MEAN operations. This includes assuring reliable and economical electric supplies to Participants. Duties include primary responsibility for and coordination of negotiating power supply and transmission contracts, short and long term planning, overseeing MEAN's 24/7 operations center, governmental and regulatory compliance and municipal generation equipment, compliance submissions, input to budget and established processes and procedures. The position also represents MEAN and its Participants in state, regional and national electric operations issues.

Director of Finance and Accounting. Jamie Johnson has served as Director of Finance and Accounting of NMPP Energy since 2012. Upon graduation from the University of Nebraska-Lincoln with a Bachelor of Science in Business Administration, Accounting emphasis, Ms. Johnson began her career as an audit staff with Deloitte in Lincoln, Nebraska. After five years with Deloitte, Ms. Johnson joined BKD, LLP in Lincoln, Nebraska where she worked as an audit manager until joining NMPP Energy. As a Certified Public Accountant, Ms. Johnson has over 12 years of experience in public accounting, assisting not-for-profit and government organizations with their audit and consulting needs. Ms. Johnson is a member of the American Institute of Certified Public Accountants and the Nebraska Society of Certified Public Accountants.

As the Director of Finance and Accounting, Ms. Johnson's responsibilities include accounting activity, banking relationships, annual audits and financial analysis of each entity under the NMPP Energy umbrella. In addition, Ms. Johnson assists the Director of Wholesale Electric Operations with preparing and monitoring MEAN's fiscal budget and managing the overall financial condition of MEAN.

Director of Retail Utility Services and Member Relations. Andrew Ross assumed the role of Director of Retail Utility Services and Member Relations in April of 2015. He has been with NMPP Energy since 2008 with roles in Resource Planning, Engineering Services, and Manager of Engineering. He previously worked for the Nebraska Public Power District as a transmission and distribution engineer where he designed and managed substation projects. Mr. Ross has a Bachelor's degree in Math and Physics from Doane College, and a Bachelor's degree in Civil Engineering from the University of Nebraska.

The Director of Retail Utility Services and Member Relations leads NMPP operations and member relations functions of the organization, manages the services offered to members by the Nebraska Municipal Power Pool and the financial requirements of NMPP, manages organizational relationship building with member communities to achieve a high level of understanding of their needs and develops strategies to retain and grow MEAN power supply load. Mr. Ross has worked with more than 100 utilities spanning five states on issues ranging from wholesale power supply agreements to financial and engineering analysis for municipal governing bodies. Mr. Ross works with city councils and boards developing policies and practices to help with utility services and functions, visits member and prospective communities, proposes power supply contract options and communicates with communities regarding contract issues.

Manager of Electric Operations. David Beard began his career at NMPP Energy as an Energy dispatcher in July of 2011. In July of 2013 he was promoted to Lead Asset Optimizer in charge of Day Ahead operations and managing the Real Time desk of five dispatchers. In January of 2016 he was promoted to Manager of Electric Operations. He is responsible for MEAN's operations in the MISO, SPP, and the Western Electricity Coordinating Council ("WECC") regions. David graduated from the University of Nebraska with a bachelor's degree in Business Management and a Master's degree in Business Administration. He has a greenbelt in Six Sigma and has certifications in Kepner-Tregoe Problem Solving, Decision Making, and Project management.

The Manager of Electric Operations is responsible for MEAN's operation center, which handles capacity and energy sales and purchasing, energy transmission, sub-transmission arrangements and operating reserves in MISO, SPP and WECC. The operation center also negotiates contracts for power supply and for buying and/or selling resources for next hour to long-term deals.

Manager of Resources and Transmission. Tim Cerveny joined NMPP Energy in June 2016 as manager of resources and transmission. Prior to joining NMPP Energy, he worked at the Nebraska Public Power District for 25 years, most recently as an asset management specialist. His time at NPPD also included experience with power plant instrument and controls, substation maintenance, management of combustion turbine and power plant maintenance. Tim has a bachelor's degree in management from Bellevue University and an associate degree from Southeast Community College in electromechanical technology.

The Manager of Resources and Transmission is responsible for overseeing engineering specifications, procurement and construction of MEAN-owned and contracted generation and coordination with engineering and planning to determine optimal location, type and timing of future resources and ensure transmission delivery.

RTO/Settlements Manager. Jill Jones joined the NMPP Energy staff in 2001 as an Energy Supply/Rate Analyst for MEAN, preparing budgets and long term financial forecasts, assisting with bond financing/refinancing, running power cost analyses, developing the integrated resource plan, and submitting Nebraska Department of Environmental Quality, Department of Energy – Energy Information Administration, FERC, MRO, NERC and WECC compliance data and reports. Ms. Jones received a Bachelor of Science Degree in Business Administration, Accounting

emphasis, from the University of Nebraska–Lincoln. Prior to joining NMPP Energy, Ms. Jones worked for Lincoln Telephone (also known as Aliant, Alltel, Windstream) as an accountant where she was responsible for rates, budgets, account reconciliations, verification of purchase of accounts receivable and billing and collection bills, forecasting for financial statement development, and supervising the message investigation center.

The RTO/Settlements Manager is responsible for managing MEAN settlement activities, participating and representing MEAN’s interest in stakeholder groups and industry organizations, incorporating market rules, business practices and policy changes and communicating potential impacts to the Participants.

General Counsel. Chris Dibbern is the General Counsel to NMPP Energy and has worked on Energy and Regulatory matters in the Midwest for over 30 years. Ms. Dibbern is a 1983 graduate of the UNL- College of Law, has an undergraduate in Business, and is a member of the Energy Bar. She has worked as a staff attorney for the Nebraska Legislature and the Nebraska Public Service Commission. Ms. Dibbern has chaired the American Public Power Association Legal Committee, and the Governance Practice Section of the Nebraska Bar.

The General Counsel manages the legal department and outside counsel and is responsible for administering and coordinating all public legal affairs, including governance/compliance issues, negotiations, and management contracts. The General Counsel also manages governmental, legislative, and regulatory advocacy efforts in support of organizational and member interests and corporate insurance and risk management products for the organization and generates creative solutions to problems with an entrepreneurial mindset in the energy sector while providing cost effective legal services.

POWER SUPPLY RESOURCES AND SYSTEM

The Power Supply System consists of owned, leased and purchased power supply resources as well as transmission system arrangements used to transmit resources to the Total Requirements Participants. MEAN receives transmission services provided by SPP, MISO and multiple transmission providers in the Western Interconnected System (the “*Western Interconnection*”).

MEAN adheres to a strategic and integrated resource plan that includes a variety of resources providing stable and economical power and energy to the Participants. MEAN has a policy in place which endeavors to have no more than 15% of MEAN’s capacity from a single generating unit. In the event that a generation unit does represent more than 15% of MEAN’s capacity, MEAN will investigate potential exchanges or insurance products to reduce the potential cost impacts and disruption of service that could be caused by a major unit outage.

The following table summarizes MEAN's long-term power supply resources as of the date of this Official Statement:

RESOURCE	CAPACITY AVAILABLE TO MEAN	PRIMARY ENERGY SOURCE	MARKET REGION ⁽¹⁾
Total Requirements Committed Facilities	152 MW	Oil/Gas	MISO (77 MW), SPP (63 MW), WECC (12 MW)
WAPA ⁽²⁾	124 MW	Hydroelectric	MISO (7 MW), SPP (30 MW), WECC (87 MW)
Whelan Energy Center Unit 2 ⁽³⁾	85 MW	Coal	SPP
Walter Scott Jr. Energy Center Unit 4	59 MW	Coal	MISO
NPPD Multi-Unit Participation	50 MW	Coal/Nuclear	SPP
Laramie River Station Unit 1	9 MW	Coal	SPP
Laramie River Station Unit 2 & Unit 3	19 MW	Coal	WECC
Wygen Unit I	20 MW	Coal	WECC
Neil Simpson Unit 2	10 MW	Coal	WECC
Wygen Unit III	10 MW	Coal	WECC
Wind Project at Kimball	10.5 MW	Wind	WECC
Wessington Springs Wind Project	10 MW	Wind	SPP
NPPD Elkhorn Ridge Wind Plant	8 MW	Wind	SPP
NPPD Laredo Ridge Wind Project	8 MW	Wind	SPP
Louisa Generating Station	8 MW	Coal	MISO
DMEA Shavano Falls/Drop 4 & Drop 6	7.6 MW	Hydroelectric	WECC
NPPD Ainsworth Wind Energy Facility	7 MW	Wind	SPP
Whelan Energy Center Unit 1	5.3 MW	Coal	SPP
Waste Management Des Moines Landfill Gas Facility	4.8 MW	Landfill Gas	MISO
NPPD Crofton Bluffs Wind Project	4 MW	Wind	SPP

(1) Resources located in MISO and SPP are dispatched by MISO and SPP. See "--Regional Energy Markets and Coordination" below.

(2) All but approximately 7 MW constitutes North American Tribes' and Participants' WAPA allocations.

(3) Comprised of MEAN's Entitlement Share under its Participation Agreement with PPGA (80 MW) and purchase from Hastings Utilities (currently 5MW). Under a power sales agreement dated June 9, 2008, between Hastings Utilities and MEAN, Hastings Utilities has agreed to sell capacity and associated energy from its Entitlement Share under its Participation Agreement with PPGA at cost through April 2018. Hastings Utilities retains primary responsibility under its Participation Agreement for payment of all amounts due to PPGA with respect to its full Entitlement Share. The amount of project output sold under the power sales agreement decreases to 2 MW on May 1, 2017.

The following table shows the amounts of energy obtained by MEAN from its principal power supply resources (in Gigawatt-hours and as percentages of MEAN's total power supply), for the last five fiscal years of MEAN:

ENERGY SUPPLY FOR FISCAL YEAR ENDED MARCH 31
(GWh AND % OF TOTAL)

	2016		2015		2014		2013		2012	
Total Requirements Committed Facilities	1.2	0.0%	1.3	0.0%	2.5	0.1%	1.7	0.1%	2.1	0.1%
WAPA ⁽¹⁾	200.7	7.3%	222.7	7.2%	218.6	7.0%	287.6	9.2%	326.3	10.1%
Whelan Energy Center Unit 2 ⁽²⁾	460.1	16.7%	446.7	14.5%	576.9	18.5%	536.9	17.2%	406.5	12.6%
Walter Scott Jr. Energy Center Unit 4 ⁽³⁾	405.1	14.7%	379.5	12.3%	413.0	13.3%	413.7	13.3%	409.1	12.7%
NPPD Multi-Unit Participation	345.8	12.5%	352.8	11.4%	405.3	13.0%	365.8	11.8%	401.0	12.4%
Laramie River Station	186.4	6.7%	170.2	5.5%	200.7	6.5%	188.9	6.1%	211.0	6.5%
Wygen Unit I	175.7	6.4%	175.2	5.7%	164.4	5.3%	159.9	5.1%	172.6	5.4%
Wygen Unit III and Neil Simpson Unit 2	170.9	6.2%	238.5	7.7%	257.0	8.3%	245.0	7.9%	248.9	7.7%
Wind Project at Kimball	19.8	0.7%	27.5	0.9%	30.1	1.0%	30.3	1.0%	29.0	0.9%
Wessington Springs Wind Project	39.2	1.4%	41.7	1.4%	42.2	1.4%	39.1	1.3%	42.1	1.3%
NPPD Elkhorn Ridge Wind Plant	25.5	0.9%	26.5	0.9%	27.1	0.9%	26.7	0.9%	26.4	0.8%
NPPD Laredo Ridge Wind Project	31.6	1.1%	34.4	1.1%	36.5	1.2%	34.9	1.1%	34.7	1.1%
Louisa Generating Station	36.4	1.3%	54.6	1.8%	49.8	1.6%	57.6	1.9%	57.6	1.8%
DMEA Shavano Falls/Drop 4 & 6 ⁽⁴⁾	23.4	0.8%	-	-	-	-	-	-	-	-
NPPD Ainsworth Wind Energy Facility	21.3	0.8%	23.2	0.8%	24.0	0.8%	20.1	0.6%	23.4	0.7%
Whelan Energy Center Unit 1	16.3	0.6%	25.0	0.8%	29.1	0.8%	29.6	0.9%	67.9	2.1%
Waste Management Des Moines Landfill Gas Facility ⁽⁵⁾	38.8	1.4%	39.2	1.2%	3.6	0.1%	-	-	-	-
NPPD Crofton Bluffs Wind Project ⁽⁶⁾	17.3	0.6%	17.8	0.6%	17.6	0.6%	6.7	0.2%	-	-
All Others ⁽⁷⁾	<u>546.6</u>	<u>19.9%</u>	<u>809.3</u>	<u>26.2%</u>	<u>612.5</u>	<u>19.6%</u>	<u>663.9</u>	<u>21.4%</u>	<u>766.8</u>	<u>23.8%</u>
TOTAL	2,762.3	100.0%	3,086.1	100.0%	3,110.9	100.0%	3,108.4	100.0%	3,225.4	100.0%

(1) Comprised mostly of Participant allocations with respect to which MEAN serves only as agent. See "THE MUNICIPAL ENERGY AGENCY OF NEBRASKA-Power Supply Resources and System-*Western Area Power Administration*" and APPENDIX A-Financial Statements of MEAN for the Fiscal Years Ended March 31, 2016 and 2015-Notes 8 and 9

(2) Includes MEAN's participation in Public Power Generation Agency (PPGA) and power sales agreement between MEAN and Hastings Utilities.

(3) Includes MEAN ownership interest and assignment from Waverly Utilities.

(4) Began commercial operation in May 2015.

(5) Began commercial operation in March 2014.

(6) Began commercial operation in November 2012.

(7) Includes economy and short term firm purchases.

Total Requirements Committed Facilities. By execution of the Pooling Agreement and a firm power service agreement under the applicable service schedule, 21 Total Requirements Participants commit to MEAN all of the output of all existing generation facilities owned by them for the common benefit of the Total Requirements Participants, except the power and energy generated by three hydroelectric plants owned or contracted by Aspen, Colorado, and by three hydroelectric plants and three wind turbines owned by Waverly Utilities. The aggregate capacity of the generating facilities that the Total Requirements Participants have committed to MEAN (the “*Committed Facilities*”) under the Pooling Agreement as of the date of this Official Statement is 152 MW. All of the Committed Facilities are fueled by natural gas and/or oil.

Under the Pooling Agreement, each of these Total Requirements Participants is required, upon MEAN’s request, to supply to MEAN the total committed capacity of its Committed Facilities. Each such Total Requirements Participant is responsible for the fueling of its Committed Facilities and is required to maintain them in good operating condition. Scheduled outages must be coordinated with MEAN. Each Total Requirements Participant retains the right to retire its Committed Facilities from service.

The Committed Facilities are primarily electric generators that are located within the service areas of the Total Requirements Participants. Two facilities totaling 77 MW are located in MISO. Sixteen facilities totaling 63 MW are located in SPP. Three facilities totaling 12 MW are located in the Western Interconnect. The hydroelectric and wind generating facilities owned by Aspen, Colorado and Waverly Utilities as described above are not Committed Facilities under the Participant’s Pooling Agreement but are part of the respective Participant’s overall resource mix as exceptions to the general rule of leasing all power production back to MEAN as part of the Long-Term Power Supply Contracts.

Western Area Power Administration. WAPA is one of four power marketing administrations within the U.S. Department of Energy. WAPA’s role is to market and transmit wholesale electricity from multi-use water projects. WAPA’s service area encompasses a 15-state region of the central and western U.S. where WAPA’s more than 17,000 circuit mile transmission system carries electricity from 56 hydropower plants operated by the Bureau of Reclamation, U.S. Army Corps of Engineers and the International Boundary and Water Commission. WAPA also markets power from the Navajo Generating Station coal-fired plant near Page, Arizona. Together, these plants have an installed capacity of 10,504 megawatts. WAPA sells power to preference customers such as federal and state agencies, cities and towns, rural electric cooperatives, public utility districts, irrigation districts and Native American tribes. These entities provide retail electric service to millions of consumers in the West.

MEAN has an allocation from the U.S. Department of Energy, through WAPA, of firm power under contract from Loveland Area Projects hydroelectric plants of approximately 7 MW. The contract currently runs through 2024, and is in the process of being extended for an additional thirty-year term.

MEAN has entered into Benefit Crediting Agreements with WAPA and four Native American Tribes. Under these Agreements MEAN manages the allocations which represent 8 MW from the Loveland Area Projects.

MEAN has contracted to collect payments for WAPA power and energy purchased by certain Participants and remits these payments to WAPA as discussed in Note 8 of MEAN's Financial Statements or the Fiscal Years Ended March 31, 2016 and 2015 in APPENDIX A.

The Total Requirements Participants have allocations through WAPA totaling approximately 109 MW. Electric power and energy generated by WAPA has been and continues to be a low cost power and energy resource for the Total Requirements Participants. WAPA reviews its energy rates annually to ensure that such rates generate sufficient revenues to cover its operating and other expenses.

MEAN acts only as agent with respect to Participant WAPA allocations. MEAN provides these services on a cost pass-through basis to the Total Requirements Participants and has no beneficial interest in the Total Requirements Participants' power allocations as the power allocations are retained by the Total Requirements Participants, and the Total Requirements Participants are financially responsible for paying all costs associated with their power allocation(s). MEAN has contracted to collect payments for WAPA power and energy purchased by certain Total Requirements Participants and remits these payments to WAPA. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in MEAN's financial statements.

Participants receiving WAPA allocations are located in the WAPA Rocky Mountain Region Marketing Area, the WAPA Upper Great Plains Marketing Area and the WAPA-Salt Lake City Area. The WAPA Upper Great Plains Marketing Area contracts extend until December 2020. The WAPA Rocky Mountain Region Marketing Area and Salt Lake City Area allocation contracts extend until September 2024

Whelan Energy Center Unit 2. MEAN is a participant in the Public Power Generation Agency ("PPGA") which was created solely for the purpose of owning, financing, acquiring, constructing and operating the Whelan Energy Center Unit 2 ("WEC2"). WEC2 is a nominally rated 220 MW pulverized coal-fired steam electric generating facility and related electric interconnection, transmission, rail car storage, and other facilities located near Hastings, Nebraska which began commercial operation in May, 2011. The unit includes pollution control equipment, a cooling tower, water treatment facilities, material storage facilities, control and administrative buildings, and other ancillary facilities. The unit is connected to the regional transmission grid through a network of 115 kV transmission lines. Hastings Utilities is the operating agent for WEC 2.

MEAN holds a 36.36% Entitlement Share of WEC2 representing approximately 80 MW of output of WEC2. Under its Participation Agreement with PPGA, MEAN has agreed to pay a corresponding percentage of all of PPGA's costs of owning and operating WEC2, including debt service on PPGA's bonds, regardless of whether or not WEC2 or any portion thereof is completed, operable, or operating, and notwithstanding suspension, interruption, interference, reduction or

curtailment of the WEC2 output or services of the WEC2. As of the date of this Official Statement, PPGA has approximately \$637.1 million of its Whelan Energy Center Unit 2 Revenue Bonds outstanding, with maturities from 2017 through 2041. Payments to PPGA pursuant to the Participation Agreement are included in MEAN's operating expenses. In addition to MEAN's Entitlement Share under its Participation Agreement with PPGA, under a power sales agreement dated June 9, 2008, between Hastings Utilities and MEAN, Hastings Utilities has agreed to sell capacity and associated energy from its Entitlement Share under its Participation Agreement with PPGA at cost through April 2018. Hastings Utilities retains primary responsibility under its Participation Agreement for payment of all amounts due to PPGA with respect to its full Entitlement Share. The amount of project output sold under the power sales agreement is currently 5 MW and decreases to 2 MW on May 1, 2017.

Walter Scott, Jr. Energy Center Unit 4. MEAN entered into a Joint Ownership Agreement with MidAmerican Energy Company ("MEC") and other entities to develop, design, construct, own and operate Walter Scott, Jr. Energy Center Unit 4 ("WSEC 4"), a 790 net MW super-critical, coal-fired steam electric generating plant fueled with low-sulfur coal located near the city of Council Bluffs, Iowa which began commercial operation in June 2007. MEC is the majority owner, developer and operator of WSEC4. MEAN originally owned an undivided 6.67% interest in WSEC4. In 2012, MEAN acquired an additional 0.25% interest in WSEC4, for a total undivided interest of 6.92%, or 56 MW. In addition, Waverly Utilities granted MEAN a partial assignment of Waverly Utilities' interest in WSEC4, which includes rights to receive 0.4% (approximately 3 MW) of the output from WSEC4 and continues through the term of Waverly Utilities' Long-Term Power Supply Contract.

MEAN's ownership interest and partial assignment of interest in WSEC4 provides MEAN with approximately 59 MW of capacity and energy, providing MEAN with a long-term, cost-based source of power and energy.

Nebraska Public Power District Multi-Unit Participation. MEAN and NPPD entered into a Multi-Unit Participation Agreement that became effective January 1, 2011 (the "NPPD Agreement"). Under the NPPD Agreement, NPPD provides MEAN with 50 MW of capacity and related energy. NPPD's obligation to deliver capacity and related energy to MEAN pursuant to the NPPD Agreement is contingent on availability and operation of NPPD's Gerald Gentleman Station Units No. 1 (12 MW) and No. 2 (12 MW) located near Sutherland, Nebraska, and NPPD's Cooper Nuclear Station (26 MW) located near Brownville, Nebraska. The NPPD Agreement is effective through December 31, 2023. In the event NPPD and MEAN participate in the same new baseload generation unit prior to December 31, 2023, MEAN has the right, but not the obligation, to terminate the NPPD Agreement upon the commercial operation of such unit.

Laramie River Station. In 1982, MEAN and Lincoln Electric System ("LES") entered into two agreements (the "Laramie River Agreements") which collectively provide for the sale to MEAN of a portion of LES's undivided interest in the Laramie River Electric Generating Station ("Laramie River Station") and an associated transmission system. Laramie River Station is a coal-fired steam-electric generating station that consists of three units totaling 1,697 MW. It is located in Platte County, Wyoming on the Laramie River and is owned by LES and five other utilities, as tenants in common. The three units of the Laramie River Station began commercial

operation in 1980 and 1982. MEAN began making purchases of electric power and energy under its original agreement with LES on June 1, 1982. MEAN's total interest in Laramie River Station is 1.67% or 28 MW. Basin Electric Power Cooperative operates and maintains the Laramie River Station.

MEAN pays to LES (i) MEAN's proportionate share of operation and maintenance costs, capital improvements, repairs, administrative costs, and all other fixed costs relating to ownership interest in Laramie River Station; (ii) the costs related to the production of energy in proportion to the energy scheduled and produced from Laramie River Station for MEAN during each month; and (iii) any costs incurred by LES directly related to the scheduling and dispatching of MEAN's power and energy generated by Laramie River Station. Laramie River Station Unit 1 is dispatched by SPP while Laramie River Station Unit 2 and Unit 3 are in the Western Interconnection.

Under a Displacement Contract dated as of July 1, 1986, between MEAN and Basin Electric Power Cooperative, MEAN receives scheduling and delivery rights in the Western Interconnection for Laramie River Station's West Side units (known as "*West Allotment*") and delivery rights in the associated transmission system. MEAN's West Allotment entitles MEAN to schedule and deliver up to 8.3% of the LES entitlement of power and energy from Laramie River Station.

Wygen Unit I. In 2009, MEAN acquired an undivided 23.5% interest in the Wygen Unit I which provides MEAN approximately 20 MW of capacity and energy. The Wygen Unit I, located in Campbell County, Wyoming, near Gillette, Wyoming, is an approximately 85 MW coal-fired electric generating plant fueled with low-sulfur Powder River Basin Coal. Black Hills Wyoming, Inc. developed, designed, constructed and operates the Wygen Unit I, which began commercial operation in February 2003, and owns 76.5% of the Wygen Unit I.

Neil Simpson Unit 2 and Wygen Unit III. MEAN has entered into a Power Purchase Agreement with Black Hills Power, Inc. ("*Black Hills Power*") that became effective April 1, 2010. The Power Purchase Agreement is unit contingent on Neil Simpson Unit 2 and Wygen Unit III. Under the Power Purchase Agreement, Black Hills Power will provide MEAN with the capacity and related energy output in the following amounts:

CONTRACT YEAR	CAPACITY (MW)
4/1/2010 – 5/31/2018	20 MW (10 MW from Wygen Unit III and 10 MW from Neil Simpson Unit 2)
6/1/2018 – 5/31/2020	15 MW (10 MW from Wygen Unit III and 5 MW from Neil Simpson Unit 2)
6/1/2020 – 5/31/2022	12 MW (6 MW from Wygen Unit III and 6 MW from Neil Simpson Unit 2)
6/1/2022 – 5/31/2023	10 MW (5 MW from Wygen Unit III and 5 MW from Neil Simpson Unit 2)

Louisa Generating Station. MEAN purchases the power and energy associated with Waverly Utilities' interest in the Louisa Generating Station, a coal-fired generating unit which began commercial operation in October 1983. The power sales agreement includes rights to receive 1.1% or approximately 8 MW of the output from the Louisa Generating Station and continues for the term of Waverly Utilities' Long-Term Power Supply Contract.

Delta-Montrose Electric Association Shavano Falls/Drop 4 and Drop 6. MEAN entered into a 22-year power purchase agreement with Delta-Montrose Electric Association (“DMEA”) for the purchase of renewable hydro energy from the Shavano Falls hydro project. MEAN’s share of the project includes 2.8 MW from Drop 6 and 4.8 MW from Drop 4. The project began commercial operation in May 2015.

Whelan Energy Center Unit 1. Pursuant to the Participation Power Sales Agreement between MEAN and the City of Hastings, Nebraska, MEAN purchases 6.95%, or approximately 5.3 MW, of the electric power and energy generated by Whelan Energy Center Unit 1, a 77 MW coal-fired steam electric generating station operated by Hastings Utilities and located in Adams County, Nebraska (the “Whelan Energy Center”). The Participation Power Sales Agreement terminates on the later of the date of (i) the final maturity of the indebtedness incurred by Hastings to pay the costs of the Whelan Energy Center or capital additions thereto, which date is now January 1, 2019, or (ii) the date Hastings removes the Whelan Energy Center and/or its associated transmission system from commercial operation.

Wind Resources. The following is a summary of MEAN’s owned or purchased wind resources:

- *Wind Project at Kimball:* MEAN owns and operates a 10.5 MW wind project located near Kimball, Nebraska, which began commercial operation on October 1, 2002.
- *Wessington Springs Wind Project:* Heartland Consumers Power District purchases all of the output of the Wessington Springs Wind Project 51.15 MW and resells 19.55% (10 MW) of the output to MEAN under the agreement, which expires February 2029.
- *NPPD Elkhorn Ridge Wind Plant:* MEAN purchases from NPPD 10.0% of the output of the Elkhorn Ridge Wind Plant, or approximately 8 MW of 80 MW nameplate capacity, under a contract ending March 2029.
- *NPPD Laredo Ridge Wind Project:* MEAN purchases from NPPD 10.0% of the output of the Laredo Ridge Wind Project, or approximately 8 MW of 80 MW nameplate capacity, under a contract ending February 2031.
- *NPPD Ainsworth Wind Energy Facility.* MEAN purchases from NPPD 11.78% of the output of the Ainsworth Wind Energy Facility, or approximately 7 MW of 60 MW nameplate capacity, under a contract ending October 2025 which may be extended for terms of 5 years each or until the end of the operational life of the facility.
- *NPPD Crofton Bluffs Wind Project.* MEAN purchases from NPPD 10.0% of the output of the Crofton Bluffs Wind Project, or approximately 4 MW of 40 MW nameplate capacity, under a contract ending November 2032.

Waste Management Des Moines Landfill Gas Facility. MEAN has entered into a long-term Power Purchase Agreement with Waste Management for the output of the facility, which has 4.8 MW total nameplate capacity, until March 2034.

Market Purchases. MEAN utilizes a combination of short-term purchases and medium-to-long-term resources with sufficient capability to meet MEAN's load and reserve obligations. MEAN enters into purchase and sale transactions in the MISO, SPP and WECC markets, described below.

MEAN continually evaluates other resource options to meet future needs.

REGIONAL ENERGY MARKETS AND COORDINATION

MEAN's regional footprint stretches from Central Iowa across Nebraska and into Colorado and Wyoming. Due to this footprint, MEAN is required to operate in two regional transmission organizations, MISO and SPP. Both MISO and SPP operate day-ahead and real-time energy markets. Market participants must pay for costs to serve load and receive revenue for their electrical generation. MEAN also operates in the western United States through the WECC.

MEAN's power supply resources within the SPP and MISO market regions are dispatched by SPP or MISO through the day-ahead and real-time markets based on cost and operational considerations. When economical, MEAN purchases power from one of these markets for sale into the other markets. Economic dispatch algorithms benefit Participants by allowing MEAN to purchase power at costs below MEAN's assets. During the last two years, low natural gas prices in MISO and SPP have increased market purchases of power, improving financial conditions.

SPP. SPP was founded in 1941, incorporated as a nonprofit entity in 1994 and became a FERC-approved Regional Transmission Organization in 2004. Currently, SPP has a Board of Directors comprised of six independent Directors and the President/CEO of SPP. Recent SPP bylaw changes allow for expansion of the Board up to ten members. In addition, SPP has a Members Committee, comprised of 20 member representatives elected by the member sectors that meet concurrently with the Board and vote on all items before consideration by the Board. SPP also has a FERC-approved Regional Delegation Agreement with NERC to act as a Regional Entity, as defined in the Federal Power Act. The Regional Entity is governed by a separate group of three independent trustees. SPP employs about 600 personnel and is based in Little Rock, Arkansas. SPP's members, including investor-owned utilities, municipalities, cooperatives, state power agencies, independent power producers, power marketers, independent transmission companies and federal agencies, serve over 18 million people. SPP provides transmission services on more than 60,000 miles of transmission lines in 14 states: Nebraska, Kansas, Missouri, Oklahoma, Arkansas, New Mexico, Texas, Louisiana, Iowa, Minnesota, Montana, North Dakota, South Dakota and Wyoming.

The SPP IM, which was launched on March 1, 2014, replaced the Energy Imbalance Service ("EIS") market that SPP had operated since 2007. The IM restructured the EIS market by establishing a day-ahead market along with a real-time energy and operating reserve market. Consolidating 16 balancing authorities into a single SPP-operated balancing authority was

designed to maximize energy efficiency and reduce transaction costs. The IM also utilizes locational-marginal pricing, transmission congestion rights, and virtual transactions.

The IM allows generators to submit offers to sell energy and operating reserves. Additionally, it allows load serving entities to submit bids to purchase energy. After day-ahead submissions, SPP clears the offers and bids via security-constrained unit commitment and security-constrained economic dispatch algorithms. A financially binding schedule matches sale offers with demand bids to meet operating reserve requirements.

