Oklahoma Municipal Power Authority (OMPA)
2012 Annual Report

Owned by the Members We Serve

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Owned by the Members We Serve

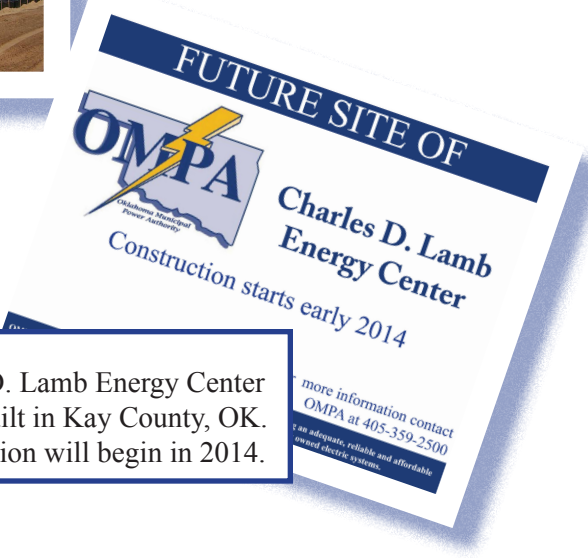
Highlights of 2012

John W. Turk Jr. Power Plant began commercial operation December 20, 2012.

Canadian Hills Wind Farm began commercial operation December 22, 2012.

Landfill-Gas-To-Energy Project in Sand Springs, OK completed February 27, 2013.

"Legislative Branding" Initiative enacted to raise OMPA's profile and educate state and federal legislators and key staff on the role of OMPA



Charles D. Lamb Energy Center will be built in Kay County, OK. Construction will begin in 2014.

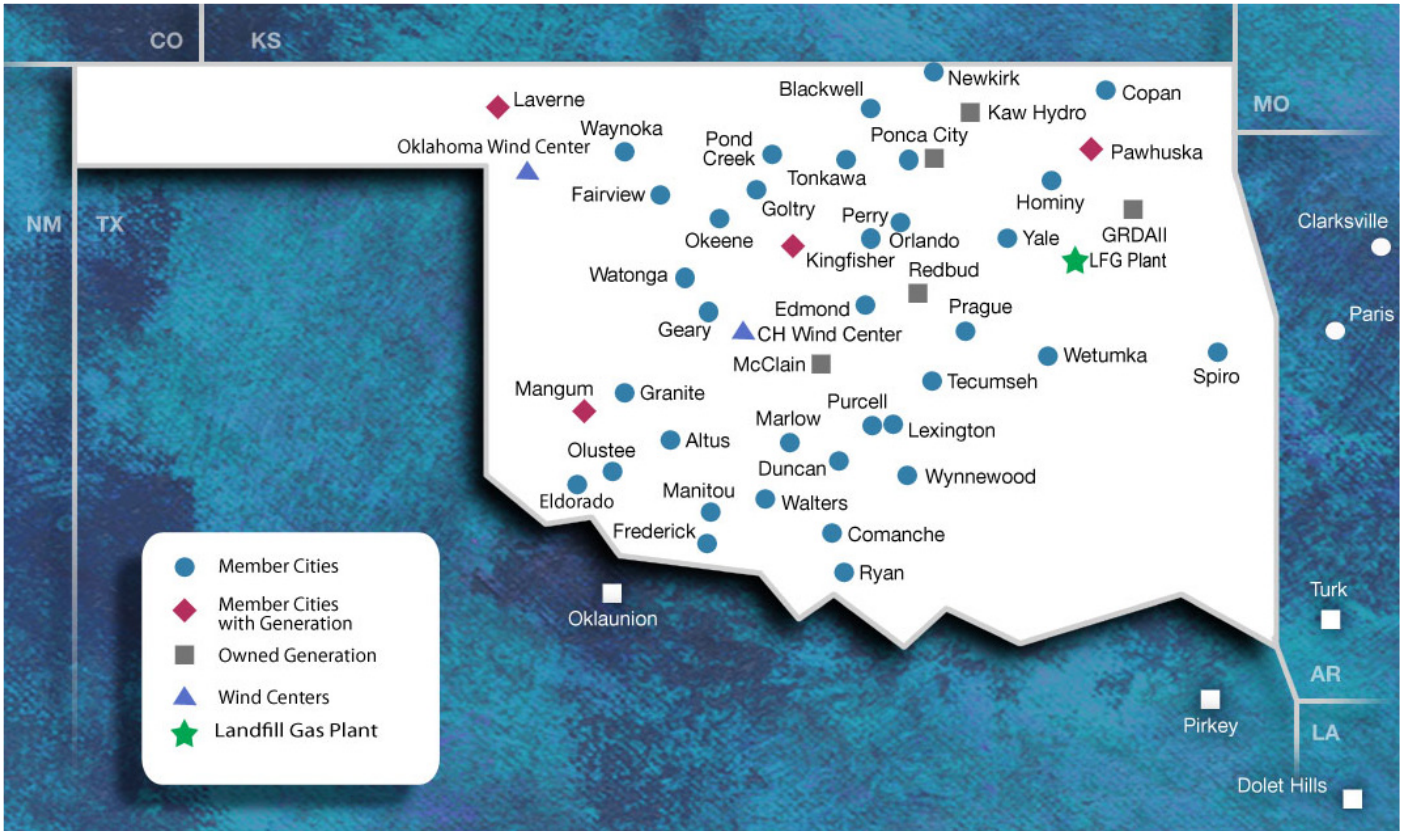
WISE Rebate Program set a record in the number of rebates and total amount rebated. In 2012, the OCP and WISE programs saved a total of 1,522.04 kilowatts. OCP conducted a total of 1,317 energy audits and installed 1,755 tons of geothermal heat pumps in OMPA member cities.