Financial transmission rights compensate participants for variances in load costs and generation revenue. Auction revenue rights (“ARRs”) are awarded to market participants based on firm transmission rights on the SPP network, and transmission congestion rights can be converted from awarded ARRs.

The SPP IM is the latest and most complex step in SPP’s approach to adding market functionality and coordinate next-day generation across the region. The IM maximizes cost-effectiveness, provides participants with greater access to reserve energy, improves regional balancing of electricity supply and demand, and facilitates the integration of renewable resources.

MEAN became a member of SPP on October 20, 2015. As a member, MEAN works with other SPP members to identify ways to improve market operations and overall organizational effectiveness.

MISO. MISO is an independent organization whose purpose is to ensure the reliability of its integrated, regional electrical transmission system, to facilitate a regional wholesale marketplace, to provide non-discriminatory access to the transmission system and to maintain and improve system reliability. Its members include vertically-integrated utilities, stand-alone transmission owners, load-serving entities, energy marketers, state regulatory authorities and independent power producers.

Like SPP, MISO allows generators to submit offers to sell energy and operating reserves and load serving entities to submit bids to purchase energy, after which MISO clears the offers and bids via security-constrained unit commitment and security-constrained economic dispatch algorithms, and the end product is a financially binding schedule that matches sale offers with demand bids and satisfies operating reserve requirements. Similar to SPP MISO also operates auction revenue rights and financial transmission rights auction.

MEAN became a non-transmission owning member of MISO on October 22, 2015.

WECC. MEAN also operates in the western United States through WECC. For operations in WECC, MEAN enters into other agreements and transactions with various electric utilities that are not MEAN Participants pursuant to which such electric utilities may purchase power and energy from MEAN or sell power and energy to MEAN.

TRANSMISSION

MEAN is a transmission-dependent utility and receives transmission services provided by SPP, MISO and multiple transmission providers in the Western Interconnection. Transmission costs include network integration transmission service and point-to-point transmission service. Transmission costs also include the impact of auction revenue rights and transmission congestion rights in SPP and auction revenue rights and financial transmission rights in MISO. 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.

MEAN has also contracted to collect payments for transmission service purchased on behalf of certain Participants and remits these payments to the respective providers. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in MEAN's financial statements. See below for description of transmission arrangements that represent expenses of MEAN reported in MEAN's financial statements. A portion of costs under the various arrangements may also relate to MEAN's role as agent as described above.

SPP and MISO. SPP and MISO each have integrated, regional electrical transmission systems and facilitate a regional wholesale marketplace. Network and point-to-point transmission service agreements provide MEAN with sufficient access to transmission facilities to deliver energy to the MEAN Participants, to participate in the SPP and MISO energy markets and to sell excess generation and purchase replacement energy when generation is not available or it is economically beneficial. These MISO and SPP agreements are valid as long as MEAN continues to be the power supplier for the loads in the MISO or SPP market, as applicable. See “– Regional Energy Markets and Coordination” below. MEAN utilizes a Grandfathered Transmission Agreement for Point to Point service on NPPD's transmission system that goes between SPP and MISO. This allows MEAN to take advantage of price differentials between the markets to serve load at the better price.

MEAN has experienced significant increases in transmission costs since it began participating in the EIS market, which transitioned into SPP's IM in 2014. Such increased transmission costs are the result of transmission congestion caused by the increased dispatch of generation resources in newly integrated balancing areas, which raises the price to serve load, and increased transmission expansion in response to congestion. The increased costs are exacerbated by the fact that MEAN, as a transmission dependent utility, does not receive revenues from transmission expansion projects that transmission owners (TOs) receive and offset the higher costs.

Black Hills Common Use System. MEAN has several agreements with Black Hills Power which provide for firm point-to-point transmission service and non-firm point-to-point transmission service for use in making deliveries to Participant loads, resource deliveries to adjacent transmission networks as well as energy sales to other regional utilities. The agreements have varying expiration dates, and have rollover provisions to optimize future resource arrangements.

WAPA-RMR. WAPA-RMR provides network integration transmission service to Participants connected to the WAPA-RMR transmission system under Contract Number 08-RMR-1811. WAPA-RMR provides this service to MEAN under a transmission tariff that is not subject to FERC jurisdiction. The NITSA provides rights across the DC tie to serve Participants in the west with lower priced energy in the east and vice versa. MEAN's PTP transmission service agreement with WAPA-RMR permits electricity produced from the resources of Black Hills and Laramie River Station to be moved to the transmission networks of other providers. The agreement continues through December 31, 2018.

Other. MEAN owns proportionate transmission rights in the transmission facilities associated with the Laramie River Station, WSEC 4, and WEC2 pursuant to the Laramie River Agreements, WSEC 4 Agreements, and the WEC2 Agreement, respectively.

DISTRIBUTED AND RENEWABLE GENERATION POLICY

MEAN adopted a Distributed and Renewable Generation Policy (the "*DRG Policy*") in 2016 that, in limited amounts and in certain circumstances, allows the Participants that have committed to purchase all of their electricity requirements from MEAN to (a) permit their retail customers to utilize output from renewable generation resources to supply all or a portion their own loads, (b) purchase output from renewable generation resources owned by their retail customers, and (c) subject to a cap set forth in the DRG Policy, own and operate renewable generation resources, including community solar projects, to offset their total requirements purchases from MEAN. The DRG Policy includes provisions to mitigate any adverse economic impacts of renewable generation resources purchased or undertaken by an individual Participant on MEAN and its other Participants. MEAN anticipates that the DRG Policy will be revised from time to time to reflect developments in distributed and renewable generation, including any applicable regulatory requirements.

INTERCHANGE AND RESERVE SHARING AGREEMENTS

In addition to the market purchases described above, MEAN engages in interchange sales that consist of short-to-medium term power sale agreements in and between the WECC, MISO and SPP markets. In the MISO and SPP markets, MEAN records activity for each separately operated and settled market on an hourly basis. Net hourly energy transactions are evaluated on a net megawatt hour basis to determine whether the hourly transaction should be classified as a net purchase or net sale.

MEAN participates in the North American Energy Markets Association ("*NAEMA*"), which is an independent, nonprofit trade association representing entities involved in the marketing of energy or in providing services to the energy industry. MEAN also participates in the Western Systems Power Pool ("*WSPP*") under the provisions of the WSPP Agreement, which provides for the wholesale exchange of power and energy among 220+ WSPP members. MEAN is a member of the Rocky Mountain Reserve Group ("*RMRG*"), the primary purpose of which is to provide reserve sharing among the members of RMRG at a lower cost and to enhance regional reliability.

RATE REGULATION

The authority of MEAN to determine, fix, impose and collect rates and charges for electric power and energy sold and delivered is not subject to the regulatory jurisdiction of any local, state or federal governmental authority or agency.

For a discussion of Participant rates and regulation, see “THE PARTICIPANTS”.

TAXATION

The Act provides that the property and income of MEAN is exempt from all taxes of the State of Nebraska or any municipality or other political subdivision thereof and all special assessments of any Member of MEAN.

ENVIRONMENTAL REGULATION AND RESOURCE PLANNING

MEAN is subject to environmental and other regulations, in varying degrees, at federal, state and local levels.

As part of a long-term strategy, MEAN has invested in environmental regulation compliant base load generating resources expected to provide highly reliable base load generation for the Participants’ present and future energy requirements. Wygen Unit I provides stable base load capacity and energy to MEAN from a modern generating station with a state of the art emission control system. Upon commercial operation in 2007, WSEC4 enabled MEAN to substantially reduce the market purchases of energy required to meet the Participants’ energy requirements. WEC2 was constructed to provide a hedge against market purchases based on marginal generation from high natural gas prices. Low natural gas prices and effects of wind generation offers into the RTO markets have kept WSEC4 and WEC2 at minimum generation periodically despite low incremental costs of production. These units have shown flexibility in low priced markets with the ability to turn down to 50% of their full capacity, and the ability to offer in for market dispatch after maintenance outage which provides economic relief when prices are below the offer price and covers the cost of start-up when the unit is ultimately dispatched for generation. MEAN believes the boiler design for WSEC4 and WEC2 is highly reliable, resulting in high operating efficiency and state of the art environmental compliance. As cost-based resources, MEAN believes WSEC4 and WEC2 produce energy at relatively level prices and enhance MEAN’s ability to provide long-term price stability to its Participants.

In addition to these state of the art coal facilities and WAPA allocations, MEAN has acquired 60 MW of renewable resources and 26 MW of nuclear capacity. MEAN has 32 MW of new renewable resources planned as other coal and nuclear agreements expire in the next seven years. MEAN also works with Participants that set local standards to develop solutions. The City of Aspen, Colorado expressed a desire to obtain 100% of its power from renewable resources, and MEAN worked with Aspen to develop a solution to achieve this goal.

For further discussion of certain environmental matters, see also “INVESTMENT CONSIDERATIONS—Certain Environmental Matters Affecting MEAN”.

RETAIL COMPETITION—DEREGULATION

There has been little activity in the last several years in Nebraska, Colorado, Iowa and Wyoming relating to potential implementation of retail competition, certain of which is briefly described below. There has been no legislative action to implement retail competition in Nebraska or Colorado. Because the Total Requirements Participants operate in “certificated service territories” they are not subject to direct customer-to-customer competition for distribution service. See “THE PARTICIPANTS—Service Areas.” Recently in Nebraska, competitive markets proponents have proposed retail competition in marketing materials but no restructuring legislation has been introduced or supported in the Legislature. With the arrival of regional transmission organizations changes are largely occurring on the wholesale levels.

Deregulation in Nebraska. Based in part on recommendations made in an industry group study, Legislative Bill 901 (“LB 901”) of the Ninety-Sixth Legislature of the State of Nebraska (2000 Regular Session) was adopted. LB 901 states that it is the policy of the State of Nebraska to prepare for an evolving retail electricity market if certain conditions are met that indicate that retail competition is in the best interest of the citizens of Nebraska. The Nebraska Power Review Board was originally tasked with holding annual public hearings and preparing and submitting to the Governor and the Legislature an annual report concerning the status of such conditions, which are: (i) the existence of a viable regional transmission organization and adequate transmission facilities; (ii) the existence of a viable electricity market; (iii) the unbundling of retail rates in Nebraska; (iv) a comparison of wholesale electricity prices in Nebraska with those in the region; and (v) any other information believed by the Nebraska Power Review Board to be beneficial to the Governor, the Legislature, and Nebraska’s citizens when considering whether retail electric competition would be beneficial, such as, but not limited to, an update on deregulation activities in other states and an update on federal deregulation activities.

In 2010 the requirements for annual public hearings and reports were removed and whether a hearing is held and a report is prepared is left to the Nebraska Power Review Board’s discretion. The Nebraska Power Review Board has not prepared a report since October 2010. That report determined that sufficient conditions had not been met to warrant retail choice.

Deregulation in Colorado and Iowa. In Colorado no restructuring activity has occurred since the late 1990s. MEAN participates in a statewide organization called Colorado Association of Municipal Utilities (“CAMU”), a voluntary organization made up of municipal utilities in Colorado. CAMU provides a venue for coordination and monitoring legislation and regulatory matters in the state. No retail rate competition legislation has been advanced in the General Assembly or proposed at the Colorado Public Utility Commission. Environmental concerns are preeminent in Colorado, but not retail competition.

In early 2000 several large investor-owned Iowa utilities lobbied aggressively for electric industry restructuring in the state. Despite that activity, no consensus on many of the restructuring issues involved was ever reached in Iowa. Earlier in 2016 the State of Iowa commissioned an “Iowa Energy Plan” to explore exporting energy resources but not retail rate competition due to energy transmission and pipeline barriers.

Policy makers in both states have indicated that neither Iowa nor Colorado is ready for competitive retail electric systems.

WHOLESALE COMPETITION

MEAN's rates and charges are generally competitive with or lower than other wholesale electric service providers in the region. In addition, MEAN has the advantage of providing a variety of energy-related services. In Nebraska, MEAN has had recent success in its response to wholesale power proposals. In Colorado and Iowa, there have been few (or fewer) electric utilities offering long-term power supply contracts to municipalities in recent years. MEAN has resources located in Iowa that continue to allow MEAN to serve these loads, and MEAN has had recent success in its response to wholesale power proposals in Iowa. Wyoming has several power supply options for municipal entities including suppliers who also hold firm transmission. There are very few public power municipalities within these transmission networks and thus very little load for which MEAN can compete.

NEBRASKA POWER REVIEW BOARD

The NPRB is an independent state board created to facilitate the state policy of providing citizens of Nebraska with adequate, inexpensive electric service, consistent with sound business practices. The NPRB seeks to further such policy through the avoidance and elimination of (i) conflict and competition between suppliers of electricity and (ii) duplication of facilities and resources. Under certain circumstances the NPRB may render advisory opinions concerning wholesale rate disputes which are not binding on the parties. In the exercise of its duties, the NPRB is authorized to hold hearings and promulgate orders which have the force of law. Funding for the NPRB is provided through annual assessments levied against public utilities, including MEAN.

Power Project Approval. Before any electric generation facility or any transmission line or related facility carrying more than 700 volts is constructed or acquired by MEAN, an application must be filed with the NPRB and approval of the NPRB must be obtained, with certain exceptions. In granting approval, the NPRB must determine that the proposed construction or acquisition will serve the public's convenience and necessity, and that the power supplier can most economically and feasibly supply the electric service resulting from the proposed construction or acquisition without unnecessary duplication of generating and transmission facilities or operations.

NEBRASKA POWER ASSOCIATION

MEAN participates in a statewide joint-planning effort through the Nebraska Power Association ("NPA"). NPA is a voluntary organization made up of municipal utilities and rural public power districts in Nebraska, including MEAN, LES, NPPD and OPPD. Utilities in NPA jointly plan long-term power supply facilities to meet the electric power needs of public utilities in the State of Nebraska. In addition, NPA provides power supply planning and information on energy matters and legislation affecting electric utilities. NPA also provides a venue for cooperation and the settlement of disputes among its members.

FINANCIAL AND OPERATING INFORMATION

SUMMARY OF TOTAL ENERGY SALES

The following table shows MEAN's total electric energy sales to Participants and others for each of the past five fiscal years ended March 31, together with MEAN's coincident peak demand for each of these years:

TOTAL ENERGY SALES					
Total Sales (MWh)	2016	2015	2014	2013	2012
Participants	1,822,000	2,093,000	2,301,000	2,273,000	2,274,000
Non-Participants	<u>285,000</u>	<u>340,000</u>	<u>461,000</u>	<u>458,000</u>	<u>727,000</u>
Total	2,107,000	2,433,000	2,762,000	2,731,000	3,001,000
WAPA ⁽¹⁾	352,000	383,000	381,000	373,000	404,000
Coincident peak demand (MW) ⁽¹⁾	331	422	433	453	434

(1) Energy served by Participant WAPA allocations is not included in total energy sales. Coincident peak demand does not include peak served by Participant WAPA allocations.

Decreases in total energy sales have occurred in recent fiscal years on account of weather conditions.

The decrease in energy sales to Participants from 2015-2016 was also due to the expiration of Gillette, Wyoming's Limited-Term Total Requirements contract on March 31, 2015 and Fountain, Colorado's Limited-Term Total Requirements contract on June 30, 2015. Fountain remains a Service Power Participant of MEAN.

Total energy sales have also decreased in recent years as a result of the implementation of the SPP IM in March 2014, which requires three Service Power Participants (Falls City, Nebraska, Nebraska City, Nebraska and Neligh, Nebraska) to purchase all power and energy through SPP purchases rather than through MEAN. MEAN provides scheduling services for these Service Power Participants for which it receives an administrative fee.

While losses in total energy sales have resulted in decreased electric energy sales revenue for MEAN, this is balanced by the fact that MEAN no longer incurs the related energy costs. Electric energy sales revenues from Long-Term Total Requirements Participants have increased as a result of changes to rates and charges. See "THE PARTICIPANTS" AND "—Five-Year Financial Statement Summary" below.

For additional discussion, see Management's Discussion and Analysis in MEAN's Financial Statements or the Fiscal Years Ended March 31, 2016 and 2015 in APPENDIX A.

BUDGETARY PROCESS—RATE STABILIZATION

MEAN adopts an annual budget (the “*Annual Budget*”) for each fiscal year pursuant to the provisions of the Resolution and the financial policies and guidelines established by the Board of Directors. The Resolution requires MEAN to adopt and file with the Trustee an Annual Budget that sets forth the estimated Revenues and Operating Expenses for each fiscal year, together with the amount required to be deposited into each fund or account established by the Resolution for the payment of debt service and all other expenses. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Annual Budget” above.

MEAN’s financial policies provide additional details for the Annual Budget, including maintaining adequate liquidity for MEAN’s operations, the funding of the Rate Stabilization Account established by the Resolution and other matters. The revenue requirement shown in each Annual Budget provides the basis for the rates that MEAN charges the Participants for the power supply, transmission and related services provided under the Power Supply Contracts.

The Resolution requires MEAN to establish and collect rates and charges under the Power Supply Contracts that will produce Net Revenues sufficient, together with other available moneys, to enable MEAN to comply with all of its covenants and obligations under the Resolution. MEAN has covenanted in the Resolution to review and revise, if necessary, such rates and charges at least annually and promptly after any material change in the circumstances contemplated at the time of the most recent rate review. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant.”

The Board of Directors sets the rates and charges for services under the Long-Term Power Supply Contracts and approves the Annual Budget. The Management Committee sets rates and charges for Service Schedule K and K-1 Participants. Rates and charges for Service Schedule J Participants are established by contract.

As a general matter, rates and charges for Long-Term Total Requirements Participants and Service Schedule K and K-1 Participants are established each fiscal year at a level estimated to be sufficient to generate operating revenues which will be sufficient, together with other revenues of MEAN, to pay operating expenses, debt service and other expenses of MEAN payable from revenues and to maintain a level of liquidity sufficient to meet MEAN’s ongoing working capital requirements. The rates and charges for Long-Term Total Requirements Participants and Service Schedule K and K-1 Participants are determined after all other sources of Revenues have been budgeted to ensure that MEAN’s annual revenue requirement is met.

Consistent with the Resolution and under MEAN’s policy of maintaining adequate liquidity amounts, the Annual Budget may provide for the transfer of a portion of available surplus moneys to supplement operating revenues, including amounts held in the Rate Stabilization Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Stabilization Account.” Such transfers enable MEAN and its Long-Term Total Requirements Participants to maintain stable wholesale and retail rates, respectively, while meeting their respective obligations under the Resolution and the Long-Term Power Supply Contracts.

In furtherance of MEAN's efforts to promote long-term rate stability to its Participants, each Annual Budget also includes five-year projections of MEAN's load requirements, operating expenses, capital needs, debt service requirements and targeted revenue requirement. These projections are used in MEAN's power supply and resource planning, in building reserves and in establishing billing practices in anticipation of future costs.

In January 2015, MEAN's Board of Directors and Management Committee approved a restructuring of the rates and charges for the Schedule M, K and K-1 Participants to include a flat energy rate and a fixed cost recovery charge to better assure the recovery of fixed costs and provide more rate stability. See "THE PARTICIPANTS—Long-Term Total Requirements Participants" and "—Limited-Term Total Requirements Participants".

FINANCIAL AND OPERATING POLICIES

MEAN has developed and follows a comprehensive set of financial and operating policies and guidelines. These policies and guidelines are intended to promote the achievement of MEAN's organizational purposes and to manage the risks associated with MEAN's operations.

The financial policies, originally adopted by the Board of Directors in August 2003 and updated from time to time, state that it is MEAN's goal to achieve an annual debt service coverage ratio of at least 1.2. The financial policies provide for the maintenance of adequate liquidity to fund normal operations and to provide for extraordinary expenses. The Rate Stabilization Account established by the Resolution is to be used to stabilize future rates while enabling MEAN to maintain the required debt service coverage in the event of future revenue shortfalls or unexpected increases in expenses. Future transfers to the Rate Stabilization Account are to be made at the direction of the Board of Directors out of operating surpluses in future years. MEAN's goal is to accumulate an amount equal to 15% of annual operating expenses plus the annual average of MEAN's preliminary five-year capital budget in the Rate Stabilization Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Stabilization Account."

MEAN's financial policies also include directions on the investments of funds that seek first to achieve safety of principal and the necessary liquidity for MEAN's operations and then to achieve investment returns. The policies also provide for active management of MEAN's debt structure and limitations on the amount of MEAN's variable rate indebtedness. Under the policies, MEAN is allowed to enter into hedging transactions for the purpose of meeting funding needs and managing the risks associated with the energy and financial markets.

MEAN's policies include provisions for evaluating and reviewing the creditworthiness of counterparties to all purchase and sale transactions entered into by MEAN.

MEAN, as a market participant in SPP and MISO, is required under tariff to maintain sufficient credit on record with MISO and SPP in order to operate and enter into transactions in these markets. The financial policies provide that MEAN's Director of Finance & Accounting is responsible for ensuring MEAN is in compliance with MISO and SPP credit requirements.

MEAN's operating policies include a focus on long-term resource planning to match Participant requirements with an emphasis on reliable resources that promote long-term price stability. The operating policies also include the maintenance of adequate generation reserve margins and interconnection and transmission arrangements to meet MEAN's requirements. The operating policies also include procedures for and limitations on the energy trading activities of MEAN's professional staff.

MEAN's financial policies and guidelines are subject to annual review and revision by its Board of Directors. MEAN's operating policies and guidelines are subject to annual review and revision by its Management Committee.

Bond Compliance Policies. MEAN's Board of Directors has approved a Bond Compliance Policy which includes written procedures for compliance with the federal tax and securities law requirements applicable to its bonds. The policies include pre-issuance procedures that are intended to establish and confirm the tax status of bonds prior to their issuance, and the accuracy and completeness of the disclosure documents provided in connection with the initial offering of bonds. The policies also include post-issuance procedures that are intended to maintain compliance with applicable federal tax and securities law requirements that must be satisfied on an on-going basis, including (among other things) record-keeping, private business use limitations and qualified use requirements for bond-financed projects, and arbitrage rebate and continuing disclosure requirements.

OPERATING RESULTS AND DEBT SERVICE COVERAGE

The following table presents certain audited operating results and debt service coverage information regarding the Power Supply System.

OPERATING RESULTS AND DEBT SERVICE COVERAGE

FISCAL YEAR ENDED MARCH 31,

	2016	2015	2014	2013	2012
Total operating revenues	\$125,078,938	\$144,022,306	\$146,859,411	\$136,687,399	\$139,587,435
Total operating expenses	<u>118,124,781</u>	<u>140,199,541</u>	<u>141,884,933</u>	<u>138,743,985</u>	<u>135,645,271</u>
Net operating results	6,954,157	3,822,765	4,974,478	(2,056,586)	3,942,164
Depreciation and amortization	9,437,779	9,012,488	8,667,781	8,170,363	7,752,492
Non-operating adjustments	-	1,790,134	-	6,286,806	-
Investment return	<u>411,703</u>	<u>461,802</u>	<u>126,227</u>	<u>368,301</u>	<u>796,524</u>
Net revenues available for debt service	<u>\$ 16,803,639</u>	<u>\$ 15,087,189</u>	<u>\$ 13,768,486</u>	<u>\$ 12,768,884</u>	<u>\$ 12,491,180</u>
Debt service	<u>\$ 13,809,500</u>	<u>\$ 12,582,550</u>	<u>\$ 11,408,054</u>	<u>\$ 11,210,132</u>	<u>\$ 8,723,895</u>
Debt service coverage	<u>1.22</u>	<u>1.20</u>	<u>1.21</u>	<u>1.14</u>	<u>1.43</u>
Total assets and deferred outflows of resources	<u>\$267,399,718</u>	<u>\$270,302,660</u>	<u>\$275,182,526</u>	<u>\$280,391,038</u>	<u>\$257,302,448</u>
Cash and investments – unrestricted	<u>\$ 44,658,688</u>	<u>\$ 29,570,262</u>	<u>\$ 31,292,280</u>	<u>\$ 25,474,668</u>	<u>\$ 32,599,590</u>

Source: Derived from MEAN's annual financial statements for the years shown.

For a discussion of trends in recent fiscal years resulting in decreased operating revenues and corresponding decreases in operating expenses, see “FINANCIAL AND OPERATING INFORMATION—Summary of Total Energy Sales”.

SOURCES OF REVENUES

For its fiscal year ended March 31, 2016, MEAN's sources of electric energy sales revenues were as follows:

- 95% of electric energy sales revenues were from services provided by MEAN to the Total Requirements Participants, with 84% of electric energy sales revenues being attributable to the Long-Term Total Requirements Participants and 11% being attributable to the Limited-Term Total Requirements Participants; and
- 5% of electric energy sales revenues were from net interchange sales.

Other operating revenues for the fiscal year ended March 31, 2016 included nominal revenues from scheduling services for three Service Schedule Participants and other services.

FIVE-YEAR FINANCIAL STATEMENT SUMMARY

The following tables summarize the statements of revenues, expenses and changes in net position for MEAN's last five fiscal years.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FISCAL YEAR ENDED MARCH 31,				
	2016	2015	2014	2013	2012
Operating Revenues					
Electric energy sales					
Participants					
Long-Term Total Requirements Participants	\$107,382,259	\$103,932,511	\$ 97,747,792	\$ 90,846,095	\$ 73,883,980
Limited Term Total Requirements Participants	13,489,741	28,836,932	32,173,613	31,248,363	28,442,496
Service Power Participants	-	-	1,403,063	1,242,118	5,954,877
Total Participants	120,872,000	132,769,443	131,324,468	123,336,576	108,281,353
Non-Participants	6,682,033	11,234,638	16,666,798	15,277,571	28,537,503
Transfer (provision) for rate stabilization	(2,977,568)	(600,130)	(1,623,164)	(2,418,806)	2,026,290
Other	502,473	618,355	491,309	492,058	742,289
Total operating revenues	<u>125,078,938</u>	<u>144,022,306</u>	<u>146,859,411</u>	<u>136,687,399</u>	<u>139,587,435</u>
Operating Expenses					
Electric energy costs					
Purchased Power	75,915,411	96,102,935	102,179,492	97,420,404	102,797,048
Production	19,133,634	21,091,475	19,141,618	18,185,757	17,567,115
Transmission	6,091,638	7,153,114	6,317,839	9,820,728	2,677,771
Administrative and general	7,546,319	6,839,529	5,578,203	5,146,733	4,850,845
Depreciation and amortization	9,437,779	9,012,488	8,667,781	8,170,363	7,752,492
Total operating expenses	<u>118,124,781</u>	<u>140,199,541</u>	<u>141,884,933</u>	<u>138,743,985</u>	<u>135,645,271</u>
Operating income (loss)	<u>6,954,157</u>	<u>3,822,765</u>	<u>4,974,478</u>	<u>(2,056,586)</u>	<u>3,942,164</u>
Nonoperating Revenues (Expenses)					
Net costs to be recovered in future periods	1,635,645	2,746,946	4,138,330	3,337,883	2,870,279
Investment return	411,703	461,802	126,227	368,301	796,524
Interest expense	(8,548,740)	(8,642,617)	(8,701,019)	(8,840,984)	(9,752,675)
Other	187,174	1,898,902	635,450	485,174	546,988
Net nonoperating expenses	<u>(6,314,218)</u>	<u>(3,534,967)</u>	<u>(3,801,012)</u>	<u>(4,649,626)</u>	<u>(5,538,884)</u>
Increase (Decrease) in Net Position	639,939	287,798	1,173,466	(6,706,212)	(1,596,720)
Net Position, Beginning of Year	<u>47,124,259</u>	<u>46,836,461</u>	<u>45,662,995</u>	<u>52,369,207</u>	<u>53,965,927</u>
Net Position, End of Year	<u>\$ 47,764,198</u>	<u>\$ 47,124,259</u>	<u>\$ 46,836,461</u>	<u>\$ 45,662,995</u>	<u>\$ 52,369,207</u>

For a discussion of trends in recent fiscal years resulting in decreased operating revenues and corresponding decreases in operating expenses, see "FINANCIAL AND OPERATING INFORMATION—Summary of Total Energy Sales".

LIQUIDITY

Currently, MEAN maintains an open line of credit totaling \$20,000,000. The amount available under the line of credit is reduced by standby letters of credit issued to meet credit requirements for participation in SPP and MISO. Bank lines of credit may also be used to pay for

capital expenditures that are intended to be funded by the future issuance of bonds and other lawful purposes.

The following table sets forth, for MEAN's last five fiscal years, days' liquidity on hand.

	FISCAL YEAR ENDED MARCH 31,				
	2016	2015	2014	2013	2012
Cash and investments – unrestricted	\$ 44,658,688	\$ 29,570,262	\$ 31,292,280	\$ 25,474,668	\$ 32,599,590
Line of Credit less Standby Letters of Credit	\$ 15,500,000	\$ 13,500,000	\$ 18,000,000	\$ 19,500,000	\$ 9,500,000
Days' Liquidity On Hand ⁽¹⁾	202 days ⁽²⁾	126 days	135 days	126 days	120 days

(1) Calculated as: [unrestricted cash and investments + (lines of credit – standby letters of credit)] * 365 / (operating expenses – depreciation & amortization)

(2) \$3.7 million was owed to Participants at March 31, 2016. Had this been paid, days liquidity on hand as of March 31, 2016 would be 190 days.

CAPITAL IMPROVEMENT PLANS

For its current and next five fiscal years (*i.e.*, to March 31, 2022), MEAN currently expects to incur approximately \$16.1 million of capital expenditures in connection with (a) new environmental control systems, including selective catalytic reduction (“SCR”) systems, at the Laramie River Station, (b) capital projects undertaken during scheduled outages at Wygen Unit I, (c) SCR catalyst and Distributed Control System computer replacements at WSEC 4, and (d) other miscellaneous capital expenditures. MEAN expects to fund these capital expenditures with amounts from Participant billings and funds on hand, and does not intend to issue bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For management's discussion and analysis of MEAN's financial performance and position and an overview of MEAN's activities for the years ended March 31, 2016 and 2015, see “MANAGEMENT'S DISCUSSION AND ANALYSIS” in audited financial statements of MEAN for the fiscal years ended March 31, 2016 and 2015, APPENDIX A to this Official Statement.

THE PARTICIPANTS

The following map shows the location of MEAN's Participants. MEAN's offices are located in Lincoln, Nebraska.



LONG-TERM TOTAL REQUIREMENTS PARTICIPANTS

MEAN has entered into Long-Term Power Supply Contracts (Service Schedule M) with each of the 54 Long-Term Total Requirements Participants. The current term of the Long-Term Power Supply Contracts extends to at least January 1, 2041. The following table lists the current Long-Term Total Requirements Participants and the execution date of their Power Supply Contract with MEAN:

PARTICIPANT	EFFECTIVE DATE	PARTICIPANT	EFFECTIVE DATE
Alliance, NE	4/1/82	Haxtun, CO	10/4/82
Ansley, NE	2/1/08	Imperial Public Power District, NE	5/29/86
Arnold, NE	5/29/86	Indianola Municipal Utilities, IA	4/1/09
Aspen, CO	6/25/84	Julesburg, CO	10/1/07
Basin, WY	1/1/06	Kimball, NE	5/29/86
Bayard, NE	3/9/82	Lyman, NE	3/8/82
Beaver City, NE	6/14/82	Lyons, CO	9/25/89
Benkelman, NE	10/18/82	Mitchell, NE	4/6/82
Blue Hill, NE	5/29/86	Morrill, NE	5/29/86
Breda, IA	1/1/08	Oak Creek, CO	10/1/99
Bridgeport, NE	6/10/82	Oxford, NE	3/8/82
Broken Bow, NE	5/29/86	Pender, NE	2/1/08
Burwell, NE	3/9/82	Pierce, NE	4/1/09
Callaway, NE	5/29/86	Plainview, NE	10/1/11
Carlisle, IA	4/1/99	Red Cloud, NE	3/2/82
Chappell, NE	3/1/82	Rockford Light Plant, IA	9/1/07
Crete, NE	5/29/86	Sergeant Bluff, IA	4/1/09
Curtis, NE	3/10/82	Shickley, NE	5/29/86
Delta, CO	10/1/12	Sidney, NE	2/1/08
Denver, IA	7/1/10	Spencer, NE	6/1/08
Fairbury, NE	3/19/82	Stuart, NE	12/1/07
Fleming, CO	2/7/84	Torrington, WY	1/1/08
Fonda, IA	9/1/10	Wall Lake, IA	1/1/08
Fort Morgan, CO	7/1/09	Waverly Utilities	2/1/10
Gering, NE	3/8/82	West Point, NE	3/15/82
Grant, NE	2/1/08	Wisner, NE	9/01/07
Gunnison, CO	9/17/92	Yuma, CO	8/03/82

Under the Long-Term Power Supply Contracts, MEAN is required to sell and deliver, and each Long-Term Total Requirements Participant is required to purchase from MEAN, on a take-and-pay basis, all firm power and energy required by such Long-Term Total Requirements Participant, exclusive of any firm power and energy allocated to such Long-Term Total Requirements Participant by WAPA. Aspen, Colorado and Waverly Utilities are the only Long-Term Total Requirements Participants with certain resources that reduce the amount of firm

power and energy required to be supplied by MEAN that have received approval from the MEAN Board of Directors.

Under the Long-Term Power Supply Contracts, the Long-Term Total Requirements Participants have agreed to pay rates and charges that are sufficient, together with other revenues of MEAN, to pay all of MEAN's costs and expenses relating to the acquisition and sale of electric power and energy and transmission services.

In January 2015, MEAN's Board of Directors and Management Committee approved a restructuring of the rates and charges for the Long-Term Total Requirements Participants (and Schedule K and K-1 Participants, as described below under "—Limited Term Total Requirements Participants") to a flat energy rate and a fixed cost recovery charge to better assure the recovery of fixed costs and provide more rate stability. The fixed cost recovery charge consists of fixed costs related primarily to MEAN's ownership of generation and the operation of MEAN, and includes budgeted administrative and general expenses, contracted capacity, debt service for MEAN's share of generating assets, principal and interest payments on MEAN's outstanding debt (net of Rate Stabilization), annual budgeted capital costs and a utility basis budget adder to keep the targeted revenue requirement and financial ratios within acceptable ranges. The flat energy rate applies through an entire fiscal year and covers variable costs (which includes costs for purchased power, production and transmission), which are projected on the basis of budgeted generation costs provided by the plant operators and related contract terms. Market dependent costs are developed utilizing historical information, including pricing nodes, available forward curves and modeling. For MEAN's fiscal year ending March 31, 2017, the fixed cost recovery charge and the flat energy rate are equal to approximately 44% and 53%, respectively, of MEAN's targeted revenue requirements.

Service Schedule M includes a Pooled Energy Adjustment ("*PEA*") clause, which allows MEAN the ability to recover the costs on a monthly basis for energy purchased and generated whenever the actual monthly energy costs to MEAN exceed the budgeted monthly energy costs.

The rates and charges payable by the Long-Term Total Requirements Participants are reviewed at least once each year and revised as necessary by the Board of Directors of MEAN to ensure that the rates are sufficient, along with other revenues of MEAN, to pay all of the following:

- Operation and maintenance expenses relating to the power supply resource projects of MEAN and all other electric power, energy and transmission services;
- All costs and expenses paid or incurred by MEAN resulting from the ownership, termination, repair, renewal, improvement and modification of all power supply resource projects of MEAN and other electric power, energy and transmission services;
- The cost of any electric power and energy purchased by MEAN and the cost of transmission service for delivery of electric power and energy;
- Debt service on bonds and other obligations;

- Amounts necessary to meet any rate covenant of MEAN;
- Maintenance of debt service reserves for bonds and other obligations;
- All other Project Costs, as defined in the Long-Term Power Supply Contracts.

The Long-Term Total Requirements Participants covenant and agree to fix rates and charges for the services of their electric systems and collect the revenues therefrom so that such rates and charges will produce revenues and receipts which will at all times be sufficient to enable such Participants to pay the amounts payable by them under the Long-Term Power Supply Contracts and to pay all other amounts which are payable from their municipal electric utility systems as and when the same become due. The Long-Term Total Requirements Participants establish the electric rates for service to their respective retail electric customers and such rates are not regulated by the Nebraska Power Review Board, the Colorado Public Utilities Commission, the Iowa Utilities Board, the Wyoming Public Service Commission or any other state or federal regulatory body or agency, except that the Public Utilities Commission of Colorado exercises jurisdiction over the rates of Colorado municipalities to the extent such rates are applicable to customers outside of the respective municipal boundaries. The portion of MEAN's total revenues attributable to such extra-territorial customers of its Colorado Participants is not material.

Under the Long-Term Power Supply Contracts, the obligation of each Long-Term Total Requirements Participant to make payments thereunder is an operating expense of its electric system, to be paid solely from revenues of such electric system. Long-Term Total Requirements Participants are not obligated to make any payments to MEAN from tax revenues or any other revenues other than electric utility system revenues.

If MEAN determines that it is necessary to commit to any additional Power Projects, as defined in Service Schedule M, MEAN is required to give each Long-Term Total Requirements Participant an opportunity to determine whether to participate in such project. If a Long-Term Total Requirements Participant determines not to participate in such project, such Long-Term Total Requirements Participant will cease to be a Long-Term Total Requirements Participant under its Long-Term Power Supply Contract and will become a Contract Purchaser when such project goes into commercial operation. As a Contract Purchaser under the Long-Term Power Supply Contract, its obligation to purchase, and MEAN's obligation to supply power and energy, will equal the maximum demand of such Long-Term Total Requirements Participant during the previous 12-month period prior to commercial operation of the additional power supply project.

There has never been a payment default or delinquency by any Long-Term Total Requirements Participant under the Pooling Agreement or the Long-Term Power Supply Contracts. However, if any Long-Term Total Requirements Participant fails to perform its obligations under the Pooling Agreement or the Long-Term Power Supply Contract, the Management Committee will give written notice to such Participant and establish a reasonable period that the Participant may have to fulfill its obligations under the Pooling Agreement or Long-Term Power Supply Contract. If the failure to perform the obligations continues, the Management Committee may immediately terminate such Participant's participation in the Pooling Agreement and MEAN may cease delivering power and energy to the Participant. The

termination of the Pooling Agreement and Long-Term Power Supply Contract does not relieve the Long-Term Total Requirements Participant of any of its obligations under the Long-Term Power Supply Contract. The Long-Term Total Requirements Participants agree that in the event of a default of any Long-Term Total Requirements Participant, it may be necessary for MEAN to revise the rate schedule for the non-defaulting Long-Term Total Requirements Participants in order to maintain revenues sufficient to pay the costs of MEAN described above, including debt service expenses.

For MEAN's most recent fiscal year ended March 31, 2016, Service Schedule M Participants represented approximately 89% of MEAN's Participant revenues. By comparison, fiscal year ended March 31, 2006, Service Schedule M Participants represented approximately 36% of MEAN's Participant revenues.

LIMITED-TERM TOTAL REQUIREMENTS PARTICIPANTS

MEAN has entered into a Service Schedule K, K-1 or a Service Schedule J with eight of the Participants, under which MEAN is required to sell and deliver, and each Limited-Term Total Requirements Participant is required to purchase from MEAN, on a take-and-pay basis, all power and energy required by such Limited-Term Total Requirements Participant, exclusive of any firm power and energy allocated to such Limited-Term Total Requirements Participants by WAPA. The Limited-Term Total Requirements Participants and the current terms of their contracts are:

PARTICIPANT	CONTRACT EFFECTIVE DATE	CONTRACT TERMINATION DATE	SERVICE SCHEDULE	PARTICIPANT % OF MEAN PARTICIPANT REVENUES ⁽¹⁾
Glenwood Springs, CO	1/1/13	12/31/22	K-1	6.8%
Paxton, NE	3/1/14	2/28/24	K	0.3%
Sargent, NE ⁽²⁾	3/1/12	2/28/17	K	0.3%
Holyoke, CO	10/1/13	9/30/18	J	0.5%
Wray, CO	7/1/15	6/30/18	J	0.5%
Snyder, NE	6/1/16	5/31/21	J	n/a
Lake View, IA	6/1/16	5/31/21	J	n/a
Trenton, NE ⁽³⁾	1/1/17	12/31/21	J	n/a

(1) For MEAN's Fiscal Year ended March 31, 2016. Fountain, Colorado was a Service Schedule J Participant until its contract expiration on June 30, 2015, and represented 2.8% of MEAN's Participant revenues for such Fiscal Year.

(2) Sargent has provided notice to MEAN that it will not renew its Service Schedule K contract upon its stated expiration of February 28, 2017. Other Limited-Term Total Requirements Participants could also determine not to renew their contracts upon expiration.

(3) Trenton, Nebraska has executed the Pooling Agreement and taken all other necessary steps to become a Participant of MEAN.

For MEAN's most recent fiscal year ended March 31, 2016, Service Schedule K and K-1 Participants represented approximately 7.4% of MEAN's Participant revenues, and Service Schedule J Participants (including Fountain, Colorado) represented approximately 4% of MEAN's Participant revenues.

The Service Schedule J Participants' rates are based on rates negotiated and agreed to by each such Participant and the Management Committee through Management Committee approval of the Service Schedule J contract.

The rates and charges paid by the Service Schedule K and K-1 Participants are established and modified by the Management Committee and are based on MEAN's cost of power and energy. Service Schedule K and K-1 Participants have the same rate structure of a flat energy rate and fixed cost recovery charge as Service Schedule M Participants. However, the flat energy rate and fixed cost recovery charge allocation is 5% higher. See "–Long-Term Total Requirements Participants" above. Service Schedules K and K-1 also contain the same PEA clause as Service Schedule M, described above under the caption "–Long-Term Total Requirements Participants".

Under Service Schedule J and Service Schedule K and K-1, the Limited-Term Total Requirements Participants covenant and agree to fix rates and charges for the services of their electric systems, and collect the revenues therefrom, so that such rates and charges will produce revenues and receipts which will at all times be sufficient to enable such Participants to pay the amounts payable by them under such Service Schedule and to pay all other amounts payable from the revenues of their municipal electric utility systems as and when the same become due. The obligation of each such Participant to make payments under its Service Schedule is an operating expense of its electric system, payable solely from the revenues of its electric system.

SERVICE POWER PARTICIPANTS

Each of the eight Service Power Participants maintains full control and responsibility for its existing and future resources to meet its electric power and energy requirements. At the current time, none of these Participants enter into power purchase transactions with MEAN.

Three Service Power Participants receive scheduling services from MEAN, for which they pay an administrative fee. A Service Power Participant may terminate its participation in the Pooling Agreement by giving two years' written notice to MEAN. The Service Power Participants are Arkansas River Power Authority in Colorado; Fountain, Colorado; Falls City, Nebraska; Grand Island, Nebraska; Hastings, Nebraska; Nebraska City, Nebraska; Neligh, Nebraska; and Wood River, Nebraska.

SELECTED PARTICIPANT FINANCIAL AND OPERATING INFORMATION

For the fiscal year ended March 31, 2016, Long-Term Total Requirements Participants accounted for 84% of MEAN's total operating revenue from electric energy sales, and 89% of MEAN's total Participant revenues. For such fiscal year, MEAN's top ten Long-Term Total Requirements Participants (determined based on MWh sold by MEAN to such Participants) provided 56% of MEAN's total Participant revenues.

The following tables provide selected financial and operating information for the Long-Term Total Requirements Participants that accounted for more than 5% of MEAN's total Participant revenues for MEAN's most recent fiscal year (the "*Selected Participants*"). The

Selected Participants collectively accounted for 36.6% of MEAN's Participant revenue for MEAN's fiscal year ended March 31, 2016.

With respect to information obtained from Participant audited financial statements or other third party sources, MEAN believes such sources to be reliable but cannot guarantee the accuracy or completeness of such information.

SELECTED FINANCIAL AND OPERATING INFORMATION FOR
SELECTED PARTICIPANTS

PARTICIPANT	PARTICIPANT % OF MEAN PARTICIPANT REVENUES ⁽¹⁾	MEAN REVENUES FROM ELECTRIC ENERGY SALES TO PARTICIPANT ⁽¹⁾	PARTICIPANT ELECTRIC TOTAL OPERATING REVENUES ⁽²⁾	PARTICIPANT ELECTRIC OPERATING EXPENSES ⁽²⁾	POPULATION ⁽³⁾	TOTAL CUSTOMERS ⁽⁴⁾	TOTAL RETAIL ENERGY SALES (MWh) ⁽⁴⁾	PEAK DEMAND (MW) ⁽¹⁾⁽⁵⁾
Fort Morgan, CO	10.3%	\$12,458,524	\$21,806,540	\$22,534,837	11,319	6,040	242,113	22
Waverly Utilities, IA	7.6%	\$ 9,196,830	\$17,803,264	\$17,399,462	10,066	5,021	145,055	31
Indianola Municipal Utilities, IA	7.2%	\$ 8,754,810	\$13,246,882	\$14,439,844	15,467	5,897	121,751	31
Alliance, NE	5.9%	\$ 7,174,131	\$13,236,942	\$10,108,240	8,522	5,218	114,293	22
Crete, NE	5.6%	\$ 6,792,615	\$ 8,819,192	\$ 9,701,959	7,037	3,146	119,473	21

(1) Based on MEAN's fiscal year ended March 31, 2016.

(2) Derived from that Participant's most recent available audited financial statements.

(3) Source: American FactFinder population estimates as of July 1, 2015.

(4) Source: U.S. Energy Information Administration for calendar year 2014.

(5) Exclusive of Participant WAPA allocations.

The following table shows the number of retail customers and energy usage by customer class for the the Selected Participants:

**RETAIL CUSTOMERS AND ENERGY SALES⁽¹⁾
OF SELECTED PARTICIPANTS**

PARTICIPANT	NUMBER OF RETAIL CUSTOMERS				ENERGY USED (MWh)			
	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	TOTAL
Fort Morgan, CO	5,237	802	1	6,040	49,867	121,724	70,522	242,113
Waverly Utilities, IA	4,047	897	77	5,021	39,757	22,568	82,730	145,055
Indianola Municipal Utilities, IA	5,375	512	10	5,897	50,895	45,245	25,611	121,751
Alliance, NE	4,196	1,010	12	5,218	40,856	42,615	30,822	114,293
Crete, NE	2,439	704	3	3,146	27,119	26,063	66,291	119,473

(1) Source: U.S. Energy Information Administration for calendar year 2014.

THREE-YEAR SELECTED FINANCIAL DATA
FOR FORT MORGAN, COLORADO (ELECTRIC FUND)

For MEAN's fiscal year ended March 31, 2016, Fort Morgan, Colorado, accounted for 10.3% of MEAN's total Participant revenues. The following table sets forth the summary statements of revenues, expenses and changes in net position for Fort Morgan, Colorado (Electric Fund), for its three most recent fiscal years ended December 31:

	2015	2014	2013
Operating revenues			
Charges for services	\$21,806,540	\$21,050,019	\$19,600,582
Total operating revenues	<u>21,806,540</u>	<u>21,050,019</u>	<u>19,600,582</u>
Operating expenses			
Transmission, distribution and collection	1,685,071	1,618,386	1,487,762
Commodities	16,358,904	15,821,324	14,711,135
MEAN Regulatory ISO Transmission Adjustment	—	—	524,626
General administration	817,351	410,947	489,262
In lieu of fees	2,871,314	2,943,212	2,747,126
Depreciation expense	802,197	775,611	767,978
Loss on disposal of capital assets	—	—	2,010
Total operating expenses	<u>22,534,837</u>	<u>21,569,480</u>	<u>20,729,899</u>
Operating loss	<u>(728,297)</u>	<u>(519,461)</u>	<u>(1,129,317)</u>
Nonoperating revenues (expenses)			
Earnings on investments	36,960	22,270	6,118
Rents	28,680	28,680	28,680
Other revenues	281,385	210,373	247,908
Loss on disposal of capital assets	—	(113,952)	—
Total nonoperating revenues (expenses)	<u>347,025</u>	<u>147,371</u>	<u>282,706</u>
Changes in net position	<u>(381,272)</u>	<u>(372,090)</u>	<u>(846,611)</u>
Net position at beginning of year	20,541,369	20,913,459	21,494,834
Prior period adjustments	—	—	265,236
Restatement for change in accounting principle ⁽¹⁾	<u>(1,821,181)</u>	<u>—</u>	<u>—</u>
Net position at end of year	<u>\$18,338,916</u>	<u>\$20,541,369</u>	<u>\$20,913,459</u>

Source: Derived from the City of Fort Morgan, Colorado's annual financial statements for the years shown.

- (1) Effective January 1, 2015, the City of Fort Morgan adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Prior to the adoption of GASB Statement No. 68, the City followed the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

As part of its Continuing Disclosure Undertaking, MEAN has agreed to provide, on an annual basis, certain financial and operating information for the “Selected Participants”, as defined in the Continuing Disclosure Undertaking, provided the same can be practicably obtained by MEAN. See “CONTINUING DISCLOSURE” and the form of Continuing Disclosure Undertaking in APPENDIX C to this Official Statement.

MANAGEMENT

Each Total Requirements Participant's electric system (other than the system operated by Imperial Public Power District) operates under the ultimate control of the respective city or town council, utility board or village board of trustees. All rates, power contracts and the issuance of revenue utility bonds for electric system purposes require the approval of the municipality's or utility's governing body. The Imperial Public Power District is governed by an elected board of directors.

SERVICE AREAS

Nebraska. Under Nebraska law, municipalities in Nebraska have the exclusive right to serve all customers within their corporate limits. However, a Nebraska municipality may, subject to the approval of the NPRB, enter into agreements pursuant to which other suppliers of electricity may serve customers within such municipality. Municipalities have the right to serve customers in areas which they annex, subject to the approval of the NPRB and payment to the previous suppliers of electricity of lost funds per a formula for existing lost customers in accordance with Nebraska law. Under Nebraska law the service areas of public power districts and municipalities are determined by agreement with other suppliers of electricity, subject to the approval of the NPRB.

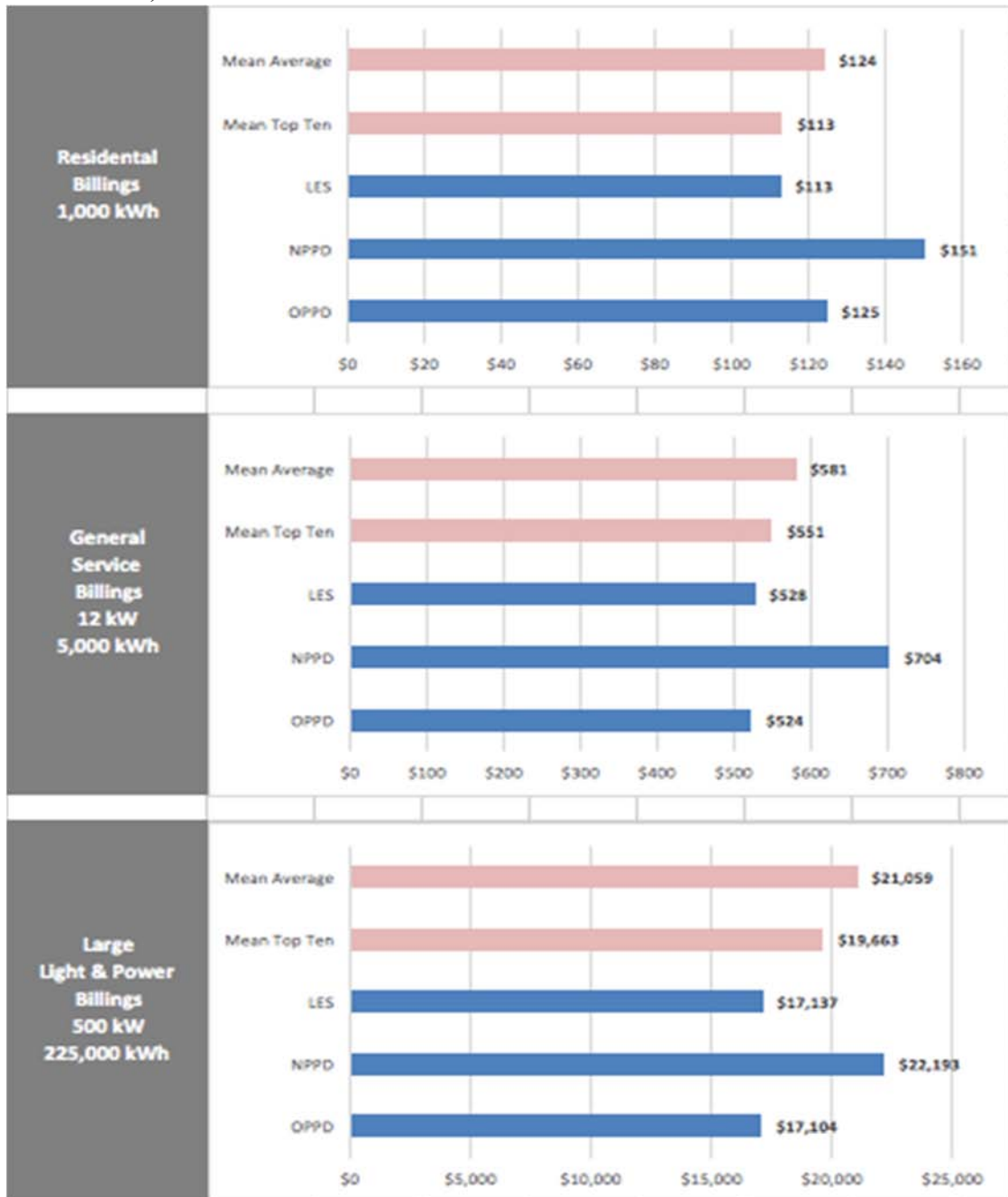
Colorado. Under Colorado law, municipalities in Colorado have the exclusive right to serve all customers within their corporate limits. A Colorado municipality may enter into agreements pursuant to which other suppliers of electricity may serve customers within such municipality. Municipalities have the right to serve customers in areas that they annex. Subject to regulation by the Colorado Public Utilities Commission, a Colorado municipality may supply electricity to customers outside of its corporate limits. Colorado laws allow providers to compete on growth.

Wyoming. Under Wyoming law, municipalities in Wyoming have the exclusive right to serve all customers within their corporate limits. Maps of territories are filed with the Wyoming Public Service Commission.

Iowa. The service area of a municipal utility in Iowa includes all of the industrial, commercial, and residential loads located within the corporate limits of the city and in certain circumstances loads which are located just outside of the city limits. The Utility Division of the Iowa Department of Commerce regulates the electric service area of each utility in Iowa, including municipal utilities. Competition to provide electric service across defined service areas is not allowed under current Iowa law.

CERTAIN COMPARATIVE PARTICIPANT RETAIL RATES

The following table shows the monthly average residential, commercial and industrial billings of the ten largest Long-Term Total Requirements Participants (determined based on MWh sold by MEAN to such Participant) at selected levels of consumption and demand for the summer of 2015, as compared to the billings of the three largest retail electric providers in Nebraska (LES, NPPD and OPPD) for the same month:



(1) Source: Nebraska Municipal Power Pool Retail Rate Survey, Summer 2015 data. Survey sample size of 152.

Representative residential electric billings for the summer of 2015 for the ten largest Long-Term Total Requirements Participants (based on MWh sold by MEAN to such Participants) together with LES, NPPD and OPPD are set forth below:

UTILITIES	TYPICAL RESIDENTIAL BILLS FOR 1,000 kWh
Participants	
Fort Morgan, CO	\$96.21
Waverly Utilities	130.32
Indianola Municipal Utilities, IA	117.90
Alliance, NE	126.20
Crete, NE	108.25
Torrington, WY	101.70
Broken Bow, NE	110.30
Fairbury, NE	106.00
Sidney, NE	117.40
Delta, CO	120.00
Non-Participants	
LES	\$112.90
NPPD	150.72
OPPD	125.02

(1) Source: Nebraska Municipal Power Pool Retail Rate Survey, Summer 2015 data. Survey sample size of 152.

INVESTMENT CONSIDERATIONS

The purchase of the 2016 Series A Bonds involves certain investment risks that are discussed throughout this Official Statement. No prospective purchaser of the 2016 Series A Bonds should make a decision to purchase any of the 2016 Series A Bonds without first reading and considering the entire Official Statement, including all Appendices, and making an independent evaluation of all such information. Certain of those investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

SPECIAL OBLIGATIONS

The 2016 Series A Bonds are special obligations of MEAN payable only from the Revenues of the Power Supply System and certain funds held under the Resolution. Neither the full faith and credit nor the taxing power of the State of Nebraska or any agency, instrumentality or political subdivision thereof (including MEAN) is pledged for the payment of principal of, premium, if any, or interest on the 2016 Series A Bonds. The 2016 Series A Bonds are not general obligations of MEAN or of the State of Nebraska or any agency, instrumentality or political subdivision thereof. The issuance of the 2016 Series A Bonds shall not directly, indirectly, or

contingently obligate MEAN, the Participants or the State of Nebraska or any agency, instrumentality, or political subdivision thereof to levy any form of taxation therefor or to make any appropriation for the payment of the 2016 Series A Bonds. MEAN has no taxing power. The Resolution does not mortgage or grant a security interest in any physical properties of the Power Supply System to secure the 2016 Series A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” above.

The obligation of each Total Requirements Participant to make payments under the Long-Term Power Supply Contracts or under Service Schedule J or Service Schedule K or K-1 is an operating expense of its electric system. Such payments are to be made solely from the revenues of such Participant’s electric system. Such Participants are not obligated to make any payments to MEAN from tax revenues or any other revenues other than electric utility system revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Pooling Agreement and Long-Term Power Supply Contracts.”

OPERATION OF POWER SUPPLY SYSTEM FACILITIES

Any significant disruption in the operation of the Power Supply System may prevent MEAN from providing electricity or other services to some or all of its Participants. In such event, the Revenues may decrease.

The Resolution requires that MEAN, in its operation of the Power Supply System, maintain insurance in such amounts and to such extent as is normally carried by other municipalities operating public utilities of the same size and type. In the event of any loss or damage, the Resolution requires that the proceeds of any insurance first be applied to the purpose of restoring or replacing the property lost or damaged. Any remainder is to be paid into the General Reserve Fund. However, there can be no assurance that the proceeds of such insurance will be sufficient to restore or replace the lost or damaged property.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The U.S. electric utility industry is in a period of significant change and is facing a range of challenges and uncertainties that will continue to impact the financial and operating position of investor-owned, cooperative and municipal electric utilities, including MEAN and the Participants. Much of the change results from actions taken by legislative and regulatory bodies at the national, regional and state level.

Energy Policy Act of 1992. The Energy Policy Act of 1992 (the “*Energy Policy Act of 1992*”) made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access under Sections 211, 212, and 213 of the Federal Power Act (“*FPA*”). The purpose of these changes, in part, was to bring about increased competition in wholesale electric markets. While MEAN could contest before FERC or in federal court any application under Sections 211, 212 and 213 of the FPA on jurisdictional, procedural or substantive grounds, those Sections of the FPA provide FERC with the authority, upon application by an electric utility, federal power marketing agency, or any person generating electricity for sale or resale, to require all transmitting utilities to provide transmission services to the applicant at

rates, charges, terms and conditions set by FERC based on standards and provisions in the FPA. However, the Energy Policy Act of 1992 specifically denied FERC the authority to mandate “retail wheeling,” under which a retail customer of one utility could obtain power from another utility or nonutility power generator.

On April 24, 1996, FERC issued two final rules. One of the final rules, Order No. 888, (i) requires jurisdictional utilities to file wholesale transmission tariffs providing pricing and terms for transmission access for wholesale purpose and (ii) requires non-jurisdictional utilities (including municipal and consumer-owned utilities) that purchase transmission services from a jurisdictional utility to provide, in turn, non-discriminatory, open access transmission services back to the jurisdictional utility upon terms and conditions that are comparable to the transmission service that they provide to themselves

The other final rule, Order No. 889, (i) imposes certain standards of conduct intended to restrict transmission-owning utilities from using those facilities to obtain an unfair competitive advantage in power sales transactions and (ii) requires utilities to post information electronically regarding the availability and pricing of their transmission services. In 2015, FERC approved MEAN’s application for a Waiver of the Standards of Conduct under the Small Utility Standard.

Energy Policy Act of 2005. The Energy Policy Act of 2005 (the “*Energy Policy Act of 2005*”) established a new Section 211A in the FPA which gives FERC new jurisdiction over unregulated transmitting utilities. As MEAN is defined as a load-serving entity under Section 211A, it is not subject to this regulation. In its Order 890 issued in February 2007 and Order 890-A, an order on rehearing issued in December 2007, FERC stated that it does not intend to propose a generic rule at this time to implement Section 211A. Rather, FERC will apply Section 211A on a case-by-case basis in response to complaints brought to FERC.