The Demand and Energy Efficiency Program (DEEP) awarded 39 projects $259,400 for a 1,578.6 kilowatt load reduction.

DEED

OMPA was awarded a $25,000 research grant by the American Public Power Association's Demonstration of Energy-Efficient Developments (DEED) program to develop a weather database/workbook.

Member Cities



Altus Municipal Authority
Blackwell Municipal Authority
Clarksville Light & Water Company **
Comanche Public Works Authority *
Copan Public Works Authority *
Duncan Public Utilities Authority *
Edmond Public Works Authority
Eldorado Public Works Authority *
Fairview Utilities Authority
Frederick Public Works Authority
Geary Utilities Authority
Goltry Public Works Authority *
Granite Public Works Authority *
Hominy, Oklahoma Public Works Authority *
Kingfisher Public Works Authority
Laverne Public Works Authority
Lexington Public Works Authority *
Mangum Utilities Authority
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Marlow Municipal Authority
Newkirk Municipal Authority
Okeene Public Works Authority
Olustee Public Works Authority *
Orlando Public Works Authority
Paris Municipal Light & Water **
Pawhuska Public Works Authority
Perry Municipal Authority
Ponca City Utility Authority
Pond Creek Public Works Authority
Prague Public Works Authority
Purcell Public Works Authority *
Ryan Utilities Authority *
Spiro Municipal Improvement Authority *
Tecumseh Utility Authority
Tonkawa Municipal Authority
Walters Public Works Authority *
Watonga Public Works Authority
Waynoka Utilities Authority
Wetumka Municipal Authority *
Wynnewood City Utilities Authority
Yale Water and Sewage Trust *

* Also has SWPA Allocation
** Short-term Supplemental Agreement

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Powering Forward

A letter from our Board Chair and General Manager

The theme for the 2012 Annual Report, Powering Forward, is very relevant to OMPA accomplishments of this past year. At the end of 2012, OMPA saw the completion of two generation projects – the John W. Turk, Jr. Power Plant in Arkansas and the Canadian Hills Wind Farm in Oklahoma.

It's very appropriate that the Powering Forward logo contains a wind turbine because the Canadian Hills Wind Farm with an installed capacity of 300-megawatts is currently the largest wind farm in Oklahoma and has increased the state's installed wind capacity by 15 percent.