Section 211A gives FERC the authority to order any unregulated transmitting utility to provide transmission services: (1) at rates that are comparable to those under which the unregulated transmitting utility charges itself and (2) on terms and conditions not relating to rates that are comparable to those under which the unregulated transmitting utility provides transmission service to itself and that are not unduly discriminatory and preferential. Section 211A makes the rate changing procedures applicable to public utilities under subsections (c) and (d) of Section 205 of the FPA applicable to the unregulated transmitting utilities. FERC can remand transmission rates to the unregulated transmitting utility for review and revisions if necessary to meet the requirements described above. FERC cannot require MEAN to take action under Section 211A that would violate a private activity bond rule application to MEAN’s indebtedness. Further, nothing in the Energy Policy Act of 2005 authorizes FERC to require MEAN to transfer control or operational control of any of its transmission facilities to a regional transmission organization or independent transmission system operator. All of these regulations assure MEAN of equitable transmission service to serve its Participants.

FERC Order No. 890 implements revisions to FERC’s Open Access Transmission Tariff (“*OATT*”) and regulations first adopted in its Order Nos. 888 and 889 in 1996 for jurisdictional public utilities. FERC stated in Order No. 890 that it expects unregulated transmission providers and customers to participate in the open and transparent regional transmission planning processes

described in Order No. 890. MEAN is subject to FPA Section 221 which prohibits filing or reporting of false information to a federal agency related to the price of wholesale electricity or transmission capacity. MEAN is also subject to FPA Section 222 which prohibits fraud and market manipulation in the purchase or sale of electric energy or transmission service that is subject to FERC jurisdiction.

Section 215 of the Federal Power Act, which was enacted by the 2005 Energy Policy Act, provides for FERC to establish a system of mandatory, enforceable reliability standards. FERC has designated the NERC as the Electric Reliability Organization to develop the reliability standards for submittal to FERC for approval and then administer the approved standards with the industry. The reliability standards apply to all users, owners and operators of the bulk power system within the United States (other than Alaska or Hawaii) and require that each reliability standard identify the subset of users, owners and operators to which that particular reliability standard applies. Violations of the reliability standards may result in penalties, which FERC continues to monitor and adjust. MEAN performs Resource Planning (RP) functions for its Participants. MEAN is in compliance with all of the current reliability standards applicable to Resource Planners but is not able to predict the effects, if any, that future standards or changes to current standards will have on MEAN, the Participants or the Power Supply System.

The Energy Policy Act of 2005 also (a) authorizes FERC to order refunds for certain wholesale sales of 31 days or less which may include certain MEAN sales if such sales violate FERC-approved tariffs or FERC rules, (b) allows load serving entities holding certain firm transmission rights to continue to use those rights to meet service obligations for native loads, and (c) authorizes FERC to issue construction permits for transmission projects located in “national interest electric transmission corridors” (to be designated by Department of Energy (“DOE”) in circumstances where the applicable state or regional siting agency does not timely authorize a project or imposes unreasonable conditions).

Regional Transmission Organizations. In addition to coordinating wholesale transmission operations and services, RTOs operate centralized markets for wholesale electricity products such as capacity, energy and ancillary services. As a participant in the MISO and SPP markets, MEAN is subject to the tariff provisions and business practices governing the operation of wholesale electricity markets in each of those RTOs. As a result, MEAN’s costs of securing power to meet Participants’ needs are affected by the market and administrative mechanisms approved by FERC for use in setting prices for energy, capacity, transmission and ancillary services in MISO and SPP.

Renewable Portfolio Standards. Certain states are now implementing renewable portfolio standards (“RPS”) which typically require electricity providers to obtain a minimum percentage of their power from renewable energy resources by a certain date. As of the date of this Official Statement, Iowa has adopted a renewable portfolio standard for investor owned utilities. Colorado has adopted a renewable portfolio standard affecting investor-owned utilities, electric cooperatives and municipal utilities, except municipal utilities serving less than 40,000 customers. For Colorado municipalities subject to the RPS, the requirement is that the municipality provide the following percentages of renewable or recycled energy: 6% of retail electricity sales for each year until 2019 and 10% of retail electricity sales beginning in year 2020 and for each year thereafter. Presently, this RPS is not affecting MEAN’s Colorado Participants. Colorado municipal utilities

serving at least 5,000 customers must also offer a net metering program in accordance with statutory requirements.

Nebraska and Wyoming have not adopted an RPS.

Other Factors. In addition to these legislative and regulatory actions, a number of other factors are having or may have significant impacts on the electric utility industry generally and on the financial and operating condition of individual utilities. These factors include, among other things:

- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- the development and impact of alternate energy sources, and government changes to tax credits and grants for renewable energy projects;
- the lack of a comprehensive national energy policy;
- effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions and strategic alliances of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;
- increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- changes in systems, including systems that would provide certain customers with the ability to generate their own electrical power and reduce or eliminate their dependency on power provided by MEAN and the Participants, such as “self-generation” or “distributed generation” (such as rooftop solar, microturbines and fuel cells) and net metering applications;
- volatility in the price of energy purchased on the wholesale market that may occur in times of high peak demand;
- unavailability of or substantial volatility in the cost of coal or natural gas used as fuel for generation facilities;
- availability and sufficiency of transmission capacity, particularly during times of high demand; and
- local, regional and national economic conditions.

It is not possible to predict what impact these and other factors will have on the financial and operating position of MEAN or the Participants. The foregoing discussion is a general

summary of complex matters. This discussion is not comprehensive or definitive and the matters discussed are subject to change.

CERTAIN ENVIRONMENTAL MATTERS AFFECTING MEAN

Electric utilities are subject to continuing environmental regulation. Various environmental permits and approvals from state and federal agencies are necessary in order to operate the Power Supply System. To date, MEAN reports that all environmental permits and approvals necessary for the operation of the Power Supply System have been obtained. However, federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the Power Supply System and the utility facilities owned or operated by the Participants will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

There is increased concern by the public, the scientific community and Congress regarding environmental damage resulting from the use of fossil fuels. There are a number of pending or recently enacted legislative proposals in Congress that may affect the electric utility industry. Increased environmental regulation has created and may create additional barriers to new facility development and modification of existing facilities. The additional costs, including time, human resources, uncertainty and delay, could increase the cost of electricity from affected resources.

Clean Air Act. Legislation was enacted in 1990 that substantially revised the Clean Air Act (the “1990 Amendments”). The 1990 Amendments seek to improve the ambient air quality throughout the United States. A main objective of the 1990 Amendments is the reduction of sulfur dioxide (“SO₂”) and nitrogen oxide (“NO_x”) emissions caused by electric utility power plants, particularly those fueled by coal. Under the 1990 Amendments, SO₂ emission reduction was to be achieved in two phases. Phase I addressed specific generating units named in the 1990 Amendments. MEAN’s generating resources meet the emissions requirements under Phase I.

Phase II of the Act was effective January 1, 2000. Based on current projections, MEAN has approximately 90% of needed allowances for SO₂ emissions to cover the electric power needs of its customers through 2018. Currently, all of MEAN’s coal-fired generation resources meet Phase II NO_x compliance requirements. SO₂ and NO_x emissions are monitored continuously and reported quarterly in compliance with Environmental Protection Agency (“EPA”) regulations.

In recent years, legislative bills have been introduced in both the House and Senate that if enacted, would require the addition of pollution control equipment to reduce emissions of SO₂, NO_x, mercury and carbon dioxide (“CO₂”) from coal-fired electric power plants. MEAN’s generating resources have installed the required mercury reduction capability. Mandatory CO₂ reductions could substantially increase MEAN’s operations and maintenance expenses and possibly require switching fuel from coal to natural gas. MEAN continually monitors emissions reduction legislation.

Cross-State Air Pollution Rule. In July 2011, the EPA finalized the Cross-State Air Pollution Rule (“CSAPR”), which would require the reduction of NO_x and SO₂ in 28 targeted states in the eastern and mid-western United States by reducing power plant emissions that contribute to ozone and/or fine particle pollution in other states. Under CSAPR, EPA sets a pollution limit (referred to as a “budget”) for each state covered by the rule. CSAPR allows sources in each state to determine how to meet the emission budgets, including unlimited trading of emissions allowances between power plants in the same state and limited interstate trading under certain conditions. The CSAPR replaces the Clean Air Interstate Rule (“CAIR”).

The timing of CSAPR’s implementation has been affected by a number of court actions. When adopted, CSAPR was to take effect in two phases, with initial emission budgets to take effect in January 2012 (“Phase I”) and more stringent emission budgets to take effect in January 2014 (“Phase II”). The U.S. Circuit Court of Appeals for the District of Columbia (“D.C. Circuit Court”) stayed CSAPR’s implementation in 2011 and vacated portions of CSAPR in 2012. In 2014, the U.S. Supreme Court reversed the D.C. Circuit Court’s 2012 decision and remanded for further proceedings. On October 23, 2014, the D.C. Circuit Court granted EPA’s request to lift the stay of CSAPR and to delay CSAPR’s compliance deadlines by three years. Accordingly, Phase I of CSAPR took effect January 1, 2015 and states subject to CSAPR must now comply with the Phase I emission budgets set by EPA. Phase II emission budgets are now scheduled to take effect January 1, 2017. These compliance deadlines took effect notwithstanding a decision of the D.C. Circuit Court on July 28, 2015, to require the EPA to reconsider certain emissions budgets for 13 upwind states.

Nebraska is among the 28 states that are subject to CSAPR’s requirements to reduce annual emissions of NO_x and SO₂. MEAN believes its generating resources are well positioned to meet any requirements relating to CSAPR’s implementation. MEAN does not anticipate that CSAPR will have a material impact on the Power Supply System or its generating resources.

On November 16, 2015, the EPA proposed an update to CSAPR to reduce summertime emissions of NO_x from power plants in 23 states in the eastern half of the United States through changes in NO_x emissions budgets. Nebraska is not included in the scope of this proposed update to CSAPR.

Mercury and Air Toxics Standards (MATS). On December 16, 2011, the EPA issued final rules titled “Mercury and Air Toxics Standards”. The rules establish national emission standards for mercury and other hazardous air pollutants from coal- and oil-fired power plants. They require significant reductions in mercury and acid gas emissions from coal-fired power plants and would provide facilities with up to four years to meet the new standards. The rules apply to coal- and oil-fired electric generating units greater than 25 MW. On July 20, 2012, EPA agreed to review new technical information submitted by industry groups regarding toxic air pollution limits for new power plants under MATS, but this reconsideration does not cover the standards set for existing power plants. On June 25, 2013, EPA reopened the public comment period to solicit additional input on startup and shutdown provisions, and notice of final action on these provisions was published in the Federal Register on November 19, 2014.

On November 26, 2014, the U.S. Supreme Court agreed to hear three related cases to consider the narrow question of whether EPA unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants emitted by electrical utilities. On June 29, 2015, the U.S. Supreme Court rejected the final MATS rule, holding that the EPA did not properly consider costs as it wrote the rule. The rule was remanded to the D.C. Circuit. On November 20, 2015, EPA proposed a supplemental finding that including a consideration of cost does not alter EPA's previous determination that it is appropriate to regulate air toxics, including mercury, from power plants. On December 15, 2015, the D.C. Circuit remanded the rule to EPA without vacating the rule, and on March 3, 2016, the U.S. Supreme Court denied a petition by 20 states to stay the rule pending the revision process. On April 14, 2016, EPA issued its final supplemental finding stating that, after consideration of costs, it is appropriate and necessary to set standards for emissions of air toxics from coal- and oil-fired power plants.

MEAN's impacted facilities are all currently MATS compliant. WSEC 4 was originally constructed with emissions controls which enable the plant to comply with MATS. At the time of purchase of the Air Quality Control System for WEC 2, WEC 2 purchased the necessary equipment to use activated carbon injection as a control of mercury emission to enable compliance with MATS. Wygen Unit I's current emission control equipment enables the plant to comply with MATS. Laramie River Station completed installation of equipment in order to meet a June 2015 compliance deadline to comply with MATS. Ongoing compliance with MATS must be demonstrated by each affected facility.

RICE. Beginning May 3, 2013, the Reciprocating Internal Combustion Engine ("RICE") Standard was implemented by the EPA. The regulations required reduction of emissions of hazardous air pollutants from covered engines located at major sources of hazardous air pollutant emissions such as power plant sites. All applicable Committed Facilities have installed the required equipment, and the majority of the necessary policies and procedures. The remainder of the required documentation will be completed prior to December 31, 2016 as stipulated by the Nebraska Department of Environmental Quality ("NDEQ").

Regional Haze Rule. In July 2005, the EPA finalized the Regional Haze Rule which requires emissions controls using best available retrofit technology ("BART") for industrial facilities emitting air pollutants that impair visibility in Class I areas (national parks and wilderness areas). Such pollutants include fine particulate matter ("PM_{2.5}") and compounds that contribute to PM_{2.5} such as nitrogen oxides, sulfur dioxides, certain volatile organic compounds and ammonia. On January 21, 2011, the NDEQ submitted the State Implementation Plan for BART to the EPA. Operators of MEAN's facilities have created a plan to promote compliance. Necessary upgrades are included in MEAN's capital budget projections, and do not represent significant expenditures for MEAN.

Nebraska, as a CSAPR-affected state, will be able to substitute CSAPR for any requirements related to the Regional Haze Rule. WEC 2 is well positioned to meet any requirements relating to CSAPR's implementation. Based on a determination by the state of Iowa, WSEC 4 is not subject to the Regional Haze Rule. In 2014 the EPA issued a final ruling on the Wyoming state implementation plan (SIP) for Laramie River Station that required installation of

SCR technology for all three units at Laramie River Station. The total estimated cost to install SCR on all three units was estimated at \$755 million, with annual operating costs of nearly \$16 million. A Petition for Reconsideration was submitted to the EPA and the 10th Circuit Court of Appeals granted a stay motion for compliance with the regulations while the legal challenge is pending.

The estimated Regional Haze Rule compliance date for Laramie River Station is 2020. The Wyoming Department of Environmental Quality and coal plant operators are evaluating various options for Laramie River Station compliance which include negotiating a settlement with the EPA. Possible options for discussion with EPA include installing selective noncatalytic reduction controls on two units and SCR control on one unit, rather than all SCR controls. This would result in a significant cost reduction over installing all SCR NO_x removing technology. Wygen Unit I is not currently subject to CSAPR, though it is well positioned to meet any requirements relating to CSAPR's implementation.

National Ambient Air Quality Standards. In April 2007 the EPA promulgated final rules and guidance for fine particulate matter, known as the PM_{2.5} Standard, under the National Ambient Air Quality Standards (“NAAQS”). The PM_{2.5} Standard regulated particles less than 2.5 microns in diameter and could possibly lead to further controls on utilities in the future. On December 22, 2008, the EPA designated certain geographic areas as “non-attainment” (*i.e.*, not in compliance with air quality standards) for the PM_{2.5} Standard. The standards were revised in December 2012. On March 10, 2015, EPA proposed requirements for implementing the PM_{2.5} Standard in areas that are designated as “non-attainment”. No county in Colorado, Iowa, Nebraska or Wyoming has been included in the EPA's list of PM_{2.5} “non-attainment” areas. However, MEAN cannot predict the impact on the maintenance and operation costs of the Power Supply System of any new revisions or regulations to the current PM_{2.5} related regulations.

On March 27, 2008, the EPA promulgated new primary and secondary national ambient air quality standards for ozone using a revised eight-hour average. On December 28, 2015, revised NAAQS for ground-level ozone became effective. The rule revises NAAQS to 70 parts per billion (ppb), which is more stringent than the 75 ppb standard set in 2008, and requires modeling and low ambient air testing to confirm compliance. Based on current data and public information, currently all areas of Colorado, Iowa, Nebraska or Wyoming are either in attainment or are unclassifiable. MEAN cannot predict the impact on the operation costs of the Power Supply System of any future regulations or changes in conditions.

Greenhouse Gas and Climate Change Issues. In April 2009, the EPA issued final findings that (1) the current and projected concentrations of the mix of six key greenhouse gases (“GHGs”)—carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride—in the atmosphere threaten the public health and welfare of current and future generations; and (2) the combined emissions of these well-mixed GHGs from new motor vehicles and new motor vehicle engines contribute to the GHG pollution, which threatens public health and welfare.

On May 13, 2010, the EPA issued a final rule that requires Prevention of Significant Deterioration (“PSD”) and Title V operating permits to be obtained by stationary sources,

including power plants, satisfying certain thresholds and other criteria in connection with GHG emissions. PSD permitting requirements in connection with GHGs would require a “best available control technology” (“*BACT*”) analysis. EPA has been gradually phasing in these requirements, focusing on the largest emitters first. WEC 2, WSEC 4 and Wygen Unit I are all operated under BACT standards. WEC 2, WSEC 4, Wygen Unit 1 and Laramie River Station currently have the necessary Title V operating permits and acid rain permits. Title IV of the Clean Air Act created an SO₂ allowance trading program as part of the federal acid rain program. Sufficient allowances are held for Wygen Unit I and WEC 2.

During 2013 and 2014, EPA proposed performance standards for new, modified and reconstructed fossil fuel-fired electric generating units. On August 3, 2015, the EPA finalized performance standards. Under the rule, new coal-fired power plants will be required to employ partial carbon capture and sequestration technology to meet emission standards for carbon dioxide. For new natural gas-fired units, EPA has concluded that compliance should be achievable without additional controls. The performance standards will not apply to existing plants.

On August 3, 2015, EPA released its final Clean Power Plan under Section 111(d) of the Clean Air Act (the “*Clean Power Plan*”) which sets performance standards for existing power plants to reduce carbon dioxide (CO₂) emissions. The Clean Power Plan requires each state to reduce its CO₂ emissions rate from existing fossil fuel plants relative to 2005 emission levels to meet state-specific standards starting in 2022, with a final rate for 2030 and beyond. The Clean Power Plan outlines several methods by which emission reductions can be achieved, but does not prescribe specifically to states which methods to employ. On February 9, 2016, the U.S. Supreme Court issued a stay of the Clean Power Plan, effective immediately, while litigation proceeds. The Supreme Court is expected to hear arguments on September 27, 2016.

While the regulations created by this process have the potential to have a significant impact on MEAN and the electric utility industry generally, the ultimate costs and impacts are not determinable at this time. MEAN expects the impacts of the Clean Power Plan should be mitigated by MEAN’s ownership of recently constructed coal facilities. MEAN continues to work with stakeholders and state regulators on the way forward, despite current stay of the Clean Power Plan.

There have been numerous other judicial and legislative challenges to the EPA’s efforts to regulate GHGs that may impact the regulatory status outlined above. MEAN cannot predict the outcome of such challenges or the effects on MEAN, the Power Supply System or the Participants of current or subsequent rulemaking by the EPA with regard to GHGs.

Coal Combustion Byproducts. On May 4, 2010, the EPA issued a proposed rulemaking to regulate coal combustion byproducts (“*CCBs*”). The proposal asked for public comment on two approaches for regulating CCBs. One option was to regulate CCBs as a hazardous waste under Subtitle C of the Resource Conservation and Recovery Act (“*RCRA*”), which would have allowed the EPA to create a comprehensive federal program for waste management and disposal of CCBs. The other option was to regulate CCBs as a non-hazardous waste under Subtitle D of the RCRA, providing the EPA with the authority to develop performance standards for waste management facilities handling the CCBs, which would be enforced primarily through citizen suits. EPA held extensive public comment periods on the proposed rule and on January 29, 2014, EPA entered into

a consent decree directing EPA to publish its final action regarding whether or not to pursue the proposed non-hazardous waste option for CCBs by December 19, 2014.

EPA issued its final rule for the disposal of CCBs from electric utilities on December 19, 2014, which came into effect on October 19, 2015 (the “*CCBs Final Rule*”). The CCBs Final Rule regulates CCBs under Subtitle D of the RCRA as non-hazardous solid waste. The CCBs Final Rule establishes guidelines and new minimum standards for the disposal of CCBs in landfills and surface impoundments. As of the date of this Official Statement, MEAN facilities are currently compliant.

Effluent Limitation Guidelines. The EPA’s Effluent Limitation Guidelines for coal-fired steam electric plants were last revised in 1982. The EPA has in recent years considered adopting more stringent limits for new pollutants and parameters for individual wastewater streams generated by steam electric power plants, with a particular focus on coal-fired power plants. EPA issued a draft rule on June 7, 2013 and closed the comment period on the proposed rule on September 20, 2013. The EPA finalized the rule on September 30, 2015, which became effective January 4, 2016. Under the rule, new requirements for existing power plants will be phased in between 2018 and 2023. The rule established wastewater limits for heavy metals from coal combustion residual products. Operators of MEAN’s facilities are completing the necessary planning to ensure compliance.

Water Quality. The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System permit program. WSEC 4 is not impacted by the Clean Water Act. WEC 2, Wygen Unit I and Laramie River Station have proper permitting in place under the Clean Water Act.

Future Legislation and Rules. Various Congressional bills have been introduced in both the House of Representatives and the Senate that would require the further reduction of emissions of sulfur dioxides, nitrogen oxides, mercury and carbon dioxide from coal-fired electric generating units. It is uncertain if or when any of these Congressional bills may be enacted into law and what effect, if any, such legislation will have on MEAN, the Power Supply System or the Participants.

MEAN cannot predict at this time whether any additional legislation or rules will be enacted that will affect the operations of the Power Supply System, MEAN or the Participants, and if such laws or rules are enacted, what the costs to MEAN and the Participants might be in the future because of such action.

MEAN is continually monitoring, and evaluating the best ways to meet, the requirements of current federal and state air quality and other environmental laws. See “MUNICIPAL ENERGY AGENCY OF NEBRASKA — Environmental Regulation and Resource Planning.”

LIMITATION OF RIGHTS UPON INSOLVENCY

The United States Bankruptcy Code enables debtors which are insolvent to obtain relief through petition and plan which may result in the modification or delay of payments to creditors, including bondholders. In the event of any insolvency upon the part of MEAN, the extent to which

holders of 2016 Series A Bonds would be treated as a separate class or otherwise given priority over other claimants is a matter that would be subject to future determinations of Nebraska state and federal courts interpreting and applying both state law and the United States Bankruptcy Code. Procedures under the Bankruptcy Code or other insolvency laws could result in delays in payment and modifications of payment rights. The State of Nebraska has authorized its political subdivisions, which may include MEAN, to seek relief under the United States Bankruptcy Code by statute.

CONTINUING DISCLOSURE

MEAN has undertaken for the benefit of the Owners and the beneficial owners of the 2016 Series A Bonds to provide certain annual financial information and operating data and notice of certain reportable events to the Municipal Securities Rulemaking Board (“MSRB”) via its Electronic Municipal Market Access website at www.emma.msrb.org all in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended (the “Rule”). See APPENDIX C for the form of the Continuing Disclosure Undertaking that will be executed and delivered by MEAN (the “Undertaking”).

The annual financial and operating data to be provided pursuant to the Undertaking will include certain financial and operating information for the “Selected Participants”, as defined in the Undertaking, provided the same can be practicably obtained by MEAN and subject to the other terms and provisions of the Undertaking. See APPENDIX C.

A failure by MEAN to comply with the Undertaking will not constitute an Event of Default under the Resolution and the Owners of the 2016 Series A Bonds are limited to the remedies described in the Undertaking. A failure by MEAN to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2016 Series A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2016 Series A Bonds and their market price.

MEAN entered into continuing disclosure undertakings pursuant to the Rule in connection with prior issuances of Bonds (the “Prior Undertakings”), including MEAN’s \$84,350,000 Power Supply System Revenue Bonds 2003 Series A (the “2003 Series A Bonds”), which were insured by Financial Security Assurance Inc. (now Assured Guaranty Municipal Corp.) (“AGM”), and which were redeemed on April 1, 2013. AGM was downgraded by Moody’s Investors Service on January 17, 2013, from Aa3 to A2, and MEAN did not file an event notice pursuant to the Prior Undertaking relating to the 2003 Series A Bonds.

Otherwise, MEAN reports that there have been no instances in the previous five years in which MEAN failed to comply, in all material respects, with its Prior Undertakings.

LITIGATION

There is no action, suit, proceeding, inquiry, or any other litigation or investigation at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization, or existence of MEAN or the operation of the Power Supply System; or the titles of its officers to their respective offices; or seeking to restrain or enjoin the issuance, sale, or delivery of the 2016 Series A Bonds; or directly or indirectly contesting or affecting the proceedings or the authority by which the 2016 Series A Bonds are issued; or the validity of the 2016 Series A Bonds or the issuance thereof; or the validity of the Pooling Agreement or the Long-Term Power Supply Contracts.

INDEPENDENT AUDITORS

The financial statements of MEAN as of March 31, 2016 and 2015, and for the years then ended, included in this Official Statement have been audited by BKD, LLP, as stated in their report in APPENDIX A of this Official Statement. BKD, LLP has not performed any updating procedures subsequent to the date of its audit report on the March 31, 2016 and 2015 financial statements.

FINANCIAL ADVISOR

MEAN has retained Public Financial Management, Inc., as financial advisor (the “*Financial Advisor*”), in connection with various matters relating to the delivery of the 2016 Series A Bonds. While the Financial Advisor assisted in the review and preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2016 Series A Bonds, the Financial Advisor assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in underwriting or distributing securities. The Financial Advisor will receive compensation that is contingent upon the sale, issuance and delivery of the 2016 Series A Bonds

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the 2016 Series A Bonds are subject to the approval of Chapman and Cutler LLP, Bond Counsel to MEAN. Certain matters will be passed upon for MEAN by Chris Dibbern, general counsel to MEAN, including an opinion as to the validity and enforceability of the Long-Term Power Supply Contracts. Certain matters will be passed upon for the Underwriters by Sutherland Asbill & Brennan LLP.

The approving opinion of Bond Counsel in the form set forth in APPENDIX D to this Official Statement will be delivered with the 2016 Series A Bonds.

TAX MATTERS

2016 SERIES A BONDS FEDERAL TAX TREATMENT

Federal tax law contains a number of requirements and restrictions which apply to the 2016 Series A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of 2016 Series A Bond proceeds and the facilities financed therewith, and certain other matters. MEAN has covenanted to comply with all requirements that must be satisfied in order for the interest on the 2016 Series A Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2016 Series A Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2016 Series A Bonds.

Subject to MEAN's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the 2016 Series A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but Bond Counsel expresses no opinion as to whether interest on the 2016 Series A Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of MEAN with respect to certain material facts within MEAN's knowledge and upon the mathematical computation of the yield on the 2016 Series A Bonds and the yield on certain investments by Precision Analytics Inc., Certified Public Accountants. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the 2016 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the alternative minimum tax, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2016 Series A Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "*Issue Price*") for each maturity of the 2016 Series A Bonds is the price at which a substantial amount of such maturity of the 2016 Series A Bonds is first sold to the public. The Issue Price of a maturity of the 2016 Series A Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the 2016 Series A Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the

2016 Series A Bonds (the “OID 2016 Series A Bonds”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2016 Series A Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2016 Series A Bond to its stated maturity, subject to the condition that MEAN complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID 2016 Series A Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID 2016 Series A Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but owners of OID Bonds should consult their own tax advisors as to whether such original issue discount is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID 2016 Series A Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2016 Series A Bonds.

Owners of 2016 Series A Bonds who dispose of 2016 Series A Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2016 Series A Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2016 Series A Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2016 Series A Bond is purchased at any time for a price that is less than the 2016 Series A Bond’s stated redemption price at maturity or, in the case of an OID 2016 Series A Bond, its Issue Price plus accreted original issue discount (the “*Revised Issue Price*”), the purchaser will be treated as having purchased a 2016 Series A Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2016 Series A Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases an OID 2016 Series A Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2016 Series A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2016 Series A Bonds.

An investor may purchase a 2016 Series A Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the 2016 Series A Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the 2016 Series A Bond. Investors who purchase a

2016 Series A Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2016 Series A Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2016 Series A Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2016 Series A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2016 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "*Service*") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2016 Series A Bonds. If an audit is commenced, under current procedures the Service may treat MEAN as a taxpayer and the 2016 Series A Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2016 Series A Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2016 Series A Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2016 Series A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2016 Series A Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

NEBRASKA INCOME TAX TREATMENT

In the opinion of Bond Counsel, under the existing laws of the State of Nebraska, as presently enacted and construed, so long as interest on the 2016 Series A Bonds is not included in gross income for federal income tax purposes, interest on the 2016 Series A Bonds is exempt from Nebraska state income taxation. Ownership of the 2016 Series A Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2016 Series A Bonds. Prospective purchasers of the 2016 Series A Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

BOND RATINGS

Standard & Poor's Public Finance Ratings, a division of The McGraw-Hill Companies Inc. ("S&P") and Fitch Ratings ("*Fitch*") have assigned municipal bond ratings to the 2016 Series A Bonds of "A" and "A," respectively.

Such ratings assigned to the 2016 Series A Bonds do not constitute a recommendation by such rating agencies to buy, sell or hold the 2016 Series A Bonds. Such ratings reflect only the view of such rating agencies and any desired explanation of the significance of any such rating should be obtained from that rating agency. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies, and assumptions of its own.

There is no assurance that any ratings assigned to the 2016 Series A Bonds will be maintained for any period of time or that such ratings may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change or withdrawal of such ratings may have an adverse effect on the market price of the 2016 Series A Bonds.

UNDERWRITING

MEAN has entered into a Bond Purchase Contract dated the date of this Official Statement (the "*Bond Purchase Contract*") with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters listed on the cover page of this Official Statement (the "*Underwriters*"). The Bond Purchase Contract provides for the purchase and sale of all of the 2016 Series A Bonds, subject to various terms and conditions set forth therein.

The Underwriters have agreed to purchase all of the 2016 Series A Bonds from MEAN at a purchase price of \$_____ (representing the principal amount of the 2016 Series A Bonds, plus a net original issue premium of \$_____, less an underwriting discount of \$_____). The Underwriters have advised MEAN that the 2016 Series A Bonds may be offered and sold to certain dealers at prices lower than the initial public offering prices reflected on the cover page of this Official Statement and that such public offering prices may be changed from time to time.

The 2016 Series A Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the 2016 Series A Bonds. The Underwriters may offer and sell the 2016 Series A Bonds to certain dealers (including dealers depositing the 2016 Series A Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriters reserve the right to join with dealers and other Underwriters in offering the 2016 Series A Bonds to the public. The obligation of the Underwriters to accept delivery of the 2016 Series A Bonds is subject to the terms and conditions set forth in the Bond Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 2016 Series A Bonds at levels above that which might

otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against MEAN and/or the Participants in connection with such activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for MEAN and/or the Participants for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and instruments of MEAN and/or the Participants (directly, as collateral securing other obligations or otherwise) and/or persons or entities with relationships with MEAN and/or the Participants. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Bank, N.A., acting through its Municipal Products Group, is serving as one of the Underwriters for the 2016 Series A Bonds. Wells Fargo Bank, N.A., is also serving as Trustee, Paying Agent and Bond Registrar for the 2016 Series A Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, N.A., acting through its Municipal Products Group. Wells Fargo Bank, N.A., acting through its Municipal Products Group (“*WFBNA MPG*”), one of the underwriters of the 2016 Series A Bonds, has entered into an agreement (the “*Distribution Agreement*”) with its affiliate, Wells Fargo Advisors, LLC (“*WFA*”), for the distribution of certain municipal securities offerings, including the 2016 Series A Bonds. Pursuant to the Distribution Agreement, WFBNA MPG will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2016 Series A Bonds with WFA. WFBNA MPG also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC (“*WFSLLC*”), for the distribution of municipal securities offerings, including the 2016 Series A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA MPG pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA MPG, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

ESCROW VERIFICATION

Precision Analytics Inc. will verify the accuracy of the mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the obligations of the United States of America, together with other escrowed moneys, to pay when due pursuant to prior redemption the redemption price of, and interest on, the 2009 Series A Refunded Bonds and the mathematical computations of the yield on the 2016 Series A Bonds and the yield on the government obligations purchased with a portion of the proceeds of the sale of the 2016 Series A Bonds.

The verification performed by Precision Analytics Inc. will be solely based upon data, information and documents provided to Precision Analytics Inc. by MEAN and its representatives and the Underwriters. Precision Analytics Inc. has restricted its procedures to recalculating the computations provided by MEAN and its representatives and the Underwriters and has not evaluated or examined the assumptions or information used in the computations.

MISCELLANEOUS

All quotations from and summaries and explanations of the Nebraska statutes, court decisions and the Resolution, which are contained herein, do not purport to be complete, and reference is made to said statutes, court decisions and the Resolution for full and complete statements of their respective provisions.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, is intended as such and not as representations of fact.

The appendices attached hereto are an integral part of this Official Statement and should be read in conjunction with the foregoing material.

The delivery of the Official Statement has been duly authorized by MEAN.

MUNICIPAL ENERGY AGENCY OF NEBRASKA

By: _____
Executive Director

By: _____
Director of Wholesale Electric Operations

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APPENDIX A

**FINANCIAL STATEMENTS OF MEAN
FOR THE FISCAL YEARS ENDED MARCH 31, 2016 AND 2015**

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Municipal Energy Agency of Nebraska

Independent Auditor's Report and Financial Statements

March 31, 2016 and 2015



Municipal Energy Agency of Nebraska

March 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
Municipal Energy Agency of Nebraska
Lincoln, Nebraska

We have audited the accompanying basic financial statements of Municipal Energy Agency of Nebraska, which are comprised of balance sheets as of March 31, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Energy Agency of Nebraska as of March 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2015 financial statements have been restated for a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

BKD, LLP

Lincoln, Nebraska
July 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Municipal Energy Agency of Nebraska (MEAN) and the results of operations for the years ended March 31, 2016, 2015 and 2014. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements, and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about MEAN's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of MEAN based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of MEAN into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used for operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial information summarizes MEAN's financial position and operating results for the years ended March 31, 2016, 2015 and 2014.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change	
	2016	2015	2014	From 2015 to 2016	From 2014 to 2015
Assets and Deferred Outflows of Resources					
Current assets	\$ 62,470,452	\$ 57,823,944	\$ 54,096,808	\$ 4,646,508	\$ 3,727,136
Restricted and long-term investments	22,922,995	21,721,600	25,486,842	1,201,395	(3,765,242)
Capital assets and productive capacity	133,147,608	141,570,938	147,202,920	(8,423,330)	(5,631,982)
Other noncurrent assets	46,154,721	45,591,875	43,965,465	562,846	1,626,410
Deferred outflows of resources	2,703,942	3,594,303	4,430,491	(890,361)	(836,188)
Total assets and deferred outflows of resources	<u>\$ 267,399,718</u>	<u>\$ 270,302,660</u>	<u>\$ 275,182,526</u>	<u>\$ (2,902,942)</u>	<u>\$ (4,879,866)</u>
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	\$ 20,619,069	\$ 20,988,396	\$ 21,980,069	\$ (369,327)	\$ (991,673)
Long-term debt, net	174,069,073	180,220,195	184,996,316	(6,151,122)	(4,776,121)
Deferred inflows of resources	24,947,378	21,969,810	21,369,680	2,977,568	600,130
Net position					
Net investment in capital assets	6,892,475	10,384,977	12,357,646	(3,492,502)	(1,972,669)
Restricted for debt service	6,169,409	6,169,409	6,169,409	-	-
Unrestricted	34,702,314	30,569,873	28,309,406	4,132,441	2,260,467
Total net position	<u>47,764,198</u>	<u>47,124,259</u>	<u>46,836,461</u>	<u>639,939</u>	<u>287,798</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 267,399,718</u>	<u>\$ 270,302,660</u>	<u>\$ 275,182,526</u>	<u>\$ (2,902,942)</u>	<u>\$ (4,879,866)</u>

Assets and Deferred Outflows of Resources

Current assets increased in 2016 and 2015 primarily due to increased cash and cash equivalents and short-term investments.

During 2016 and 2015, construction funds were used to pay for qualifying expenditures resulting in a decrease in restricted investments at March 31, 2016 and 2015. The remaining construction fund balance was used to pay for qualifying expenditures in May 2015. Long-term investments increased in 2016 and decreased in 2015. Fluctuations are related to the maturity in years of the investment portfolio at each year end.

Depreciation charges exceeded additions to productive capacity as shown in Note 3 in both 2016 and 2015 resulting in an overall decrease in capital assets and productive capacity. MEAN's investment in productive capacity consists primarily of its ownership interest in two power generation plants: 1) a 6.92% ownership interest in the Walter Scott, Jr. Energy Center Unit 4 (WSEC 4) generation plant, located near Council Bluffs, Iowa and 2) a 23.5% ownership interest in the Wygen Unit I (Wygen I) generation plant, located near Gillette, Wyoming. Capital assets include MEAN's operations and management facility and furniture, fixtures and equipment.

The increase in other noncurrent assets in 2016 and 2015 is due to the deferral of certain costs permitted under Governmental Accounting Standards Board (GASB) Codification Section Re10, *Regulated Operations*.

Deferred outflows of resources consist of deferred costs of refunded debt resulting from refunding transactions. The decline in each year resulted from annual amortization.

Liabilities and Deferred Inflows of Resources

Current liabilities decreased in 2016 and 2015 due to timing of when invoices were received and paid.

Net long-term debt declined in 2016 and 2015 as principal payments were paid and no bond financing transactions occurred.

Deferred inflows of resources consist of deferred revenue – rate stabilization which fluctuates as a result of activity in the Rate Stabilization Fund which is described further in “Risk Management Practices”.

Debt Activity

In 2016 and 2015, MEAN did not issue any debt and made scheduled principal payments of \$4,155,000 and \$2,855,000, respectively.

Debt Ratings and Debt Service Coverage

During the bond issuance process in 2013, Standard and Poor's (S&P) assigned an A/stable rating, to the 2013 bonds and affirmed the A/stable rating on MEAN's other outstanding debt. On February 23, 2015, Fitch Ratings affirmed an A/stable rating on MEAN's outstanding debt. On April 19, 2016, Moody's Investors Service affirmed an A2/stable rating on MEAN's outstanding debt. These high ratings indicate the agencies' assessment of MEAN's ability to pay interest and principal on its debt based on MEAN's financial strength and business characteristics as a public power provider.

MEAN is required by its bond covenants to maintain a debt service coverage of 1.0 times. Typically, MEAN targets year-end debt service coverage of 1.20. Debt service coverage was 1.22, 1.20, and 1.21 for 2016, 2015, and 2014, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31,			Change	
	2016	2015	2014	From 2015 to 2016	From 2014 to 2015
Sales volumes (MWh's)	2,107,000	2,433,000	2,762,000	(326,000)	(329,000)
Electric energy sales and other operating revenues	\$ 128,056,506	\$ 144,622,436	\$ 148,482,575	\$ (16,565,930)	\$ (3,860,139)
Provision for rate stabilization	(2,977,568)	(600,130)	(1,623,164)	(2,377,438)	1,023,034
Total operating revenues	125,078,938	144,022,306	146,859,411	(18,943,368)	(2,837,105)
Electric energy costs	101,140,683	124,347,524	127,638,949	(23,206,841)	(3,291,425)
Other operating expenses	16,984,098	15,852,017	14,245,984	1,132,081	1,606,033
Total operating expenses	118,124,781	140,199,541	141,884,933	(22,074,760)	(1,685,392)
Operating income	6,954,157	3,822,765	4,974,478	3,131,392	(1,151,713)
Net nonoperating expenses	(6,314,218)	(3,534,967)	(3,801,012)	(2,779,251)	266,045
Increase in net position	\$ 639,939	\$ 287,798	\$ 1,173,466	\$ 352,141	\$ (885,668)

Sales Volumes and Operating Revenues

MWh's delivered in 2016 decreased 13% compared to 2015. MWh's delivered in 2015 decreased 12% compared to 2014.

In 2016 and 2015, MWh's delivered to MEAN's long-term total requirements participants decreased primarily due to the impact of weather conditions; however, electric energy sales revenues from MEAN's long-term total requirements participants increased as a result of changes to rates and charges in 2016 and 2015. In 2016 and 2015, MWh's delivered to MEAN's limited-term total requirements participants decreased due primarily to changes in contract terms along with the impact of weather conditions. In both 2016 and 2015, limited-term total requirement contracts expired resulting in a decrease in electric energy sales revenues from MEAN's limited-term total requirements participants. As a result of the implementation of SPP's Integrated Marketplace (IM) in March 2014, MEAN now acts as an agent, providing scheduling services for three of MEAN's service power participants and has contracted to collect payments for the service power participants participating in SPP IM and remit these payments to SPP and other transmission providers. MEAN no longer sells electric energy to the three service power participants participating in SPP IM, nor does MEAN incur the related electric energy costs. The implementation of SPP's IM also decreased the potential for interchange sales. Natural gas prices and

wind generation within SPP have a significant effect on prices in the SPP IM. See Note 8 for additional information.

For 2016 and 2015, the Board of Directors authorized a transfer from rate stabilization into operating revenues of \$1,225,000 and \$1,190,004, respectively, related to electric energy sales revenue from a regulatory independent transmission system operator and transmission adjustment transferred into the rate stabilization account in 2013. In 2016, the Board of Directors also authorized a provision for rate stabilization of \$4,202,568 from operating revenues. In 2015, The Board of Directors also authorized a provision for rate stabilization of \$1,790,134 related to other nonoperating revenue recorded by MEAN in 2015. These authorizations resulted in a net provision for rate stabilization in 2016 and 2015 of \$2,977,568 and \$600,130, respectively. See Note 1 – Deferred Revenue – Rate Stabilization for additional information.

Operating Expenses

Electric energy costs vary from year to year due to changes in demand for energy by participants and other buying entities and fluctuations in the cost per MWh of purchased and produced power. Decreased electric energy costs in 2016 and 2015 related primarily to changes in demand for energy by participants as a result of mild weather and contract expirations noted above resulting in decreased purchased power volumes.

General Trends and Significant Events

Southwest Power Pool

MEAN participates in SPP's IM which launched on March 1, 2014 to replace the Energy Imbalance Service market that SPP had operated since 2007. This market expansion is the latest and most complex step in SPP's approach to adding market functionality that will coordinate next-day generation across the region. SPP expects the IM to maximize cost-effectiveness, provide participants with greater access to reserve energy, improve regional balancing of electricity supply and demand, and facilitate the integration of renewable resources. MEAN became a member of the SPP Regional Transmission Organization on October 20, 2015. As a member, MEAN works with other SPP members to identify ways to improve market operations and overall organizational effectiveness.

Environmental Regulations

The electric industry is exposed to continuing environmental regulations which are subject to change. Consequently, there is no assurance that facilities MEAN participates in will remain subject to the regulations currently in effect or will meet future regulations without retrofit. MEAN cannot anticipate the outcome of current regulatory and legislative processes. MEAN could be subject to increased costs or reduced operating levels as a result of future environmental regulations. MEAN continues to monitor the development and implementation of new or modified environmental regulations.

MEAN joined together with four other public power entities to form the Public Power Generation Agency (PPGA). PPGA developed, constructed and operates the Whelan Energy Center Unit 2 (WEC 2), a 220 MW coal-fired generating unit near Hastings, Nebraska. WEC 2 is operated under Best Available Control Technology standards. MEAN's coal fired generation units, WSEC 4 and Wygen I, are also equipped with current Best Available Control Technology that combines lowest emissions with a long-term baseload energy resource. MEAN also has a 1.67% ownership interest in the coal-fired steam-electric Laramie River Station (LRS) generating station.

The following is a summary of the current regulations related to MEAN owned facilities.

The Federal Clean Air Act regulates the emissions of air pollutants, establishes national air quality standards for major pollutants and requires permitting of new and existing sources of air pollution. WSEC 4, Wygen I and LRS currently have in place the necessary Title V Operating permits and Acid Rain permits related to the Clean Air Act. WEC 2 has submitted the necessary Title V Operating permit application and Acid Rain permit renewal application and is awaiting Nebraska Department of Environmental Quality approval. WEC 2 does not currently anticipate any problems with the permits. Title IV of the Clean Air Act created an SO₂ allowance trading program as part of the federal acid rain program. Sufficient allowances to satisfy Title IV are held for Wygen I and WEC 2.

The Mercury and Air Toxics Standard (MATS) rule aims to reduce emissions of heavy metal and acid gases, including mercury. WSEC 4 was originally constructed with emissions controls which enable the plant to comply with MATS. At the time of purchase of the Air Quality Control System for WEC 2, WEC 2 purchased the necessary equipment to use activated carbon injection as a control of mercury emission to enable compliance with MATS. Wygen I's current emission control equipment enables the plant to comply with MATS. LRS completed installation of equipment in order to meet a June 2015 compliance deadline to comply with MATS. Ongoing compliance with MATS must be demonstrated by each affected facility.

Under the Regional Haze Program each state is required to submit a state implementation plan to improve visibility and air quality in Class I national parks by reducing particulate matter emission. Nebraska, as a Cross-State Air Pollution Rule (CSAPR)-affected state, will be able to substitute CSAPR for any requirements related to the Regional Haze Program. Due to WEC 2's modern Air Quality Control System, WEC 2 is well positioned to meet any requirements relating to CSAPR's implementation. Based on a determination by the state of Iowa, WSEC 4 is not subject to the Regional Haze Program. The estimated Regional Haze compliance date for LRS, which is located in Wyoming, is 2020. The Wyoming Department of Environmental Quality and coal plant operators are evaluating various options for LRS compliance which include negotiating a settlement with the Environmental Protection Agency (EPA). Possible options for discussion with EPA include installing selective noncatalytic reduction (SNCR) controls on two units and selective catalytic reduction (SCR) control on one unit, rather than all SCR controls. This would result in a significant cost reduction over installing all SCR NO_x removing technology. Wygen I is not currently subject to CSAPR, however, Wygen I is well positioned to meet any requirements relating to CSAPR's implementation.

EPA has proposed a New Source Performance Standard and Clean Power Plan related to greenhouse gas emission guidelines for new and existing power plants. The proposed regulations, along with proposed emission reduction guidelines, were published in the Federal Register as final rule on October 23, 2015. With promulgation of the final rules, more decisions will need to be made regarding the feasibility of coal resources. The regulations created by this process have the potential to have a significant impact on MEAN and the electric utility industry. On February 9, 2016, the U.S. Supreme court granted stay motions filed by states and industry that sought to put implementation of the EPAs' Clean Power Plan on hold pending judicial review.

The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System permit program. WSEC 4 is not impacted by the Clean Water Act. WEC 2, Wygen I and LRS have proper permitting in place under the Clean Water Act. Moving forward LRS will be evaluating its need for any improvements to comply with standards for entrainment and impingement of fish in relation to meeting its cooling water needs.

Renewable Resources

MEAN has 10.5 MW's of wind capacity generated from its wind farm located near Kimball, Nebraska. MEAN has also contracted for the purchase of 37 MW's of wind capacity from other wind energy producers in the region. In addition to the wind capacity, MEAN has contracted for 4.8 MW's fueled by landfill gas from the Waste Management Des Moines Landfill Gas Facility which began commercial operations in March 2014. MEAN has contracted with Delta-Montrose Electric Association (DMEA) for 7.6 MW from hydroelectric generating facilities in Colorado owned by Shavano Falls Hydro, LLC which began commercial operation in May 2015.

MEAN continues to review renewable energy projects that are of strategic interest and is working with MEAN participants to address the impact of trends in distributed and renewable generation. The federal stimulus activity and renewable energy proposals and directives have resulted in challenging dynamics to satisfy MEAN participant and legislative requirements.

Risk Management Practices

MEAN is subject to various risks inherent in the electric energy business, including market risk, operating risk, regulatory and political risks, credit risk, interest risk and insurance risk.

As a means of identifying, measuring, managing and mitigating these various risks, MEAN has developed financial and operational policies and guidelines, which have been approved by the Board of Directors and Management Committee, as applicable.

One of MEAN's management tools was the creation of a rate stabilization account, within the general reserve fund. This funded reserve may be used to pay operating expenses or debt service or for other purposes that enable MEAN to, or facilitate MEAN's ability to, provide services at stable and economic rates for its participant communities. In 2016, there was a net transfer into the rate stabilization account of \$2,977,568. In 2015, there was a net transfer into the rate stabilization account of \$600,130.

As a means of stabilizing its rate structure, MEAN has elected to defer certain costs related to its investment in WSEC 4, Wygen I and Laramie River Station generating plants as allowed under the regulated operations provisions of GASB Codification Section Re10, *Regulated Operations*. These costs, primarily depreciation and bond issue costs, will be charged to expense in future years.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities, other non-member participants and creditors with a general overview of MEAN's financial status for the fiscal years 2016, 2015 and 2014. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

Municipal Energy Agency of Nebraska

Balance Sheets

March 31, 2016 and 2015

	2016	2015
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 37,868,007	\$ 24,476,686
Short-term investments	7,501,955	6,113,065
Accounts receivable	12,896,212	24,096,660
Prepaid expenses and other	508,095	481,266
Productive capacity operating assets	3,696,183	2,656,267
Total current assets	62,470,452	57,823,944
Noncurrent Assets		
Long-term investments	9,035,324	7,359,095
Restricted investments	13,887,671	14,362,505
Contracts receivable	3,062,493	4,135,292
Productive capacity, net	127,261,973	135,323,888
Capital assets, net	5,885,635	6,247,050
Costs recoverable from future billings	43,092,228	41,456,583
Total noncurrent assets	202,225,324	208,884,413
Deferred Outflows of Resources		
Deferred cost of refunded debt	2,703,942	3,594,303
Total assets and deferred outflows of resources	\$ 267,399,718	\$ 270,302,660
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 5,530,000	\$ 4,155,000
Accounts payable and accrued expenses	10,949,319	12,619,621
Accrued interest payable	4,139,750	4,213,775
Total current liabilities	20,619,069	20,988,396
Long-term Debt, Net	174,069,073	180,220,195
Deferred Inflows of Resources		
Deferred revenue - rate stabilization	24,947,378	21,969,810
Net Position		
Net investment in capital assets	6,892,475	10,384,977
Restricted for debt service	6,169,409	6,169,409
Unrestricted	34,702,314	30,569,873
Total net position	47,764,198	47,124,259
Total liabilities, deferred inflows of resources and net position	\$ 267,399,718	\$ 270,302,660

Municipal Energy Agency of Nebraska
Statements of Revenues, Expenses and
Changes in Net Position
Years Ended March 31, 2016 and 2015

	2016	2015 (As Restated)
Operating Revenues		
Electric energy sales	\$ 127,554,033	\$ 144,004,081
Provision for rate stabilization	(2,977,568)	(600,130)
Other	502,473	618,355
	<hr/>	<hr/>
Total operating revenues	125,078,938	144,022,306
	<hr/>	<hr/>
Operating Expenses		
Electric energy costs	101,140,683	124,347,524
Administrative and general	7,546,319	6,839,529
Depreciation and amortization	9,437,779	9,012,488
	<hr/>	<hr/>
Total operating expenses	118,124,781	140,199,541
	<hr/>	<hr/>
Operating Income	6,954,157	3,822,765
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Net costs to be recovered in future periods	1,635,645	2,746,946
Investment return	411,703	461,802
Interest expense	(8,548,740)	(8,642,617)
Other	187,174	1,898,902
	<hr/>	<hr/>
Net nonoperating expenses	(6,314,218)	(3,534,967)
	<hr/>	<hr/>
Increase in Net Position	639,939	287,798
	<hr/>	<hr/>
Net Position, Beginning of Year	47,124,259	46,836,461
	<hr/>	<hr/>
Net Position, End of Year	\$ 47,764,198	\$ 47,124,259
	<hr/>	<hr/>

Municipal Energy Agency of Nebraska

Statements of Cash Flows

Years Ended March 31, 2016 and 2015

	2016	2015 (As Restated)
Operating Activities		
Cash received from participants and customers	\$ 164,688,162	\$ 167,504,982
Cash paid to suppliers	(130,593,328)	(151,922,188)
Cash paid to coalition members	(5,189,130)	(5,253,674)
Net cash provided by operating activities	<u>28,905,704</u>	<u>10,329,120</u>
Noncapital Financing Activities, Other Nonoperating Receipts	<u>168,924</u>	<u>1,898,902</u>
Capital and Related Financing Activities		
Principal payments on long-term debt	(4,155,000)	(2,855,000)
Additions of productive capacity	(984,951)	(3,220,786)
Proceeds from sale of capital assets	27,280	-
Purchase of capital assets	(38,528)	(159,720)
Interest paid	(8,353,526)	(8,481,525)
Net cash used in capital and related financing activities	<u>(13,504,725)</u>	<u>(14,717,031)</u>
Investing Activities		
Interest received on investments	368,350	339,086
Purchases of investments	(28,344,700)	(18,775,232)
Proceeds from sales and maturities of investments	25,797,768	23,559,760
Net cash provided by (used in) investing activities	<u>(2,178,582)</u>	<u>5,123,614</u>
Increase in Cash and Cash Equivalents	13,391,321	2,634,605
Cash and Cash Equivalents, Beginning of Year	<u>24,476,686</u>	<u>21,842,081</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 37,868,007</u></u>	<u><u>\$ 24,476,686</u></u>

Municipal Energy Agency of Nebraska
Statements of Cash Flows - Continued
Years Ended March 31, 2016 and 2015

	2016	2015 (As Restated)
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 6,954,157	\$ 3,822,765
Depreciation and amortization	9,437,779	9,012,488
Provision for rate stabilization	2,977,568	600,130
Changes in operating assets and liabilities		
Accounts receivable	11,200,448	(2,136,506)
Productive capacity operating assets	(1,039,916)	89,074
Prepaid expenses and other	(26,829)	58,331
Contracts receivable	1,072,799	1,120,536
Accounts payable and accrued expenses	<u>(1,670,302)</u>	<u>(2,237,698)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 28,905,704</u></u>	<u><u>\$ 10,329,120</u></u>

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Municipal Energy Agency of Nebraska (MEAN or the Agency) was created pursuant to provisions of the Municipal Cooperative Financing Act (Act). MEAN, pursuant to the Act, is a political subdivision of the State of Nebraska providing power supply, energy transmission and exchange of electrical power to its member municipalities and other nonmember participants.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency.

MEAN, Nebraska Municipal Power Pool (NMPP), National Public Gas Agency (NPGA) and Public Alliance for Community Energy (ACE), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to member and nonmember participants while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other associated organizations.

Basis of Accounting and Presentation

MEAN's activities are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. MEAN's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). MEAN prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). MEAN's accounting policies also follow GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

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 balance sheet amounts and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results may differ from those estimates.

Cash Equivalents

MEAN considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2016 and 2015, cash equivalents consisted primarily of money market mutual funds.

Investments and Investment Income

MEAN maintains various debt service reserve accounts that are available for use to pay off debt. The reserve accounts consist of bank deposits and investments. Investments in money market mutual funds, U.S. agency obligations and other debt securities are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest income and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. MEAN does not believe an allowance for doubtful accounts is necessary at March 31, 2016 and 2015.

Productive Capacity Operating Assets

Productive capacity operating assets related to the operation of Laramie River Station (LRS), Walter Scott, Jr. Energy Center Unit 4 (WSEC 4) and Wygen Unit I (Wygen I) are comprised of operating assets, primarily fuel and supplies inventories, and operating cash. These assets are managed by the operating agent of each respective project. Operating expenses related to MEAN's participation in LRS, WSEC 4 and Wygen I are included in electric energy costs in the statements of revenues, expenses and changes in net position.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Productive Capacity

Productive capacity includes the costs incurred for:

- A 1.67% ownership interest in the three-unit 1,697 MW coal-fired steam-electric LRS generating station and an associated transmission system in Platte County, Wyoming on the Laramie River. MEAN purchased the ownership interest from Lincoln Electric System (LES), a co-owner of the Missouri Basin Power Project (MBPP) that includes LRS.
- Ownership of a 10.5 MW wind project consisting of seven turbines located near Kimball, Nebraska.
- A 6.92% ownership interest in the 790 net MW coal-fired steam-electric WSEC 4 generation unit near Council Bluffs, Iowa. MidAmerican Energy Company developed, designed, constructed and operates WSEC 4.
- A 23.5% ownership interest in the 85 MW coal-fired Wygen Unit I electric generation unit located near Gillette, Wyoming. Black Hills Wyoming, Inc. developed, designed, constructed and operates Wygen Unit I.

Productive capacity costs are being amortized on both a sinking fund method and on the straight-line basis over the estimated life of the various projects.

LRS project participants filed a rate case in 2004 with the federal Surface Transportation Board (STB) challenging the reasonableness of the freight rates charged by the Burlington Northern Santa Fe (BNSF) railroad for coal deliveries to LRS. In 2009, the STB entered a rate relief award due to a new STB-ordered tariff that would remain effective through 2024. BNSF appealed the STB decision and the parties were involved in various legal and regulatory proceedings related to the appeal. On January 28, 2015, Western Fuels and BNSF filed a joint petition with the STB asking the STB to hold the rate proceeding in abeyance due to the fact that the parties had reached a preliminary settlement that called for dismissal of the case and vacate of the rate prescription ordered by the STB. The settlement was finalized in May 2015. The settlement is confidential due to the fact that it includes competitive pricing terms. The settlement resolves all outstanding legal issues with BNSF related to the 2004 freight issues. MEAN received net funds of approximately \$1.7 million in 2016 as a result of the settlement. In 2015, the net settlement funds were included in accounts receivable on the Balance Sheets and other nonoperating revenues on the Statements of Revenues, Expenses and Changes in Net Position. See also Note 1 – Deferred Revenue – Rate Stabilization.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by MEAN:

Building and improvements	7 – 40 Years
Furniture, equipment and transportation equipment	3 – 7 Years

Costs Recoverable from Future Billings

Certain income and expense items which would be recognized during the current period are not included in the determination of the change in net position until such costs are expected to be recovered through wholesale electric service rates, in accordance with the provisions of GASB Codification Section Re10, *Regulated Operations*.

Deferred Cost of Refunded Debt

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded annually in nonoperating expenses.

Deferred Revenue - Rate Stabilization

MEAN's Board of Directors established a rate stabilization account within the general reserve fund pursuant to the provisions in the 2003 Power Supply System Revenue Bond Resolution and related supplemental resolutions to assist in maintaining stable electric rates for its participants.

In January 2013, the Board of Directors and Management Committee established a regulatory independent transmission system operator and transmission adjustment (RITA) of approximately \$6.3 million to recover transmission costs incurred by MEAN. The RITA was allocated to each participant under the Electrical Resources Pooling Agreements as of January 2013 and recorded as contracts receivable and electric energy sales revenue in 2013. The RITA is collected monthly over a five year term which began April 2014 or the remaining life of the participant's current service schedule, whichever is less. Participants had the option of paying the RITA in a lump sum. In addition, those participants with current service schedule contracts expiring prior to April 2019 had the option of entering into a separate written agreement to spread the participant's share over a maximum of five years.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

The electric energy sales revenue from the RITA was transferred into the rate stabilization account in 2013. Transfers of the rate stabilization funds into revenues will be recorded beginning April 2014 in accordance with the RITA payment provisions. In 2016 and 2015, \$1,225,000 and \$1,190,004, respectively, of RITA funds were transferred into operating revenues from the rate stabilization account.

In 2016, the Board of Directors also authorized the transfer of \$4,202,568 of operating revenues into the rate stabilization account. In 2015, the Board of Directors also authorized the transfer of \$1,790,134 of other nonoperating revenue into the rate stabilization account. See also Note 1 – Productive Capacity. The net amount transferred into the rate stabilization account in 2016 and 2015, was \$2,977,568 and \$600,130, respectively.

As of March 31, 2016 and 2015, \$24,947,378 and \$21,969,810, respectively, are shown as deferred revenue - rate stabilization on the accompanying balance sheets.

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation and costs recoverable from future billings, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation.

Unrestricted - consists of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the net investment in capital assets or restricted component of net position.

When both restricted and unrestricted resources are available for use, it is MEAN's policy to use restricted resources first, then unrestricted as they are needed.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Income Taxes

In accordance with certain provisions of the Internal Revenue Code, the Act and related governing laws and regulations, MEAN, as a local governmental entity, is exempt from federal and state income taxes.

Classification of Revenues

Operating revenues include revenues resulting from provision and delivery of electric supplies to participants and customers and administrative fees charged for scheduling and other services provided to participants. Nonoperating revenues include those derived from capital and related financing, noncapital financing and investing activities.

Rates and Charges

MEAN annually determines its wholesale electric service rates and charges to recover costs of providing power supply services. In addition, rates and charges are established and collected in order to reasonably expect net revenues which, together with other available funds (including rate stabilization account funds), will be sufficient to pay the aggregate annual debt service for such year. A Pooled Energy Adjustment is included in MEAN's schedule of rates and charges and is used when necessary to recover the actual monthly energy costs in excess of budgeted monthly energy costs. Rates and charges for providing wholesale power supply are reviewed annually and adopted by MEAN's Board of Directors. The Electrical Resources Pooling Agreement provides for a Management Committee which sets certain rates based on the budget adopted by MEAN's Board of Directors. MEAN's power supply rates and charges are not subject to state or Federal regulation.

Change in Accounting Principle

Restatements have been made to the 2015 financial statements as a result of a change in MEAN's treatment of certain revenues and costs for transactions within the day-ahead and real-time markets of regional transmission organizations and independent system operators (see Note 8). This resulted in MEAN increasing both electric energy sales and electric energy costs on the statements of revenues, expenses, and changes in net position by approximately \$4,750,000 for 2015, and also increasing both cash received from participants and customers and cash paid to suppliers on the statements of cash flows for 2015 by the same amount. These restatements had no effect on the change in net position.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. MEAN's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to MEAN in the amount of MEAN's deposits.

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to \$250,000 per official custodian at each covered institution. At March 31, 2016, MEAN's deposits exceeded FDIC coverage and collateral held by \$1,134,000. At March 31, 2015, all of MEAN's deposits were insured and collateralized.

Investments

MEAN's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. MEAN may invest in U.S. Treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper, municipal bonds and investment contracts. In the event that secured investment opportunities arise, other than those specified above, investment consent is required through the approval of two of the following: the Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or the MEAN Executive Director.

At March 31, 2016 and 2015, MEAN had the following investments, maturities and credit ratings:

		Maturities in Years		Credit Rating
	Fair Value	Less Than 1	1 - 5	Moody's/ S&P
March 31, 2016				
Money market mutual funds - US agencies	\$ 9,813,533	\$ 9,813,533	\$ -	Aaa-mf/AAAm
US agency obligations	14,253,971	2,173,799	12,080,172	Aaa/AA+
Negotiable certificates of deposit	16,036,925	7,251,941	8,784,984	Not Rated
	<u>\$ 40,104,429</u>	<u>\$ 19,239,273</u>	<u>\$ 20,865,156</u>	
March 31, 2015				
Money market mutual funds - US agencies	\$ 8,981,163	\$ 8,981,163	\$ -	Aaa-mf/AAAm
US agency obligations	14,614,128	1,000,898	13,613,230	Aaa/AA+
US agency obligations	400,015	150,016	249,999	Not Rated
Negotiable certificates of deposit	12,222,943	5,962,891	6,260,052	Not Rated
	<u>\$ 36,218,249</u>	<u>\$ 16,094,968</u>	<u>\$ 20,123,281</u>	

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 2: Deposits, Investments and Investment Return – Continued

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MEAN's investment policy does not place a limit on the amount that may be invested in any one maturity category. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. MEAN's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper

A-1, P-1

Municipal bonds

AA-

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, MEAN would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2016 and 2015, certain investments in U.S. agency obligations, negotiable certificates of deposit and corporate bonds are held in safekeeping in MEAN's name, in a broker account with MEAN's primary financial institution. Additionally, any investments held in trust at March 31, 2016 and 2015, are held in a book entry system in an account designated as a customer account at the Depository Trust Company and the custodian's internal records identifies MEAN as the owner.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments MEAN has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. As of March 31, 2016 and 2015, each of MEAN's investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed \$250,000, and were therefore also excluded from this requirement. MEAN's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to 10%. Allocation limits do not apply to the investment of proceeds from the issuance of debt as these investments are governed by the debt instrument. All of the money market mutual funds held at March 31, 2016 and 2015 are invested with MEAN's primary financial depository. This financial depository also serves as MEAN's Trustee and writer on the credit facilities discussed in Note 6.

Municipal Energy Agency of Nebraska
Notes to Financial Statements
March 31, 2016 and 2015

Note 2: Deposits, Investments and Investment Return – Continued

Concentrations greater than 5% at March 31, 2016 are shown below:

U.S. sponsored agency obligations	
Federal Home Loan Bank	7.24%
Federal Farm Credit Bank	17.93%
Federal National Mortgage Association	6.57%

Concentrations greater than 5% at March 31, 2015 are shown below:

U.S. sponsored agency obligations	
Federal Home Loan Bank	15.76%
Federal Farm Credit Bank	15.95%
Federal National Mortgage Association	5.81%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at March 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Carrying Value		
Deposits	\$ 28,188,528	\$ 16,093,102
Investments	<u>40,104,429</u>	<u>36,218,249</u>
	<u>\$ 68,292,957</u>	<u>\$ 52,311,351</u>

Municipal Energy Agency of Nebraska
Notes to Financial Statements
March 31, 2016 and 2015

Note 2: Deposits, Investments and Investment Return – Continued

Included in the following balance sheet captions:

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents		
Operating	\$ 22,798,470	\$ 13,520,748
Escrow	67,119	-
Rate stabilization fund	5,322,939	2,577,354
Debt service funds	<u>9,679,479</u>	<u>8,378,584</u>
Total	<u>37,868,007</u>	<u>24,476,686</u>
Short-term investments - rate stabilization fund	<u>7,501,955</u>	<u>6,113,065</u>
Noncurrent Assets		
Long-term investments - rate stabilization fund	<u>9,035,324</u>	<u>7,359,095</u>
Restricted long-term investments		
Construction fund	-	590,578
Debt reserve funds	<u>13,887,671</u>	<u>13,771,927</u>
Total	<u>13,887,671</u>	<u>14,362,505</u>
	<u>\$ 68,292,957</u>	<u>\$ 52,311,351</u>

Investment Return

Investment return for the years ended March 31, 2016 and 2015 consisted of interest income and the net change in fair value of investments carried at fair value of \$411,703 and \$461,802, respectively.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 3: Productive Capacity

Productive capacity at March 31, 2016 and 2015 consisted of the following:

	Beginning Balance	Additions	Ending Balance
March 31, 2016			
Steam production	\$ 185,303,027	\$ 955,365	\$ 186,258,392
Wind production	13,710,067	-	13,710,067
Transmission	10,707,966	29,586	10,737,552
	<u>209,721,060</u>	<u>984,951</u>	<u>210,706,011</u>
Less accumulated depreciation			
Steam production	(61,496,282)	(7,946,388)	(69,442,670)
Wind production	(11,430,034)	(910,395)	(12,340,429)
Transmission	(1,470,856)	(190,083)	(1,660,939)
	<u>(74,397,172)</u>	<u>(9,046,866)</u>	<u>(83,444,038)</u>
Net productive capacity	<u>\$ 135,323,888</u>	<u>\$ (8,061,915)</u>	<u>\$ 127,261,973</u>
March 31, 2015			
Steam production	\$ 182,479,189	\$ 2,823,838	\$ 185,303,027
Wind production	13,710,067	-	13,710,067
Transmission	10,311,018	396,948	10,707,966
	<u>206,500,274</u>	<u>3,220,786</u>	<u>209,721,060</u>
Less accumulated depreciation			
Steam production	(53,973,490)	(7,522,792)	(61,496,282)
Wind production	(10,519,639)	(910,395)	(11,430,034)
Transmission	(1,280,035)	(190,821)	(1,470,856)
	<u>(65,773,164)</u>	<u>(8,624,008)</u>	<u>(74,397,172)</u>
Net productive capacity	<u>\$ 140,727,110</u>	<u>\$ (5,403,222)</u>	<u>\$ 135,323,888</u>

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 4: Capital Assets

Capital assets at March 31, 2016 and 2015 consisted of the following:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
March 31, 2016					
Land	\$ 489,000	\$ -	\$ -	\$ -	\$ 489,000
Buildings and improvements	5,147,328	-	-	-	5,147,328
Furniture, equipment and transportation equipment	2,023,900	38,528	(46,191)	-	2,016,237
	7,660,228	38,528	(46,191)	-	7,652,565
Less accumulated depreciation	(1,413,178)	(390,913)	37,161	-	(1,766,930)
Net capital assets	<u>\$ 6,247,050</u>	<u>\$ (352,385)</u>	<u>\$ (9,030)</u>	<u>\$ -</u>	<u>\$ 5,885,635</u>
March 31, 2015					
Land	\$ 489,000	\$ -	\$ -	\$ -	\$ 489,000
Buildings and improvements	5,147,328	-	-	-	5,147,328
Furniture, equipment and transportation equipment	1,862,398	183,655	(22,153)	-	2,023,900
Construction in progress	16,552	-	(16,552)	-	-
	7,515,278	183,655	(38,705)	-	7,660,228
Less accumulated depreciation	(1,039,468)	(388,480)	14,770	-	(1,413,178)
Net capital assets	<u>\$ 6,475,810</u>	<u>\$ (204,825)</u>	<u>\$ (23,935)</u>	<u>\$ -</u>	<u>\$ 6,247,050</u>

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 5: Costs Recoverable from Future Billings

Costs recoverable from future billings are comprised primarily of costs related to certain purchases of productive capacity, improvements on productive capacity and projects in which MEAN is a participant. The costs consist of the cumulative difference between depreciation recorded on certain productive capacity (primarily LRS, WSEC 4 and Wygen I) and capital assets and principal payments on debt issued to construct or purchase those assets. Upon implementation of GASB Statement No. 65, costs recoverable from future billings include certain debt issuance costs that are budgeted to be recovered through future electric rates. In 2013, transmission costs of approximately \$6.3 million were capitalized in accordance with the regulated operations provisions of GASB Codification Section Re10, *Regulated Operations*. Costs are being amortized in future rate periods when such costs are included in the revenue requirements to establish electric rates.

MEAN annually evaluates the probability that future revenues will be recognized through charging regulated rates to recover costs recoverable from future billings. As a result of this evaluation, no costs were removed in 2016 or 2015.

Note 6: Credit Facilities

Line of Credit

MEAN has a \$20,000,000 revolving line of credit expiring May 31, 2017. During the years ended March 31, 2016 and 2015, no funds were advanced against the line. Interest varies at two percent (2%) above Daily One Month LIBOR in effect from time to time and is payable monthly.

Letters of Credit

As financial security for MEAN's performance under certain financial transmission rights and transmission congestion rights in regional transmission organizations in which MEAN participates, MEAN has obtained two standby letters of credit totaling \$4,500,000 at March 31, 2016. The \$500,000 standby letter of credit was automatically renewed in April 2016, under an automatic annual renewal clause, to April 7, 2017. The \$4 million standby letter of credit, expiring December 31, 2016, also includes an automatic annual renewal clause. The amount available under MEAN's revolving line of credit is reduced by the amount of the issued standby letters of credit.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 7: Long-term Debt

The following is a summary of long-term debt transactions for the Agency for the year ended March 31, 2016:

Type of Debt	2016				Due Within One Year
	April 1 2015	Additions	Reductions	March 31 2016	
3.000% - 5.000% Power Supply System Revenue and Refunding Bonds, Series 2013A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2019 and 2022 through 2025. Term principal payment due April 1, 2036. Mandatory sinking fund payments due annually April 1, 2033 through 2036. Redeemable at par on or after April 1, 2023.	\$ 32,430,000	\$ -	\$ 1,190,000	\$ 31,240,000	\$ 1,225,000
1.270% - 3.319% Power Supply System Revenue Bonds, Series 2013B (Federally Taxable). Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2022.	6,795,000	-	-	6,795,000	960,000
3.000% - 5.000% Power Supply System Revenue Refunding Bonds, Series 2012A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032. Redeemable at par on or after April 1, 2022.	60,415,000	-	1,795,000	58,620,000	3,155,000
5.000% - 5.375% Power Supply System Revenue Refunding Bonds, Series 2009A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2024. Term payments due April 1, 2029 and 2039. Mandatory sinking fund payments due annually April 1, 2029 through 2039. Serial bonds redeemable at par on or after April 1, 2019. Term bonds redeemable by operation of sinking fund installments at the principal amount thereof.	73,595,000	-	1,170,000	72,425,000	190,000
Total long-term debt	173,235,000	-	4,155,000	169,080,000	5,530,000
Premium on long-term debt	11,140,195	-	621,121	10,519,073	-
Long-term debt, net	\$ 184,375,195	\$ -	\$ 4,776,121	\$ 179,599,073	\$ 5,530,000

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 7: Long-term Debt - Continued

The following is a summary of long-term debt transactions for the Agency for the year ended March 31, 2015:

Type of Debt	2015				
	April 1 2014	Additions	Reductions	March 31 2015	Due Within One Year
3.000% - 5.000% Power Supply System Revenue and Refunding Bonds, Series 2013A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2019 and 2022 through 2025. Term principal payment due April 1, 2036. Mandatory sinking fund payments due annually April 1, 2033 through 2036. Redeemable at par on or after April 1, 2023.	\$ 32,430,000	\$ -	\$ -	\$ 32,430,000	\$ 1,190,000
1.270% - 3.319% Power Supply System Revenue Bonds, Series 2013B (Federally Taxable). Interest due semi-annually on April 1 and October 1. Serial principal payments due annually April 1, 2016 through 2022.	6,795,000	-	-	6,795,000	-
3.000% - 5.000% Power Supply System Revenue Refunding Bonds, Series 2012A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032. Redeemable at par on or after April 1, 2022.	62,155,000	-	1,740,000	60,415,000	1,795,000
5.000% - 5.375% Power Supply System Revenue Refunding Bonds, Series 2009A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2024. Term payments due April 1, 2029 and 2039. Mandatory sinking fund payments due annually April 1, 2029 through 2039. Serial bonds redeemable at par on or after April 1, 2019. Term bonds redeemable by operation of sinking fund installments at the principal amount thereof.	74,710,000	-	1,115,000	73,595,000	1,170,000
Total long-term debt	176,090,000	-	2,855,000	173,235,000	4,155,000
Premium on long-term debt	11,761,316	-	621,121	11,140,195	-
Long-term debt, net	\$ 187,851,316	\$ -	\$ 3,476,121	\$ 184,375,195	\$ 4,155,000

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 7: Long-term Debt - Continued

Future principal and interest payments required to be made in accordance with all of the long-term debt agreements at March 31, 2016 are as follows:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 5,530,000	\$ 8,187,179	\$ 13,717,179
2018	5,715,000	7,975,492	13,690,492
2019	5,945,000	7,723,901	13,668,901
2020	6,215,000	7,449,421	13,664,421
2021	5,050,000	7,192,504	12,242,504
2022-2026	29,080,000	32,025,307	61,105,307
2027-2031	29,895,000	24,638,059	54,533,059
2032-2036	40,105,000	15,996,219	56,101,219
2037-2040	41,545,000	4,602,644	46,147,644
	<u>\$ 169,080,000</u>	<u>\$ 115,790,726</u>	<u>\$ 284,870,726</u>

The Power Supply System Revenue Bonds listed above are special obligations of MEAN payable solely from and secured solely by a pledge of the Revenues and certain other funds and amounts pursuant to each applicable Bond Resolution. The Revenues consist of all income from MEAN's Power Supply System.

Note 8: Electric Energy Sales

Electric energy sales for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Long-term total requirements	\$ 107,382,259	\$ 103,932,511
Limited-term total requirements	13,489,741	28,836,932
Interchange sales	<u>6,682,033</u>	<u>11,234,638</u>
	<u>\$ 127,554,033</u>	<u>\$ 144,004,081</u>

MEAN has sixty-seven participating municipal utilities as of March 31, 2016 and 2015. Each of the participating municipal utilities, which consist of Nebraska, Colorado, Iowa and Wyoming municipalities; a public power district in Nebraska; and a power authority in Colorado, has entered into the Electrical Resources Pooling Agreement with MEAN. The Electrical Resources Pooling Agreement includes various service schedules under which MEAN provides power supply services.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 8: Electric Energy Sales – Continued

Total Requirements

As of March 31, 2016 and 2015, fifty-four participants have entered into long-term total requirements contracts. The long-term total requirements contracts extend through the final maturity of MEAN's outstanding long-term debt.

As of March 31, 2016 and 2015, five and six participants, respectively, have entered into limited-term total requirements contracts as one contract expired during 2016. The limited-term total requirements contracts vary in length, but are generally up to ten years. Subsequent to March 31, 2016, two participants have entered into limited-term total requirements contracts beginning June 1, 2016.

The total requirements agreements require MEAN to supply and obligate the participants to purchase, all capacity and energy in excess of each participant's firm power and energy allocations from Western Area Power Administration (WAPA), and include limited exceptions for certain generating facilities of Waverly Utilities, Iowa and Aspen, Colorado.

MEAN has contracted to collect payments for WAPA power and energy purchased by certain participants and remits these payments to WAPA. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in the Statements of Revenues, Expenses and Changes in Net Position. These amounts totaled approximately \$6,549,000 and \$7,204,000 during 2016 and 2015, respectively.

Service Power

Each service power participant maintains full control and responsibility for its existing and future resources to meet its electric power and energy requirements. Seven municipalities and a power authority were service power participants during 2016. Six municipalities and a power authority were service power participants during 2015.

MEAN provides scheduling services in Southwest Power Pool's (SPP) Integrated Marketplace (IM) which began March 1, 2014 for three of the service power participants. The service power participants pay MEAN an administrative fee for the scheduling services provided. The administrative fee is included in other operating revenues on the Statements of Revenues, Expenses and Changes in Net Position. MEAN has contracted to collect payments for the service power participants participating in SPP IM and remit these payments to SPP and other transmission providers. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in the Statements of Revenues, Expenses and Changes in Net Position. These amounts totaled approximately \$2,013,000 and \$2,714,000 during 2016 and 2015, respectively. A service power participant may terminate participation by giving two years' written notice to MEAN.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 8: Electric Energy Sales – Continued

Interchange Sales

Interchange sales consist of short-to-medium term power sales agreements in and between the Western Electricity Coordinating Council (WECC), the Midcontinent Independent System Operator, Inc. (MISO) and SPP markets. In the MISO and SPP markets, MEAN records activity for each separately operated and settled market on an hourly basis. Net hourly energy transactions are evaluated on a net megawatt hour basis to determine whether the hourly transaction should be classified as a net purchase or net sale.

Note 9: Electric Energy Costs and Power Supply Commitments

Electric energy costs for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Purchased power	\$ 75,915,411	\$ 96,102,935
Production	19,133,634	21,091,475
Transmission	6,091,638	7,153,114
	<u>\$ 101,140,683</u>	<u>\$ 124,347,524</u>

Pooling Agreements

The Electrical Resources Pooling Agreement allows for the purchase and sale of capacity and energy between MEAN and other power project participants at both fixed and variable rates under the applicable service schedules.

By execution of the Electrical Resources Pooling Agreement and a firm power service agreement under the applicable service schedule, twenty-one participants have committed total capacity and energy output of participant-owned generating units (approximately 154 MW) to MEAN. The Service Schedule M, Total Power Requirements Power Purchase Agreements provide that compensation for generating plants committed to pooling will be based upon the facilities' accredited capability and will be paid at the rate established in the Rate Schedule as modified from time to time upon the determination of the Board of Directors of MEAN. MEAN will also pay a proportionate share of fuel and operation and maintenance costs based on energy actually delivered at rates established by the Board of Directors of MEAN. For Service Schedule K, K-1 and J Participants, these rates are to be established by the Management Committee. The remaining participants who have not committed their total energy resources are able to make sales of available surplus capacity as requested by MEAN at various negotiated rates. Costs related to member generation capacity and energy output agreements are included in purchased power costs in the table above.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 9: Electric Energy Costs and Power Supply Commitments - Continued

Purchased Power Contracts and Participation Agreements

In addition to ownership interests in energy generation facilities, MEAN has purchased power contracts that provide for the purchase of capacity and wholesale firm and nonfirm energy from suppliers at negotiated rates. Power is purchased primarily for resale to participants of the Electrical Resources Pooling Agreements. Costs related to purchased power contracts and participation agreements are included in purchased power costs in the table above.

Western Area Power Administration

MEAN has an allocation from the U.S. Department of Energy, through WAPA, of firm power under contract from Loveland Area Projects hydroelectric plants of approximately 7 MW. MEAN's contract has been extended by amendment and currently runs through 2024. Various MEAN participants also have allocations through WAPA totaling approximately 113 MW. MEAN has contracted to collect payments for WAPA power and energy purchased by certain participants and remits these payments to WAPA as discussed in Note 8.

Public Power Generation Agency

MEAN and other utilities created an interlocal agency, the Public Power Generation Agency (PPGA), for the construction of Whelan Energy Center Unit 2 (WEC 2), a 220 MW coal-fired power plant. MEAN signed a participation power agreement with PPGA for 80 MW (36.36%) of the power output for the life of the plant. Under this agreement, each PPGA participant guarantees an allocated portion of PPGA's debt, which is paid by monthly participant billings.

In addition, under a power sales agreement, Hastings Utilities has agreed to sell capacity and associated energy from Hastings Utilities' entitlement share with PPGA at cost through April 2018. The amount of project output sold decreased from 8 MW on May 1, 2016 to 5 MW and decreases to 2 MW on May 1, 2017.

Agreements with Nebraska Public Power District (NPPD)

MEAN has entered into a multi-unit participation power sales agreement with NPPD for the purchase of power and energy from Gerald Gentleman Station and Cooper Nuclear Station of 50 MW which continues through December 31, 2023.

MEAN has entered into a 20-year participation power agreement with NPPD for the purchase of 7 MW of energy from the Ainsworth Wind Energy Facility. MEAN also participates in three Nebraska based wind plants through power sales agreements with NPPD: Laredo Ridge (8 MW), Elkhorn Ridge (8 MW) and Crofton Bluffs (4 MW). For each of these plants, NPPD has the actual power purchase agreement with the wind plant developer/owner.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 9: Electric Energy Costs and Power Supply Commitments - Continued

Agreement with Black Hills Power, Inc.

MEAN has a power purchase agreement with Black Hills Power, Inc. (BHPL) which continues until May 31, 2023. Under this agreement, BHPL provides MEAN with the capacity and related energy output from Neil Simpson Unit 2 and Wygen Unit III which decreases from 20 MW down to 10 MW over the life of the contract.

Other Agreements

MEAN has also entered into power supply participation agreements whereby MEAN has agreed to share in the energy output of various projects in accordance with the anticipated needs of MEAN's participants. These contracts include wind, coal, hydroelectric and landfill gas generation and vary from 3 to 10 MW's per year.

Market Purchases

MEAN participates in MISO, SPP and WECC markets. Costs related to market purchases and generation revenues received related to units dispatched into MISO and SPP and energy purchases in WECC are included in purchased power costs in the table above.

Production

Production costs consist of MEAN's costs incurred to operate and maintain the wind project at Kimball and MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC4 and Wygen Unit 1.

Transmission

The transmission needs of MEAN and the total requirements participants are served by MISO, SPP and multiple transmission providers in the Western Interconnection. Transmission costs include network integration transmission service and point-to-point transmission service. Transmission costs also include the impact of auction revenue rights and transmission congestion rights in SPP and auction revenue rights and financial transmission rights in MISO. 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.

MEAN has contracted to collect payments for transmission service purchased on behalf of certain participants and remits these payments to the respective providers. Since MEAN is only acting as an agent, these amounts are not reflected as revenue or expense in the Statements of Revenues, Expenses and Changes in Net Position. The transmission service purchased by the participants, that MEAN was responsible for collecting and remitting to the respective transmission providers, totaled approximately \$12,971,000 and \$13,532,000 during 2016 and 2015, respectively.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 10: Transactions with Coalition Members

MEAN, NMPP, NPGA and ACE through common members and management comprise a coalition. MEAN shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

Amounts due from coalition members are included within accounts receivable and amounts due to coalition members are included in accounts payable and accrued expenses on the balance sheets.

A summary of amounts due from and due to coalition members at March 31, 2016 and 2015 is as follows:

	2016	2015
Due from NPGA	\$ 3,185	\$ 4,656
Due from NMPP	-	265,546
Due from ACE	3,167	3,709
Due from coalition members	<u>\$ 6,352</u>	<u>\$ 273,911</u>
Due to NMPP	<u>\$ 154,424</u>	<u>\$ -</u>

MEAN incurred expenses of approximately \$5,750,000 and \$5,100,000 for administrative services provided by NMPP during 2016 and 2015, respectively. In 2016 and 2015, MEAN billed coalition members approximately \$120,000 and \$130,000, respectively, for the use of equipment and furniture.

Note 11: Risk Management

MEAN is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; accidents; and natural disasters. MEAN carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded this commercial coverage in any of the three preceding years.

Municipal Energy Agency of Nebraska

Notes to Financial Statements

March 31, 2016 and 2015

Note 12: Significant Estimates and Concentrations

Environmental Regulations

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that MEAN's facilities will remain subject to the regulations currently in effect, will meet future obligations without retrofit, that MEAN can anticipate the outcome of current regulatory and legislative process, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital and operating expenditures to comply, reduced operating levels or the complete shutdown of individual units not in compliance. As necessary, MEAN will make application to the appropriate federal and state authorities for any permits, certifications and renewals required by federal and state law and regulations for the operations of its existing plants, and for the construction of capital additions and improvements.

Note 13: Contingencies

Claims and Judgments

From time to time, MEAN is party to various claims, public records requests, and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the financial statements of MEAN.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The statements under this caption relating to the 2003 Power Supply System Revenue Bond Resolution and the Sixth Supplemental Resolution are summaries and do not purport to be complete. Such summaries are qualified in their entirety by express reference to the Resolution. Certain provisions of the Resolution are also described under “THE 2016 SERIES A BONDS” and “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” in the Official Statement.

CERTAIN DEFINITIONS

“Accreted Value” means, with respect to any Capital Appreciation Bonds and to any Convertible Capital Appreciation Bonds prior to the related Current Interest Commencement Date, (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bond, and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates.

“Accrued Aggregate Debt Service” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (i) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however,* that there is to be excluded from the calculation of Accrued Aggregate Debt Service (A) any Principal Installments which are to be refunded pursuant to a formal refunding plan approved by resolution of MEAN from sources other than Revenues but only through the last day of the month preceding the month in which such Principal Installments come due and (B) any amounts of principal and interest due or to become due with respect to the Operating Credit Obligation. For purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment are to be included in the calculations of accrued and unpaid and accruing interest and Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“Aggregate Debt Service” for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds; *provided, however,* that for purposes of estimating Aggregate Debt Service for any future period, any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof. For purposes of this definition, the principal and interest portions of the Accreted

Value of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest and Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“Authorized Officer of MEAN” shall mean the Chairperson, Vice Chairperson, Secretary-Treasurer, Executive Director or any officer or employee of MEAN authorized by resolution to perform the act or sign the document in question.

“Capital Appreciation Bonds” shall mean any Bonds issued under the Resolution as to which interest is payable only at the maturity or prior redemption of such Bonds. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default under the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to MEAN or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

“Consulting Engineer” shall mean the engineer or engineering firm or corporation at the time retained by MEAN to perform the acts and carry out the duties assigned to such Consulting Engineer by the Board of Directors of MEAN.

“Convertible Capital Appreciation Bonds” shall mean any Bonds issued under the Resolution as to which interest is payable only following the Current Interest Commencement Date for such Bonds, as set forth in the Supplemental Resolution under which such Bonds are issued, and at the maturity or prior redemption of such Bonds. For the purposes of (i) receiving payment of the Redemption Price if a Convertible Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Convertible Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default under the Resolution or (iii) computing the principal amount of Bonds held by the registered owner of a Convertible Capital Appreciation Bond in giving to MEAN or the Trustee any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Convertible Capital Appreciation Bond shall be deemed to be its Accreted Value.

“Cost of Acquisition and Construction,” with respect to any part of the System, means MEAN’s costs, expenses and liabilities paid or incurred or to be paid or incurred by MEAN in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, retiring, decommissioning and disposing of any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payments or deposits in connection with the purchase of such part of the System or any part thereof, the cost of acquisition by or for MEAN of real and personal property or any interests therein, costs of physical construction and costs of MEAN incidental to such construction or acquisition, the cost of acquisition of initial fuel or fuel inventory and working capital and reserves therefor and

working capital and reserves for reload fuel and for additional fuel inventories (and if financed by the issuance of Bonds, the cost of reload fuel or additional fuel inventories for any generation facility of the System to the extent that sufficient funds are not available in reserves therefor), all costs relating to injury and damage claims relating to such part of the System, the costs of the retiring from service, the decommissioning or the disposal of generation facilities, the cost of any indemnity or surety bonds and premiums on insurance during construction, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, financing costs, fees and expenses of the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Resolution prior to or in connection with the completion of construction, amounts, if any, required by the Resolution to be paid into the Debt Service Fund to provide, among other things, for interest on the Bonds during construction or for such longer period of time as the Resolution or a Supplemental Resolution shall establish and to provide for the Debt Service Reserve Requirement or to be paid into the Operating Fund or the Reserve and Contingency Fund or the General Reserve Fund for any of the respective purposes thereof upon the issuance of any Series, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of MEAN, including notes and Subordinated Indebtedness, incurred in respect of any of the foregoing, and initial working capital and reserves therefor, and shall include reimbursements to MEAN for any of the above items theretofore paid by or on behalf of MEAN.

"Current Interest Commencement Date" means the date specified in a Supplemental Resolution as the date on and from which interest on the Accreted Value of Convertible Capital Appreciation Bonds issued under such Supplemental Resolution will thereafter accrue and be payable on the dates specified in such Supplemental Resolution and otherwise as if such Bonds were Interest Bearing Bonds.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from the proceeds of Bonds or Subordinated Indebtedness and (ii) that portion of each Principal Installment for such Series which would accrue during such period, if such Principal Installment were deemed to accrue daily, in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments of such Series shall be calculated on the assumption that no Bonds of such Series outstanding at the date of calculation will cease to be outstanding except by reason of the payment of each Principal Installment on the due date thereof. For purposes of the foregoing calculation, interest during any period on Variable Interest Rate Bonds will be computed by assuming (a) that the rate of interest borne by such Series of Bonds during such period is equal to the rate established (the *"Assumed Rate"*) for such computation in writing by an Authorized Officer of MEAN, provided that such Assumed Rate shall not be less than the average rate borne by such Series of Bonds during the twelve full calendar months immediately preceding the date on which such computation is made and

provided further that, to the extent such Series of Variable Interest Rate Bonds have not been outstanding during the entirety of such twelve month period, the Assumed Rate shall not be less than the average rate on the BMA Index during such twelve month period, or (b) to the extent MEAN has entered into an interest rate swap agreement with respect to all or a portion of a Series of Bonds, such Series of Bonds or portion thereof will bear interest during such period at a rate equal to the rate payable by MEAN in accordance with such interest rate swap agreement. In addition, for purposes of this definition, the principal and interest portions of the Accreted Value of Capital Appreciation Bonds and Convertible Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest and Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“Debt Service Reserve Requirement” shall mean, as of any date of calculation, an amount equal to the lesser of (a) 10% of the aggregate original principal proceeds of all Series of Bonds then Outstanding, (b) the maximum aggregate Debt Service due in any Fiscal Year on all Series of Bonds then Outstanding, or (c) 125% of the aggregate average Debt Service due during any Fiscal Year on all Series of Bonds then Outstanding. For purposes of the foregoing calculation, interest during any period on a Series of Variable Interest Rate Bonds will be computed by assuming (i) that the rate of interest borne by such Series of Bonds during such period is equal to the rate established (the *“Assumed Rate”*) for such computation in writing by an Authorized Officer of MEAN, provided that such Assumed Rate shall not be less than the average rate borne by such Series of Bonds during the twelve full calendar months immediately preceding the date on which such computation is made and provided further that, to the extent such Series of Variable Interest Rate Bonds have not been outstanding during the entirety of such twelve month period, the Assumed Rate shall not be less than the average rate on the BMA Index during such twelve month period, or (ii) to the extent MEAN has entered into an interest rate swap agreement with respect to all or a portion of a Series of Bonds, such Series of Bonds or portion thereof will bear interest during such period at a rate equal to the rate payable by MEAN in accordance with such interest rate swap agreement. Amounts Outstanding and to be Outstanding under the Operating Credit Obligation shall be excluded from the calculation of the Debt Service Reserve Requirement. The amount of the Debt Service Reserve Requirement to be on deposit in the Debt Service Reserve Account of the Debt Service Fund shall be satisfied by a deposit of either moneys and/or Investment Securities or a Reserve Policy in accordance with the requirements of the Resolution.

“Defeasance Securities” means:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the federal agencies set forth in clause (ii) below to the extent unconditionally guaranteed by the United States of America; and

(ii) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal

Home Loan Banks, Farmers Home Administration, Federal Home Loan Mortgage Association, Export Import Bank of the United States, United States Postal Service, or any other agency or instrumentality of the United States of America or any corporation wholly owned by the United States of America.

“Fiscal Year” shall mean the then current annual accounting period of MEAN for its general accounting purposes. Such period now commences on April 1 of a year and ends on March 31 of the succeeding year.

“Generally Accepted Accounting Principles” shall mean accounting principles, methods and terminology followed and construed, as nearly as practicable, in conformity with the pronouncements of the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and the Federal Energy Regulatory Commission Uniform System of Accounts for Class A and Class B public utilities.

“Government Obligations” means (a) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged and (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at the option of anyone other than the holder thereof.

“Interest Bearing Bonds” means Bonds as to which interest is payable on each Interest Payment Date.

“Interest Payment Date” means for a Series of Bonds, except as otherwise provided in the Resolution or in the Supplemental Resolution under which such Bonds were issued, each April 1 and October 1, commencing on the date specified in such Supplemental Resolution.

“Investment Securities” means and includes any investments that are at the time legal for investment of MEAN funds and are allowed pursuant to MEAN’s investment policy as in effect on the date of such investment and by the terms of the Supplemental Resolution under which a Series of Bonds is issued. The Sixth Supplemental Resolution provides that, for purposes of the 2016 Series A Bonds, Investment Securities means any of the following securities if and to the extent such securities are at the time legal for investment of MEAN’s funds and are allowed pursuant to MEAN’s investment policy as in effect on the date of such investment:

(a) Bills, notes, bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America.

(b) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories (without regard to qualifiers) assigned by such agencies.

(c) Any bonds or other obligations which as to principal and interest are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America. Such obligations shall include, but not be limited to, the following: (i) U.S. Export-Import Bank; (ii) Rural Economic Community Development Administration (formerly the Farmers Home Administration); (iii) Farm Credit System Financial Assistance Corporation (FCSFAC); (iv) Farmers Home Administration (FHA); (v) Federal Financing Bank (FFB); (vi) Federal Housing Administration (FHA); (vii) General Service Administration (GSA); (viii) Government National Mortgage Association (GNMA); (ix) U.S. Maritime Administration guaranteed Title XI financing; (x) U.S. Department of Housing and Urban Development (HUD); (xi) Washington Metropolitan Area Transit Authority (WMATA); (xii) Resolution Trust Funding Corporation (REFCORPs) (Interest STRIPs only); and (xiii) U.S. Agency for International Development (AIDs).

(d) Senior obligations issued or guaranteed by any of the following which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) Federal Home Loan Bank Systems (FHLB); (ii) Federal Home Loan Mortgage Corporation (FHLMC); (iii) Federal National Mortgage Association (FNMA); (iv) Student Loan Marketing Association (SLMA); (v) Resolution Trust Funding Corporation (REFCORPs); and (vi) Farm Credit Corp.

(e) Commercial paper which is rated at the time of purchase, “A-1” by S&P and “P-1” by Moody’s and which matures not more than two hundred seventy (270) days after the date of purchase.

(f) Certificates of deposit, time deposits, banker’s acceptances, or uncollateralized investment agreements of any U.S. depository institution or trust company having capital and surplus of more than \$100,000,000 incorporated under the laws of the United States or any state thereof and subject to supervision and examination by federal and/or state banking authorities, provided that the unsecured short-term debt obligations of such depository institution or trust company at the date of acquisition thereof have been rated “A-1” by S&P and “P-1” by Moody’s.

(g) Money market funds registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, which at the date of acquisition have a rating by S&P of either “AAAm-G,” “AAAm” or “Aam.”

(h) Investment agreements under which the provider agrees to periodically deliver, on a delivery versus payment basis, such securities as are described in subparagraphs (a) through (f) above.

(i) Repurchase agreements which are continuously and fully secured by such securities as are described in subparagraphs (c) and (d) above, which securities shall have

a market value at all times at least equal to 102% of the principal amount invested under the repurchase agreement plus any accrued but unpaid interest (marked to market at least weekly).

(j) Investment agreements that by their terms provide for repayment at par, for any lawful purpose under the 2003 Resolution, of amounts invested thereunder, which either (i) constitute obligations of a bank, bank holding company, trust company, insurance company, financial institution or other investment provider whose outstanding unsecured debt, financial strength or claims paying ability (or whose guarantor's outstanding unsecured debt, financial strength or claims paying ability) is rated by S&P at least "A-1" short term or "A+" long term and by Moody's at least "P-1" short-term or "A1" long-term, or (ii) are fully secured by Government Obligations or obligations described in subparagraph (c) above, in each case with a market value, inclusive of accrued interest, equal to 102% of the amounts invested under those investment agreements. Notwithstanding the foregoing, the investment agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee, if the obligation of MEAN to pay such fee or penalty is payable solely from the amounts, if any, available for that purpose in the General Reserve Fund.

"Net Revenues" for any Fiscal Year or period of 12 calendar months shall mean the Revenues during such period, determined on an accrual basis, plus (a) the amounts, if any, paid from the Rate Stabilization Account in the General Reserve Fund into the Revenue Fund during such period (excluding from (a) certain amounts included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Account in the General Reserve Fund to the Revenue Fund pursuant to the Resolution) and minus (b) the sum of (i) Operating Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues and (ii) the amounts, if any, paid from the Revenue Account in the Revenue Fund into the Rate Stabilization Account in the General Reserve Fund during such period.

"Operating Credit Obligation" means an obligation of MEAN, authorized the Resolution, on a parity with the Bonds with respect to the pledge and assignment of, and security interest in, the Revenues and payments therefrom granted by the Resolution, to evidence a line of credit made available to MEAN (to effect the timely disbursement by MEAN of its Operating Expenses) by a financial institution.

"Operating Expenses" shall mean all actual maintenance and operation costs of the System incurred by MEAN in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, but only if such charges are made in conformity with Generally Accepted Accounting Principles, including amounts reasonably required to be set aside in reserves for items of Operating Expenses the payment of which is not then immediately required.

Such Operating Expenses include, but are not limited to, expenses for ordinary repairs, renewals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative

and general expenses, insurance expenses, legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting and technical services, taxes (except as set forth in the following paragraph), payments in lieu of taxes and other governmental charges, fuel costs, including the leasing of nuclear fuel, costs of purchased power and transmission service, payments with regard to price hedging arrangements entered into by MEAN with regard to such fuel costs, and any other current expenses or obligations required to be paid by MEAN under the provisions of the Resolution or by law, all to the extent properly allocable to the System, and the fees and expenses of the Trustee and Paying Agents.

Such Operating Expenses do not include depreciation or obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of MEAN, costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to or retirements from the System which under Generally Accepted Accounting Principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of MEAN.

“Option Bonds” means Bonds that by their terms may be tendered by and at the option of the Holder thereof for payment prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

“Outstanding”, when used with reference to Bonds, shall mean, as of any date of calculation, Bonds theretofore or thereupon being authenticated and delivered under the Resolution (the principal amount of the Operating Credit Obligation being equal on the date of calculation to the then outstanding aggregate principal amount of advances to MEAN under the Operating Credit Obligation) except:

- (i) Bonds cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and

- (iv) Bonds deemed to have been paid as provided in the Resolution.

“Pooling Agreement” shall mean the Electrical Resources Pooling Agreement between MEAN and the various cities and villages and public power districts that are parties thereto.

“Power Purchaser” shall mean (i) any parties (other than MEAN) to the Power Supply Contracts or (ii) any Nebraska municipality which operates an electric system or (iii) any other entity, whether public or private, which either charges rates for electric system services or which is authorized by law to assess ad valorem taxes or charge rates for its services, in each case which shall have entered into a Power Supply Contract and with whom MEAN is authorized by law to enter into such Power Supply Contracts.

“Power Supply Contracts” means contracts entered into by MEAN, in whatever form, to enable a power purchaser to commit to the purchase of power, energy or related services from MEAN.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are outstanding, (i) the principal amount of Bonds of such Series due whether by their terms or at the option of the holder on a certain future date for which no sinking fund installments have been established or (ii) the unsatisfied balance of any sinking fund installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such sinking fund installments or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of sinking fund installments due on such future date plus such applicable redemption premiums, if any.

“Qualified Hedge Agreement” means, to the extent from time to time permitted by law, with respect to any Series of Bonds, any financial arrangement (i) which is entered into by MEAN with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar, forward rate, future rate, swap (such swap may be used in an amount equal either to the principal amount of such Series of Bonds as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Series of Bonds), asset, index, price or market linked transaction or agreement, or other exchange or rate protection transaction agreement, or similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing, executed by MEAN, (iii) which has been designated as a Qualified Hedge Agreement with respect to such Series of Bonds in a written determination signed by a Authorized Officer of MEAN and delivered to the Trustee and the provider of any credit facility and liquidity facility for such Series of Bonds, and (iv) which contains such terms addressing the posting and holding of collateral and such other terms as may be imposed by the Supplemental Resolution under which a Series of Bonds is issued.

“Qualified Hedge Provider” means, subject to any higher ratings requirement imposed by the Supplemental Resolution under which a Series of Bonds is issued, an entity whose ratings with respect to its senior, long term, unsecured debt obligations or deposits, or whose financial program, counterparty, or claims paying ability ratings, at the time of the execution of a

Qualified Hedge Agreement, are at least “A”, without regard to any qualifier, by S&P, Moody’s or Fitch (or whose payment obligations under such Qualified Hedge Agreement are guaranteed or insured by such an entity); *provided, however*, that in the event such entity (or guarantor or insurer, as applicable) shall fail to maintain the foregoing rating, the Qualified Hedge Agreement shall provide for such entity (or guarantor or insurer, as applicable) to post collateral in the form of Investment Securities in respect of any Settlement Amount that may become due to MEAN under the terms of the Qualified Hedge Agreement, such Settlement Amount and the value of any posted collateral to be determined with such frequency as MEAN may reasonably determine.

“Qualified Reserve Policy Provider” means an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by a nationally recognized bond rating agency. A letter of credit issuer shall be a bank or trust company which on the date of issuance of the letter of credit has an outstanding unsecured, uninsured and unguaranteed debt issue which is rated not lower than the second highest rating category by a nationally recognized bond rating agency. The issuer of any other similar obligation shall have the qualifications set forth in a Supplemental Resolution authorizing the issuance of a Series of Bonds.

“Redemption Price” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Resolution.

“Refunding Bonds” shall mean all Bonds (which, for the purposes of this definition, shall not include the Operating Credit Obligation) issued as described at the caption “Issuance of Refunding Bonds” in this APPENDIX B.

“Reserve Policy” means any credit facility, insurance policy, surety bond, letter of credit or other credit support agreement or mechanism obtained by MEAN from a Qualified Reserve Policy Provider to satisfy its obligation to fund the Debt Service Reserve Requirement for a Series of Bonds. The Reserve Policy shall provide that amounts may be drawn thereunder by the Trustee (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Account of the Debt Service Fund and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Account.

“Resolution” shall mean the 2003 Resolution, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms of the 2003 Resolution, including the Sixth Supplemental Resolution.

“Revenues” means (i) all payments received by MEAN pursuant to the Power Supply Contracts, (ii) all revenues, income, rents and receipts derived by MEAN from or attributable to the ownership and operation of the System, including all revenues attributable to the System or to the payment of the costs thereof received by MEAN under any contract for the sale of power, energy, transmission or other service from the System or any part thereof or any contractual arrangement with respect to the use of the System or any portion thereof or the services, output or capacity thereof, (iii) the proceeds of any insurance covering business interruption loss

relating to the System, (iv) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and required to be paid into the Revenue Fund, all as determined in accordance with Generally Accepted Accounting Principles, and (v) receipts of MEAN under any Qualified Hedge Agreement entered into in connection with the ownership and operation of the System or with respect to a Series of Bonds issued pursuant to this Resolution.

“Series” shall mean all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Resolution or a supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, sinking fund installments or other provisions, and shall include the Operating Credit Obligation.

“Settlement Amount” means the amount, if any, that may become due from a party under a Qualified Hedge Agreement or any price hedging arrangement entered into by MEAN with respect to its fuel costs, including nuclear fuel, costs of purchased power and transmission services. Where a Settlement Amount is to be amortized pursuant to the terms of a Qualified Hedge Agreement, the term *“Settlement Amount”* shall refer to any amortizing payments of such Settlement Amount that are then due and payable. Any Settlement Amount due from MEAN shall, unless otherwise stated in the Supplemental Resolution relating to a Series of Bonds, be payable as Subordinated Indebtedness hereunder and under such Supplemental Resolution.

“Sinking Fund Installment” means, with respect to a Series of Bonds, an amount so designated by the Supplemental Resolution pursuant to which such Series of Bonds was issued.

“Sixth Supplemental Resolution” shall mean the Sixth Supplemental Power Supply System Revenue Bond Resolution adopted by the Board of Directors of MEAN pursuant to the 2003 Resolution on August 18, 2016.

“Subordinated Indebtedness” shall mean (a) any evidence of debt issued for which balances in the General Reserve Fund may be applied as set forth under clauses (ii) through (vii), inclusive, of the third paragraph under the caption *“Application of Revenues — 4. To the General Reserve Fund”* in this APPENDIX B and (b) any Settlement Amount due to a Qualified Hedge Provider under a Qualified Hedge Agreement relating to a Series of Bonds. Such evidence of debt shall be payable out of, and may be secured by the pledge and assignment of, such amounts in the Subordinated Indebtedness Account or the General Reserve Fund as may from time to time be available for the purpose of payment thereof.

“System” means all property, including contracts, franchises, agreements and systems of MEAN, now existing and hereafter acquired for the purpose of providing power supply, transmission and ancillary services to power purchasers under the Power Supply Contracts, and any other facilities financed with bonds, notes or other obligations payable or paid from Revenues. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interests in properties of MEAN that MEAN determines shall not constitute a part of the System for the purpose of the Resolution.

“System Agreements” shall mean any operating or participation agreements entered into by MEAN and such other agreements as MEAN may from time to time determine to be System Agreements for the purpose of the Resolution.

“Total Power Requirements Power Purchase Agreement” shall mean the form of the contract between MEAN and a Power Purchaser set forth as Schedule M to the Pooling Agreement.

“2003 Resolution” shall mean the 2003 Power Supply System Revenue Bond Resolution adopted by the Board of Directors of MEAN on August 21, 2003.

“Valuation Date” shall mean with respect to any Capital Appreciation Bonds, and to any Convertible Capital Appreciation Bonds prior to the related Current Interest Commencement Date, the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values are assigned to such Capital Appreciation Bonds or Convertible Capital Appreciation Bonds.

“Variable Interest Rate Bond” means a Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of issuance of the Series of Bonds of which such Bond is one, but does not include the Operating Credit Obligation.

ISSUANCE OF BONDS OTHER THAN REFUNDING BONDS

Under the Resolution, MEAN may issue one or more Series of Bonds at any time for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the System, the proceeds of which, including accrued interest, are to be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Resolution authorizing such Series. MEAN may also issue one or more Series of Refunding Bonds to refund all Outstanding Bonds of one or more Series or one or more maturities within a Series. Bonds of each Series may be issued upon receipt by the Trustee of, among other things, the following:

(a) A Certificate of an Authorized Officer of MEAN setting forth for any period of 12 consecutive calendar months within the 24 calendar months next preceding the date of the authentication and delivery of such Series of Bonds (i) Net Revenues for such period and (ii) the Aggregate Debt Service during the period so selected with respect to all Series of Bonds which were then Outstanding (provided that the amount of Debt Service on the Operating Credit Obligation for such period shall equal the aggregate amounts paid with respect to the Operating Credit Obligation during such period); and showing that the Net Revenues for such period plus amounts available for transfer to the Revenue Fund from the General Reserve Fund in each month during such period are at least equal to 1.0 times the Aggregate Debt Service for such period with respect to such Bonds which were then Outstanding;

(b) Except in the case of Refunding Bonds, a certificate of an Authorized Officer of MEAN stating that either (i) no Event of Default has occurred and is continuing under the Resolution or (ii) the application of the proceeds of sale of such

Series of Bonds as required by the Supplemental Resolution will cure any such Event of Default; and

(c) An opinion or opinions of counsel, subject to certain permitted exceptions, to the effect that all the Total Power Requirements Power Purchase Agreements then in force have been duly authorized, executed and delivered by the parties thereto and constitute valid and binding obligations of such parties in accordance with their respective terms, provided that once such an opinion or opinions covering any of the matters referred to above have been received by the Trustee, no new opinion or opinions covering such matter need be furnished to the Trustee unless the contract or agreement to which the matter relates has been amended, modified or supplemented subsequent to the date of the prior opinion or opinions of Counsel furnished with respect thereto.

ISSUANCE OF REFUNDING BONDS

Under the Resolution, MEAN may issue one or more Series of Bonds at any time for the purpose of refunding all Outstanding Bonds of one or more Series or one or more maturities within a Series. Refunding Bonds must be issued in an amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts under the Resolution required by the provisions of the supplemental resolution authorizing such Bonds. Refunding Bonds may be issued upon receipt by the Trustee of, among other things, the following:

(a) Irrevocable instructions to the Trustee to give due notice of redemption of all the Bonds to be refunded; and

(b) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded together with accrued interest on such Bonds to the redemption date, or (ii) Defeasance Securities in such principal amounts, of such maturities, and bearing such interest, as shall be necessary to comply with the provisions described under the caption “Defeasance” in this APPENDIX B, which moneys or Defeasance Securities will be held by the Trustee or the Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds being refunded.

ESTABLISHMENT OF FUNDS

The Resolution establishes the following Funds and Accounts for the application of Revenues:

FUNDS	HELD BY
Construction Fund	Trustee
Revenue Fund	MEAN
Operating Fund	MEAN
Debt Service Fund (consisting of the Debt Service Account, the Operating Credit Account, the Debt Service Reserve Account and a Subordinated Indebtedness Account)	Trustee
Reserve and Contingency Fund	MEAN
General Reserve Fund (consisting of a General Reserve Account and a Rate Stabilization Account)	MEAN

In addition to the above, pursuant to the Resolution MEAN may from time to time establish or cause the Trustee to establish one or more accounts and/or subaccounts in the above-described Funds and Accounts.

APPLICATION OF REVENUES

All Revenues received are to be deposited promptly in the Revenue Fund. Each month MEAN may transfer from the Revenue Fund to the Rate Stabilization Account in the General Reserve Fund, an amount determined by MEAN's Board of Directors to be credited for such month. No amounts are to be transferred from any other Fund or Account to the Rate Stabilization Account.

Amounts in the Revenue Fund are to be paid to the following Funds and Accounts, in such manner as to assure that good funds are in such Funds and Accounts when needed for the intended purposes, for application as follows:

1. *To the Operating Fund*, from time to time each month a sum or sums which, together with any amount in the Operating Fund not set aside as a general reserve for Operating Expenses, is equal to the Operating Expenses for such calendar month. MEAN may also, from time to time, transfer additional amounts from the Revenue Fund to the Operating Fund to be set aside as a general reserve for Operating Expenses, provided that the total amount of such general reserve accumulated from Revenues held at any time may not exceed 20% of the appropriation in the annual budget for Operating Expenses for the then current Fiscal Year. Any amounts advanced to MEAN pursuant to the Operating Credit Obligation will be deposited in the Operating Fund. The Resolution provides for the application of excess amounts in the Operating Fund to make up any deficiencies in the following Funds and Accounts in the order stated: (a) pro rata on the basis of the amount required for each of the Debt Service Account and Operating Credit Account in the Debt Service Fund; (b) Debt Service Reserve Account; (c) Subordinated

Indebtedness Account; and (d) Reserve and Contingency Fund. Any balance of such excess not so applied shall be deposited in the General Reserve Fund.

2. *To the Debt Service Fund*, each month (a) pro rata on the basis of the amount required (i) for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service as of the end of the last day of the then current month; provided that, for the purposes of computing the amount on deposit in said Account, there shall be excluded the amount, if any, set aside in said Account from the proceeds of Bonds (including amounts, if any, transferred thereto from the Construction Fund) less the amount of such proceeds to be applied in accordance with the Resolution or any supplemental resolution authorizing a Series of Bonds, to interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month; provided further, however, that MEAN may defer any such monthly transfers and make one or more transfers in an amount equal to the aggregate of those not made, by no later than the time the next payment is required to be made from the Debt Service Account, (ii) for credit to the Debt Service Account, any net payment required to be made by MEAN (other than any Settlement Amount) under any Qualified Hedge Agreement, and (iii) for credit to the Operating Credit Account, the amount, if any, equal to the sum of the amounts required to pay principal of and accrued interest on the Operating Credit Obligation for such month; (b) for credit to the Debt Service Reserve Account, the amount, if any, required for such Account to equal the Debt Service Reserve Requirement; and (c) for credit to the Subordinated Indebtedness Account, an amount, if any, equal to the sum of amounts required to pay principal or sinking fund installments and premiums, if any, of and interest on each issue of Subordinated Indebtedness, whether as a result of maturity or prior call for redemption, as required by the resolution, indenture or other instrument authorizing such issue of Subordinated Indebtedness, and any Settlement Amount then due and payable. In lieu of the required transfers of moneys to the Debt Service Reserve Account, pursuant to the Resolution MEAN may cause to be deposited into the Debt Service Reserve Account for the benefit of the Holders of the Bonds a Reserve Policy in an amount equal to any deficiency.

In the event of the refunding of one or more Series of Bonds, the amounts accumulated in the Debt Service Account with respect to Debt Service on the Bonds being refunded shall be withdrawn by the Trustee, upon the direction of MEAN, and held for the payment of the redemption price, if applicable, or the payment of principal of and interest on the Series of Bonds being refunded. No such withdrawal, however, shall be made unless (a) immediately thereafter the Series of Bonds being refunded shall be deemed to have been paid pursuant to the Resolution, and (b) the remaining amount in the Debt Service Account after such withdrawal shall not be less than an amount equal to the Accrued Aggregate Debt Service.

The Trustee is also to pay out of the Debt Service Account, on or before the date when due, any net payment required to be paid by MEAN (other than any Settlement Amount) under any Qualified Hedge Agreement to the provider thereof.

Amounts in the Debt Service Reserve Account are to be applied to make up any deficiency in the Debt Service Account whenever there shall not be on deposit in the Subordinated Indebtedness Account or in the Reserve and Contingency Fund or in the General Reserve Fund available moneys to cure such deficiency. Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all outstanding Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. Whenever moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement, the excess will be deposited in the Revenue Fund.

Amounts in the Subordinated Indebtedness Account are to be applied to make up any deficiency in the Debt Service Account or the Debt Service Reserve Account, in that priority, whenever there shall not be on deposit in the Reserve and Contingency Fund or in the General Reserve Fund available moneys to cure such deficiency. Subject to the provisions of the instrument securing each issue of Subordinated Indebtedness, whenever moneys on deposit in the Subordinated Indebtedness Account, in the discretion of MEAN, exceed the requirements of such Account, the excess may be deposited in the General Reserve Fund.

3. *To the Reserve and Contingency Fund*, each month the amount, if any, which when added to the amount on deposit in said Fund will equal the Reserve and Contingency Fund Requirement.

Amounts in the Reserve and Contingency Fund will be applied to the costs of major renewals, replacements, repairs, additions, betterments, enlargements and improvements to the System and the payment of extraordinary operation and maintenance costs and contingencies, to the extent not provided for in the then current annual budget or by reserves in the Operating Fund or from the proceeds of Bonds or from amounts on deposit in the General Reserve Fund.

If at any time the amounts in the Debt Service Account or in the Debt Service Reserve Account are less than the amounts required by the Resolution, and there are not on deposit in the General Reserve Fund available funds sufficient to cure such deficiency, then MEAN will transfer from the Reserve and Contingency Fund the amount necessary to make up such deficiency. To the extent not required to meet a deficiency in the Debt Service Account or in the Debt Service Reserve Account, if at any time the amount deposited in the Subordinated Indebtedness Account shall be less than the amount required by the Resolution, and if there shall not be on deposit in the General Reserve Fund available moneys sufficient to cure any such deficiency, then the Trustee shall transfer from the Reserve and Contingency Fund to the Subordinated Indebtedness Account an amount (or all the moneys in the Reserve and Contingency Fund if less than the amount required) which, together with the amounts available in the General Reserve Fund, will be sufficient to make up such deficiency.

Amounts in the Reserve and Contingency Fund in excess of the Reserve and Contingency Fund Requirement not required to meet any such deficiencies in the Debt Service Fund, and which are not needed for any of the purposes for which the Reserve and Contingency Fund was established, shall be transferred to the Operating Fund to the extent deemed necessary by MEAN to make up deficiencies therein, and any remaining excess shall be deposited in the General Reserve Fund; provided that for the period, if any, set forth in the Resolution or a supplemental resolution authorizing the issuance of a Series of Bonds, investment earnings on obligations held as part of the Reserve and Contingency Fund shall be transferred to the Debt Service Account to pay interest on the Series of Bonds authorized thereby.

4. *To the General Reserve Fund*, each month the remaining balance, if any, of moneys in the Revenue Fund. MEAN will transfer from the General Reserve Fund amounts in the following order of priority: (a) to the Operating Fund to make up any deficiency in amounts available for Operating Expenses, (b) to the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund the amount necessary to make up any deficiencies in payments to said Accounts, (c) to the Debt Service Reserve Account the amount of any deficiency in such Account resulting from any transfer, (d) to the Subordinated Indebtedness Account the amount necessary to make up any deficiencies of payments to said Account, and (e) to the Reserve and Contingency Fund the amount necessary to make up any deficiencies in payments to said Fund.

Any amount on deposit in the General Reserve Fund on the first day of any month and not required to meet a deficiency as required in clauses (a) through (e) above and not required to be applied to any other purpose may be transferred to the Revenue Fund.

Amounts in the General Reserve Fund not required for any of the above purposes or for transfer to the Revenue Fund shall upon determination of MEAN be applied to or set aside for any one or more of the following:

(i) the purchase or redemption of any Bonds, or the payment or prepayment of the Operating Credit Obligation, and expenses in connection with the purchase or redemption of any Bonds or the payment or prepayment of the Operating Credit Obligation or any reserves which MEAN determines shall be required for such purposes;

(ii) payments of principal or redemption price of and interest on any Subordinated Indebtedness or any reserves that MEAN determines shall be required for such purposes;

(iii) payments into any separate account or accounts established in the Construction Fund for application to the purposes of such account;

(iv) payments of the Cost of Acquisition and Construction of any major renewals, replacements, repairs, additions, betterments, enlargements and improvements to the System;

(v) increases in working capital requirements pursuant to a System Agreement;

(vi) in connection with the planning, development and determination of feasibility of electric generation or transmission facilities which can be beneficially used to meet the power and energy requirements of Power Purchasers, the acquisition of land or water supplies or rights with respect thereto and preliminary and developmental work, including engineering, legal and financial studies and applications for permits, licenses and approvals;

(vii) deposit in a special account in the General Reserve Fund which may be created by MEAN for a decommissioning reserve; and

(viii) any other lawful purpose.

MEAN is to transfer each month from the Rate Stabilization Account of the General Reserve Fund to the Revenue Fund the amount budgeted for credit to the Revenue Fund for the then current month as set forth in the current Annual Budget, or the amount otherwise determined by MEAN to be credited to the Revenue Fund for the month. MEAN may also apply amounts on deposit in the Rate Stabilization Account to pay operating expenses or debt service on the Bonds, or for other purposes that enable MEAN to, or facilitate MEAN's ability to, provide services to the Power Purchasers at stable and economic rates.

CONSTRUCTION FUND

The Resolution establishes a Construction Fund, to be held by the Trustee, into which will be paid amounts required by the provisions of the Resolution and any Supplemental Resolution and, at the option of MEAN, any moneys received for or in connection with the System by MEAN, unless required to be otherwise applied as provided in the Resolution. In addition, proceeds of insurance for physical loss or damage to the System or of contractor's performance bonds pertaining to the period of construction will be paid into the Construction Fund.

The Trustee will pay to or for the account of MEAN, upon the requisitions of MEAN therefor, from the Construction Fund the Cost of Acquisition and Construction of the System. Upon completion of any addition to the System, any amount allocated to such addition and not required to complete payment of the Cost of Acquisition and Construction of such addition to the System will be deposited in the Debt Service Reserve Account in the Debt Service Fund, if and to the extent necessary to make the amount in such account equal to the Debt Service Reserve Requirement, and any balance shall be deposited in the General Reserve Fund for the purchase or retirement of Bonds or transferred to a separate account or accounts established in the Construction Fund for application to the Cost of Acquisition and Construction of one or more additions to the System, as MEAN shall determine.

Nothing in the Resolution shall be construed to prevent MEAN from permanently discontinuing the acquisition or construction of any portion of the System the Cost of Acquisition and Construction of which is at the time being paid out of the Construction Fund, if the Board of Directors of MEAN determines by resolution that such discontinuance is necessary or desirable in the conduct of the business of MEAN and not disadvantageous to the Bondholders.

SUBORDINATED INDEBTEDNESS; SEPARATE UTILITY SYSTEMS

MEAN may, at any time, or from time to time, issue Subordinated Indebtedness for any of the purposes set forth in clauses (ii) through (vii), inclusive, of the third paragraph appearing under the caption “Application of Revenues—4. *To the General Reserve Fund*” in this APPENDIX B, payable out of, and which may be secured by pledge and assignment of, such amounts in the Subordinated Indebtedness Account or the General Reserve Fund as may from time to time be available for the purpose of payment thereof; *provided, however*, that such Subordinated Indebtedness and any pledge and assignment shall be subordinate in all respects to the pledge and assignment of the Revenues, moneys, securities and funds created by the Resolution as security for the Bonds; provided, further, that any debt service reserve established for such Subordinated Indebtedness shall not be subject to the pledge and assignment of the Revenues, moneys, securities and Funds created by the Resolution as security for the Bonds.

Nothing contained in the Resolution prohibits MEAN from issuing bonds, notes or other evidences of indebtedness to acquire or construct facilities for the generation, transformation or transmission of electric power and energy and any incidental properties in connection therewith, which facilities shall be a separate system and which bonds or other evidences of indebtedness shall be payable solely from the revenues or income derived from the ownership or operation of such separate system.

INVESTMENT OF CERTAIN FUNDS AND ACCOUNTS

The Resolution provides that certain Funds and Accounts held thereunder may, and in the case of the Debt Service Account, the Operating Credit Account and the Debt Service Reserve Account in the Debt Service Fund shall, be invested to the fullest extent practicable in Investment Securities. The Resolution provides that such investments will mature no later than at such times as necessary to provide moneys when needed for payments from such Funds and Accounts and provides specific limitations on the term of investments for moneys in certain Funds and Accounts.

All moneys held by the Trustee under the Resolution will be deposited with the Trustee and the Trustee may deposit such moneys in banks or trust companies organized under the laws of any state of the United States or national banking associations (“Depositories”) appointed by MEAN and approved by the Trustee in trust for the Trustee.

All moneys held by MEAN under the Resolution shall be deposited in one or more Depositories in trust for MEAN. All moneys held under the Resolution by the Trustee or any Depository must be either (a) (i) continuously and fully insured by the Federal Deposit Insurance

Corporation, or (ii) continuously and fully secured by lodging with the Trustee, as custodian, as collateral security such securities as are described in clauses (i) through (ii), inclusive, of the definition of "Investment Securities" having a market value (exclusive of accrued interest) not less than the amount of such moneys, and (b) held in such other manner as may then be required by applicable Federal or State of Nebraska laws and regulations and applicable state laws and regulations of the state in which the Trustee or such Depositary is located regarding security for the deposit of trust funds; *provided, however*, that it shall not be necessary for the Trustee, the Paying Agents, or any Depositary to give security for the deposit of any moneys held in trust by it and set aside for the payment of the principal or redemption price of, or interest on, any Bonds or to give security for any moneys which are represented by obligations or certificates of deposit purchased as an investment of such moneys.

Obligations purchased as an investment of moneys in any Fund or Account created under the provisions of the Resolution, together with investment earnings thereon, will be deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment will be credited to such Fund or Account, and any loss resulting from the liquidation of such investment will be charged to the respective Fund or Account. To the extent that the Resolution or a supplemental resolution authorizing the issuance of a Series of Bonds so provides, investment earnings on obligations held as part of a Fund or Account (other than the Operating Credit Account) created under the provisions of the Resolution shall be transferred, for such period of time as the Resolution or such supplemental resolution shall specify, to the Debt Service Account in the Debt Service Fund to pay interest on the Series of Bonds authorized thereby.

In computing the amount in any such Fund or Account the investments therein shall be valued at the amortized cost of such obligations, exclusive of accrued interest, unless such obligations do not mature or are not redeemable at the option of the holder thereof in less than seven years from the date of valuation, in which case such obligations shall be valued at the amortized cost of such obligations or at the market price thereof, whichever is lower, exclusive of accrued interest. The accrued interest paid from such moneys in connection with the purchase of any obligations shall be included in the value thereof until the interest on such obligation is paid. Such computation shall be determined as of the end of MEAN's Fiscal Year.

ENCUMBRANCES; DISPOSITION OF PROPERTIES

MEAN will not issue bonds, notes, debentures or other evidences of indebtedness, other than the Bonds, payable out of or secured by a security interest in or pledge or assignment of the Revenues, the Power Supply Contracts or other moneys, securities or funds held or set aside under the Resolution, nor will it create any lien or charge thereon, except, to the extent permitted by law, (a) evidences of indebtedness (i) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the System or (ii) payable out of, or secured by a pledge or assignment of, Revenues to be received after the discharge of the pledge of Revenues provided in the Resolution or (b) Subordinated Indebtedness issued in accordance with the provisions of the Resolution.

MEAN will not sell, lease, mortgage or otherwise dispose of any part of the System, except for sales or exchanges of property or facilities (a) which are not useful in the operation of the System, (b) the book value of property or facilities sold or exchanged is not more than the greater of \$500,000 or 1% of the book value of the assets of the System at such time, or (c) MEAN shall file with the Trustee a certificate of an Authorized Officer of MEAN setting forth a determination of MEAN's Board of Directors that the sale or exchange of such property will not impair the ability of MEAN to comply with its rate covenant described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Rate Covenant." The proceeds of any such transaction not used to acquire other property necessary for the operation of the System will be deposited in the General Reserve Fund and applied to the purposes listed in clause (i), (iii), (iv), (v) or (vi) of the third paragraph appearing under the caption "Application of Revenues—4. *To The General Reserve Fund*" in this APPENDIX B.

MEAN will not lease or make contracts or grant licenses for the operation or use of, or grant easements or any other rights with respect to, any part of the System which would impede the operation by MEAN or its agents of the System. If the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of the greater of \$500,000 or 1% of the book value of the assets of the System at such time, MEAN shall first file with the Trustee a certificate of an Authorized Officer of MEAN setting forth a determination of MEAN's Board of Directors that the proposed action of MEAN does not result in breach of the conditions under this paragraph. Any payments to MEAN in connection with any such transaction will constitute Revenues. MEAN may permanently discontinue the acquisition or construction of any portion of the System as described under the caption "Construction Fund" in this APPENDIX B.

ANNUAL BUDGET

MEAN will file with the Trustee an annual budget for each Fiscal Year. The annual budget will include monthly appropriations for the estimated Operating Expenses for such Fiscal Year and the estimated amount to be deposited during each month of such Fiscal Year in the Reserve and Contingency Fund and the requirements, if any, for, and the amounts estimated to be expended from, each Fund and Account. MEAN shall review at least quarterly its estimates set forth in the annual budget and in the event such estimates do not substantially correspond with actual Revenues, Operating Expenses or other requirements, or if there are extraordinary receipts or payments of unusual costs, MEAN shall prepare an amended annual budget. MEAN may also at any time adopt an amended annual budget for the remainder of the then-current Fiscal Year.

OPERATION AND MAINTENANCE OF SYSTEM

MEAN will at all times use its best efforts to operate the System properly and in an efficient and economical manner, consistent with the System Agreements and prudent utility practice, and will use its best efforts to maintain, preserve, reconstruct and keep the same, with the appurtenances, in good repair, working order and condition, and will from time to time make all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted.

COVENANTS WITH RESPECT TO POWER SUPPLY CONTRACTS, POOLING AGREEMENTS AND SYSTEM AGREEMENTS

MEAN covenants that it will collect and deposit in the Revenue Fund amounts payable to it under the Power Supply Contracts or payable to it pursuant to any other contract for the sale or use of the output, capacity or service of the System or any part thereof. In addition, MEAN will enforce the Power Supply Contracts and the Pooling Agreements and duly perform its covenants and agreements thereunder, and will not consent to any rescission of or amendment to or otherwise take any action under or in connection with any Power Supply Contracts or Pooling Agreements which will reduce, impair or adversely affect the rights of MEAN thereunder or materially impair or adversely affect the rights of security of Bondholders under the Resolution; provided that this provision shall not prevent an amendment of a Power Supply Contract or a Pooling Agreement which shall be necessary so as to provide for the sale or use by MEAN or others of the output, capacity or service of the System in connection with any Additional Facilities. The extension of the term of any Power Supply Contract or Pooling Agreement shall not constitute such an amendment.

MEAN will enforce the provisions of the System Agreements and duly perform its covenants and agreements thereunder. MEAN will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with any System Agreement which will in any manner materially impair or adversely affect the rights of MEAN thereunder or the rights or security of the Bondholders under the Resolution.

INSURANCE

MEAN will use its best efforts to keep or cause to be kept the properties of the System which are of any insurable nature and of the character usually insured by those operating properties similar to the System insured against loss or damage by fire and from other causes customarily insured against and in such amounts as are usually obtained. MEAN will also use its best efforts to maintain or cause to be maintained insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the System. MEAN shall only be required to obtain such insurance if it is available at reasonable rates and upon reasonable terms. If any useful portion of the System is damaged or destroyed, MEAN will diligently pursue the reconstruction or replacement thereof, unless it is determined under the provisions of the System Agreements that such reconstruction or replacements are not to be undertaken. The proceeds of any insurance paid on account of such damage or destruction (other than any business interruption loss insurance or insurance proceeds deposited in the Construction Fund pertaining to the period of construction), unless held and applied under the System Agreements, shall be held by MEAN and to the extent necessary be applied to the cost of such reconstruction or replacement. Pending such application, such proceeds may be invested by MEAN in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such costs of reconstruction or replacement or may be invested as otherwise provided for under the System Agreements. Interest earned on such investments will be deposited in the General Reserve Fund. The proceeds of any insurance not applied within 36 months after receipt by MEAN to repairing or replacing damaged or destroyed property will

be deposited in the General Reserve Fund unless otherwise applied in accordance with the System Agreements. If the proceeds of insurance to be applied to the reconstruction or replacement of any portion of the System are insufficient for such purpose, the deficiency may be supplied out of moneys in the General Reserve Fund to the extent, as certified by an Authorized Officer of MEAN, not needed to be reserved for the purposes provided therefor. The proceeds of business interruption loss insurance, if any, will be paid into the Revenue Fund.

ACCOUNTS AND REPORTS

MEAN will keep or cause to be kept proper and separate books of record and account relating to the System and the Funds and Accounts established by the Resolution and relating to costs and charges under the Power Supply Contracts and the System Agreements. Such books, together with all other books and papers of MEAN relating to the System, will at all times be subject to the inspection of the Trustee and the holders of not less than 50% in principal amount of Bonds then outstanding or their representatives duly authorized in writing.

MEAN will file annually with the Trustee an annual report, accompanied by an accountant's certificate, of the financial position of the System at the end of the Fiscal Year, statements of Revenues and Operating Expenses, a statement of the balances of all funds relating to the System, and a statement as to the existence of any default under the provisions of the Resolution.

MEAN will notify the Trustee forthwith of any Event of Default or default in the performance of a provision of the Resolution. MEAN will file annually with the Trustee a certificate stating whether, to the best of the signer's knowledge and belief, MEAN has complied with its covenants and obligations in the Resolution and whether there is then existing an Event of Default or other event which would become an Event of Default upon lapse of time.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the Resolution will be available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with MEAN. MEAN may charge for such reports, statements and other documents a reasonable fee to cover reproduction, handling and postage.

PAYMENT OF TAXES AND CHARGES

MEAN will duly pay and discharge all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties of MEAN (including all rights, moneys and other property transferred, assigned or pledged under the Resolution), and all lawful claims for labor and material and supplies, except those taxes, assessments, charges or claims which MEAN shall in good faith contest by proper legal proceedings and for which MEAN shall have set aside adequate reserves on its books.

EVENTS OF DEFAULT AND REMEDIES

Events of Default specified in the Resolution include:

- (a) failure to pay principal or redemption price of any Bond when due;
- (b) failure to pay any interest installment on any Bond or the unsatisfied balance of any sinking fund installment thereon when due;
- (c) failure, for 60 days after written notice of a default, in the observance or performance of any other covenants, agreements or conditions; and
- (d) certain events of bankruptcy or insolvency.

So long as such Event of Default shall not have been remedied, either the Trustee or the holders of not less than 25% in principal amount of the Bonds outstanding may declare the principal and accrued interest of all the Bonds then outstanding to be due and payable immediately. Such declaration, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, the Events of Default have been remedied and all other sums then payable by MEAN under the Resolution have been paid or provided for, then the Trustee, if it shall have acted itself, and if the holders of a majority in principal amount of the Bonds outstanding shall not have directed otherwise, shall *ipso facto* rescind such declaration and annul such default in its entirety; or the holders of a majority in principal amount of the Bonds outstanding may rescind such declaration and annul such default in its entirety; but no such rescission and annulment, in either case, shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Upon the occurrence of any Event of Default which has not been remedied, MEAN, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (a) forthwith, all moneys, securities and funds held by MEAN in any Fund or Account under the Resolution and (b) as received, all Revenues. The Trustee will apply all moneys, securities, funds and Revenues received during the continuance of an Event of Default in the following order: (i) to payment of the reasonable and proper charges, expenses and liabilities of the Trustee, Paying Agents, Bond Registrar or Depositaries, (ii) to the payment of Operating Expenses, and (iii) to the payment of interest and principal or the redemption price of Bonds as follows: first to the payment of interest and second to the payment of principal on those Bonds which have become due and payable, in order of their due dates; provided that in determining amounts to be paid, the holder of the Operating Credit Obligation shall only be entitled to funds in the Operating Credit Account and moneys that are derived from Revenues. In addition, the Trustee will have the right to apply, in an appropriate proceeding, for appointment of a receiver of the System.

If any Event of Default has occurred and has not been remedied, the Trustee may, or on request of the holders of not less than 25% in principal amount of Bonds outstanding must, proceed to protect and enforce its rights and the rights of the Bondholders under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Resolution or in aid of the execution of any power granted in the Resolution or

any remedy granted under the Act, or for an accounting against MEAN, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Resolution. The Trustee may, and upon the request of the holders of a majority in principal amount of the Bonds then outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Resolution or to preserve or protect the interests of the Trustee and of the Bondholders.

No Bondholder will have any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (a) such Bondholder previously has given the Trustee written notice of an Event of Default, (b) the holders of at least 25% in principal amount of the Bonds then outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (c) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liabilities to be incurred and (d) the Trustee has refused to comply with such request within 60 days. Nothing in the Resolution or the Bonds affects or impairs MEAN's obligations to pay the Bonds and interest thereon when due or the right of any Bondholder to enforce such payment.

The holders of not less than a majority in principal amount of Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee, subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction.

NOTICE OF DEFAULT

Notice of the occurrence of any Event of Default will be given to each registered owner of Bonds by mail.

TRUSTEE; PAYING AGENT

The Resolution requires the appointment by MEAN of a Trustee and one or more Paying Agents (which may include the Trustee). The Trustee may at any time resign on 60 days' written notice to MEAN and may at any time be removed with or without cause by the holders of a majority in principal amount of the Bonds then outstanding. MEAN may remove the Trustee at any time, except during the existence of an Event of Default, with or without cause. Successor Trustees may be appointed by the holders of a majority in principal amount of Bonds then outstanding, and, failing such an appointment, MEAN shall appoint a successor to hold office until the Bondholders act. Any successor Trustee must be a bank, trust company or national banking association having capital stock and surplus aggregating at least \$50,000,000 if there be such an entity willing to accept appointment.

The Trustee, upon receipt and examination of any instrument furnished to it pursuant to any provision of the Resolution, may act upon any such instrument believed by it to be genuine and to have been executed or presented by the proper party or parties. In making such determination, the Trustee may reasonably consult with counsel, who may or may not be counsel to MEAN, and the opinion of such Counsel shall be full and complete authorization in respect to any action taken or suffered by the Trustee under the Resolution in good faith and in accordance therewith. In the event the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matters may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of MEAN, and such certificate shall be full warrant for any action suffered in good faith under the provision of the Resolution and in accordance therewith.

Unless an Event of Default is existing, the duties and obligations of the Trustee shall be determined solely by the express provisions of the Resolution. When an Event of Default is existing, the Trustee must use the same degree of care and skill in the exercise of the rights and powers vested in it by the Resolution as a prudent man would exercise under the circumstances in the conduct of his own affairs.

AMENDMENTS AND SUPPLEMENTAL RESOLUTIONS

A Supplemental Resolution may be adopted, without the consent of the Bondholders, for one or more of the following purposes: (a) to close the Resolution against, or add limitations or restrictions on, the issuance of Bonds or other evidences of indebtedness; (b) to add other covenants, agreements, limitations or restrictions to be observed by MEAN in the Resolution; (c) to authorize Bonds of a Series; (d) to confirm, as further assurance, any pledge or assignment under the Resolution; (e) to modify any of the provisions of the Resolution in any other respect whatever, provided that such modification shall be effective only after all Bonds of each Series Outstanding at the date of adoption of such Supplemental Resolution shall cease to be Outstanding; (f) to authorize Subordinated Indebtedness; (g) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or (h) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to the Resolution as theretofore in effect.

Any of the provisions of the Resolution may be amended by MEAN by a supplemental resolution upon the consent (a) of the holders of not less than a majority in principal amount in each case of all Bonds then outstanding and (b) if less than all of the several Series of outstanding Bonds are affected, of the holders of not less than a majority in principal amount in each case of all Bonds then outstanding and (c) if less than all of the several Series of outstanding Bonds are affected, of the holders of not less than a majority in principal amount of the Bonds of each affected Series, and (d) if the amendment changes the terms of any sinking fund installment, of the holders of not less than a majority in principal amount of the Bonds of the Series and maturity for which the sinking fund installment was established and then outstanding, and (e) if the amendment changes the terms applicable to the Operating Credit Obligation, of the holder of the Operating Credit Obligation; excluding, in each case, from such consent, and from the outstanding Bonds, the Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any of such Bonds remain outstanding.

Any such amendment may not permit a change in the terms of redemption or maturity or any installment of interest or make any reduction in principal, redemption price or interest without the consent of each affected holder, or reduce the percentages of consents required for a further amendment, or shall change or modify any of the rights or obligations of the Trustee or Paying Agent without its written assent thereto.

DEFEASANCE

The pledge of any Revenues and other moneys and securities under the Resolution and all covenants, agreements and other obligations of MEAN to the Bondholders under the Resolution will cease, terminate and become void and be discharged and satisfied whenever all Bonds and coupons, if any, have been paid in full. Bonds will be deemed to have been so paid whenever the following conditions are met: (a) there have been deposited with the Trustee either moneys in an amount which will be sufficient, or Defeasance Securities the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited, will be sufficient, to pay when due the principal, redemption price, if applicable, and interest due or to become due on such Bonds, (b) in the case of Bonds to be redeemed prior to maturity, MEAN has given to the Trustee irrevocable instructions to publish the notice of redemption therefor, and (c) in the event such Bonds are not subject to redemption within the next succeeding 60 days, MEAN has given the Trustee irrevocable instructions to publish, as soon as practicable, a notice to the holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the Principal Installment or redemption price, if applicable, of such Bonds.

UNCLAIMED FUNDS

Moneys held by the Trustee or any Paying Agent for the payment of any of the Bonds or coupons, if any, which remain unclaimed for five years after the date when such Bonds have become due and payable (either at their stated maturity dates or by call for earlier redemption) shall, at the written request of MEAN, be repaid by the Trustee or any Paying Agent to MEAN. In such case the Trustee or any Paying Agent shall be released and discharged with respect to such moneys and the holders of the Bonds shall look only to MEAN for the payment of such Bonds and coupons, if any; provided that the Trustee or Paying Agent shall have complied with the requirements for publication of a notice of unclaimed funds set forth in the Resolution prior to making any payment to MEAN.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

Dated _____, 2016

By

MUNICIPAL ENERGY AGENCY OF NEBRASKA

\$ _____
Power Supply System
Refunding Revenue Bonds
2016 Series A

CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING, dated _____, 2016 (the “*Disclosure Undertaking*”), is executed and delivered by the MUNICIPAL ENERGY AGENCY OF NEBRASKA (the “*Issuer*”).

RECITALS

1. This Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of \$_____ Power Supply System Refunding Revenue Bonds, 2016 Series A (the “*Bonds*”), pursuant to a Resolution adopted by the governing body of the Issuer (the “*Resolution*”).

2. The Issuer is entering into this Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

In consideration of the mutual covenants and agreements herein, the Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report filed by the Issuer pursuant to, and as described in, Section 2 of this Disclosure Undertaking.

“*Beneficial Owner*” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Business Day*” means a day other than (a) a Saturday, Sunday, or legal holiday, (b) a day on which banks located in the city in which the designated payment office of the paying agent for the Bonds is located is required or authorized by law to remain closed, or a day on which the Securities Depository or the New York Stock Exchange is closed.

“*Counsel*” means nationally recognized bond counsel or counsel expert in securities laws, in each case, acceptable to the Issuer.

“*EMMA*” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at emma.msrb.org.

“Fiscal Year” means the 12-month period beginning on April 1 and ending on March 31 or any other 12-month period selected by the Issuer as the fiscal year of the Issuer for financial reporting purposes.

“Listed Events” means any of the events listed in Section 3 of this Disclosure Undertaking.

“Long-Term Power Supply Contract” has the meaning specified in the Official Statement.

“Long-Term Total Requirements Participant” has the meaning specified in the Official Statement.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Official Statement” means the Official Statement, dated _____, 2016, of the Issuer relating to the Bonds.

“Participant” has the meaning specified in the Official Statement.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Selected Participants” means, with respect to any Fiscal Year, any Long-Term Total Requirements Participant accounting for 5.0% or more of the Issuer’s total Participant revenues for such Fiscal Year.

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as amended.

“SEC” means the United States Securities and Exchange Commission.

Section 2. Annual Reports. (a) The Issuer shall not later than 180 days after the end of the Issuer’s Fiscal Year, commencing with the year ending March 31, 2017, file with the MSRB, through EMMA, the following financial information and operating data (the *“Annual Report”*):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the Official Statement, as described in *Exhibit A*, in substantially the same format contained in the Official Statement.

(3) The audited financial statements of each of the Selected Participants for the most recently completed fiscal year of such Selected Participant for which audited financial statements are available as determined on the date the Annual Report is filed with the MSRB, prepared in accordance with (i) accounting principles generally accepted in the United States of America or (ii) a basis of accounting other than accounting principles generally accepted in the United States of America such as the cash or modified cash basis of accounting, as allowed by the Participant's local reporting jurisdictions; provided, that the same can be practicably obtained by the Issuer.

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been filed with the MSRB and is available through EMMA or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

(c) In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 3.

(d) In addition to the foregoing requirements of this Section, the Issuer agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been filed with the MSRB.

Section 3. Reporting of Listed Events. No later than 10 business days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds ("*Listed Events*"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;

- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in Section 2(a), the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this Section 3.

Section 4. Termination or Suspension of Reporting Obligation. (a) The Issuer's obligations under this Disclosure Undertaking shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer's obligations under this Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 3.

(b) The Issuer's obligation to provide financial information and operating data with respect to, and the audited financial statements of, a Selected Participant pursuant to

Section 2(a)(2) and (3) of this Disclosure Undertaking shall be (1) terminated if such Selected Participant no longer has any legal liability or obligation to the Issuer relating to repayment of the Bonds under its Long-Term Power Supply Contract, and (2) suspended for any Fiscal Year that such Selected Participant does not account for 5.0% or more of the Issuer's total Participant revenues.

(c) This Disclosure Undertaking, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 5. Dissemination Agents. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including, without limitation, the Annual Report) prepared by the Issuer pursuant to this Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking and any provision of this Disclosure Undertaking may be waived, provided that Counsel provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Undertaking.

If a provision of this Disclosure Undertaking is amended or waived, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under Section 3, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in

addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 8. Default. If the Issuer fails to comply with any provision of this Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Disclosure Undertaking shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Nebraska.

IN WITNESS WHEREOF, the Issuer has caused this Disclosure Undertaking to be executed as of the day and year first above written.

MUNICIPAL ENERGY AGENCY OF NEBRASKA

By: _____
Executive Director

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

The financial information and operating data contained in the following described tables contained in the Official Statement:

1. The table under THE MUNICIPAL ENERGY AGENCY OF NEBRASKA—POWER SUPPLY RESOURCES AND SYSTEM summarizing the power supply resources of the Issuer, with the following columns: “RESOURCE,” “CAPACITY AVAILABLE TO MEAN” and “PRIMARY ENERGY SOURCE.”

2. THE MUNICIPAL ENERGY AGENCY OF NEBRASKA—POWER SUPPLY RESOURCES AND SYSTEM—ENERGY SUPPLY FOR FISCAL YEAR ENDED MARCH 31

3. FINANCIAL AND OPERATING INFORMATION—SUMMARY OF TOTAL ENERGY SALES

4. FINANCIAL AND OPERATING INFORMATION—OPERATING RESULTS AND DEBT SERVICE COVERAGE

5. FINANCIAL AND OPERATING INFORMATION—LIQUIDITY

6. The following tables under THE PARTICIPANTS—SELECTED PARTICIPANT FINANCIAL AND OPERATING INFORMATION updated to include the Selected Participants for the Issuer’s most recent Fiscal Year; provided that such Participant information can be practicably obtained by the Issuer.

(a) SELECTED FINANCIAL AND OPERATING INFORMATION FOR
SELECTED PARTICIPANTS

(b) RETAIL CUSTOMERS AND ENERGY SALES OF SELECTED
PARTICIPANTS

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED THE CLOSING DATE]

Re: Municipal Energy Agency of Nebraska
Power Supply System Refunding Revenue Bonds, 2016 Series A

The Municipal Energy Agency of Nebraska, a body corporate and politic of the State of Nebraska (“MEAN”), has on this date issued its Power Supply System Refunding Revenue Bonds, 2016 Series A, in the aggregate principal amount of \$_____ (the “*2016 Series A Bonds*”), dated as of their date of original issuance, bearing interest and maturing on April 1 in each of the years, as set forth below:

YEAR OF MATURITY (APRIL 1)	PRINCIPAL AMOUNT MATURING	RATE OF INTEREST	YEAR OF MATURITY (APRIL 1)	PRINCIPAL AMOUNT MATURING	RATE OF INTEREST
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The 2016 Series A Bonds are authorized to be issued pursuant to the 2003 Power Supply System Revenue Bond Resolution adopted by the Board of Directors of MEAN (the “*Board*”) on August 21, 2003, as supplemented by a Sixth Supplemental Resolution adopted by the Board on August 18, 2016 (collectively, the “*Resolution*”). Reference is made to the Resolution for a description of the covenants and undertakings of MEAN in connection with the 2016 Series A Bonds and the pledge and assignment to Wells Fargo Bank, National Association, as trustee (the “*Trustee*”), of the revenues, moneys, securities and funds held or set aside under the Resolution for the payment of the principal and redemption price of and interest on the 2016 Series A Bonds. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Resolution.

The 2016 Series A Bonds are issued under the authority of the Municipal Cooperative Financing Act, Sections 18-2401 through 18-2485, Reissue Revised Statutes of Nebraska, as amended (the “*Act*”), to (a) provide for the advance refunding and defeasance of \$69,685,000 principal amount of the 2009 Series A Bonds maturing on or after April 1, 2020 and (b) pay certain costs of issuing the 2016 Series A Bonds.

The 2016 Series A Bonds and any other obligations issued under the Resolution on a parity therewith (collectively, the “*Bonds*”) are payable solely from and secured solely by the (i) the Revenues, (ii) all right, title and interest of MEAN under the Power Supply Contracts and (iii) moneys, securities and funds assigned and pledged under the Resolution to the payment of the principal and redemption price of, and interest on, the Bonds when due. No interest in any property or interest, except the pledge and assignment of the Revenues, the Power Supply Contracts, and moneys, securities and funds provided for in the Resolution, has been pledged or assigned to the Trustee as security for the 2016 Series A Bonds.

In connection with the issuance of the 2016 Series A Bonds, we have examined: (i) the Act and such other provisions of law as we deem relevant; (ii) certified copies of the proceedings of record of the Board of Directors of MEAN, preliminary to and in connection with the issuance of the 2016 Series A Bonds, approving, among other things, the Resolution; (iii) a certified copy of the Resolution and the form each of the 2016 Series A Bonds set forth therein; and (iv) such other materials, showings and documents as we deem necessary for the purpose of this opinion. Based upon the foregoing, we are of the opinion that:

1. MEAN is duly created and validly existing under the Act and has lawful power, right and authority under Nebraska law to adopt the Resolution and to issue the 2016 Series A Bonds.
2. The proceedings of the Board of Directors of MEAN referred to above show lawful authority for the issuance of the 2016 Series A Bonds and for the adoption of the Resolution.
3. The Resolution has been duly authorized and adopted by MEAN and constitutes the legal, valid and binding obligation of MEAN, enforceable in accordance with its terms, and no other authorization for the Resolution is required.
4. The Resolution creates the valid pledge which it purports to create of the Revenues, the Power Supply Contracts, and the moneys, securities and funds held or set aside under the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.
5. The 2016 Series A Bonds are valid and binding special obligations of MEAN, enforceable in accordance with their terms and the terms of the Resolution, and the 2016 Series A Bonds are entitled to the benefits of the Resolution and the Act. The 2016 Series A Bonds have been duly and validly authorized and issued by MEAN in accordance with the Act and the Resolution. Neither the faith and credit nor the taxing power of the State of Nebraska or any political subdivision thereof or of any member of MEAN or any Power Purchaser is pledged to the payment of the principal or redemption price of, or interest on, the 2016 Series A Bonds.

6. It is our opinion that, subject to the MEAN's compliance with certain covenants, under present law, interest on the 2016 Series A Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "*Code*"), but we express no opinion as to whether interest on the 2016 Series A Bonds is taken into account in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the 2016 Series A Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2016 Series A Bonds. Ownership of the 2016 Series A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the 2016 Series A Bonds. In rendering our opinion on tax exemption, we have relied on the mathematical computation of the yield on the 2016 Series A Bonds and the yield on certain investments by Precision Analytics Inc.

7. We are also of the opinion that, under the laws of the State of Nebraska, as presently enacted and construed, so long as interest on the 2016 Series A Bonds is not included in gross income for federal income tax purposes, interest on the 2016 Series A Bonds is exempt from the income taxes imposed by the State of Nebraska pursuant to Section 77-2701 *et seq.* of the Nebraska Revised Statutes (the Nebraska Revenue Act of 1967). No opinion is expressed regarding taxation of interest on the 2016 Series A Bonds under any other provision of Nebraska law. Interest on the 2016 Series A Bonds may affect the maximum franchise tax that may be imposed on financial institutions. In addition, ownership of the 2016 Series A Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral tax consequences arising with respect to the 2016 Series A Bonds.

We further certify that we have examined the form of bond for the issue and find the same to be in due form of law.

Enforceability of the 2016 Series A Bonds and the Resolution may be limited (i) by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought and (ii) by the exercise in the future by the State of Nebraska and its governmental bodies of the police power inherent in the sovereignty of the State of Nebraska and by the exercise by the United States of America of the power delegated to it by the federal constitution.

We express no opinion herein as to the accuracy or completeness of any information furnished to any person in connection with any offer or sale of the 2016 Series A Bonds.

In rendering this opinion, we have relied upon certifications of MEAN with respect to certain material facts within the knowledge of MEAN. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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