We also saw the start of two new generation projects in Oklahoma: the landfill-gas-to-energy project being constructed in Sand Springs, Oklahoma and the Charles D. Lamb Energy Center being planned in Kay County. The landfill-gas-to-energy project was completed on February 27, 2013.

The Charles D. Lamb Energy Center will be developed, owned and operated by OMPA. Siemens Energy Inc. has been awarded the contract to supply the 103-megawatt simple-cycle combustion turbine-generator for the project. The 160-acre site allows OMPA to add additional natural gas units in the future.

For 2012, OMPA's energy resources were: 50 percent gas, 31 percent coal, 9 percent purchased, 6 percent hydro and 4 percent wind. Drought conditions this year caused the amount of available hydro power to be reduced, but fortunately natural gas, required for thermal generation, continued at a low price. In the next couple of years, our generation capacity mix will move towards 52 percent natural gas, 18 percent coal, 25 percent renewable, and 5 percent purchased. A higher percentage of our mix will be natural gas generation. Much of the newer high efficiency generation is combined-cycle that uses heat to generate steam for more power output from the same gas burn.

Since 1985, when OMPA became the newest power supplier in Oklahoma, we started buying power from a variety of resources and then sought ownership in various generation resources over time. This policy has proven successful for OMPA and our member cities. We have grown to serve 39 cities in Oklahoma and two cities in Arkansas while remaining as a facilitator to the Kansas Power Pool (KPP),

which consists of 43 member cities. Our relationship with KPP will end in 2013. The diversity in power resources, coupled with ownership of power plants, allows OMPA to manage costs, while providing the greatest flexibility with power supply resources.

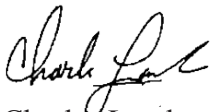
This balanced, pragmatic approach to power supply resources also allows OMPA to meet members' load growth needs, while actively promoting energy conservation and load factor improvement. Three OMPA energy savings programs - Oklahoma Comfort Program (OCP), Ways I Save Electricity (WISE) Rebate Program and Demand and Energy Efficiency Program (DEEP) - reduce summer peaks and improve winter load for our member cities.

OCP, which officially ended on September 14, 2012, provided residential audits and rebates for Geothermal Heat Pump Systems (GHP) systems. The program provided additional rebates of $1,000 per ton for installation of GHP systems. This was in addition to the $800 per ton rebate provided by the WISE Rebate Program. After OCP ended, the decision was made to continue to offer free residential energy audits to customers in our member cities. In 2012, the kilowatt savings from the WISE Rebate Program and OCP from removing inefficient equipment and replacing it with more efficient equipment was 1,522.04 kilowatts.

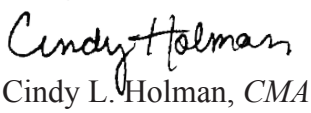
This year the OMPA Board also approved low-interest loans (1 percent interest rate) to member cities to cover the cost of the installation of the ground loops for GHP systems. Participating cities would develop and implement the program to have loops installed and recover the costs from their customers.

DEEP is intended to assist qualified customers in member cities to reduce their electric service energy demands and costs. The reduction of these demands helps keep energy rates as low as possible and delay the need to add additional OMPA generation capacity to the system. DEEP rebates for 2012 resulted in 1,606.4 kilowatts of load reduction.

As we continue forward, OMPA's mission statement will continue to guide and direct our actions on behalf of the membership, "To provide reliable, low cost energy and services to municipal entities to enable each municipality to be competitive while maximizing the benefit to our stakeholders." This remains our primary purpose and focus.



Charles Lamb
Board Chair



Cindy L. Holman, *CMA*
General Manager

Developing Power Resources

The year 2012 was a very busy year for OMPA with regards to power resources. In December of 2012, two new power resources were completed, the John W. Turk, Jr. Power Plant and the Canadian Hills Wind Farm. Also in 2012, OMPA started two additional power resource projects.

The John W. Turk, Jr. Power Plant, a nominal 650-megawatt baseload power plant, began commercial operation on December 20, 2012. OMPA owns a 6.6 percent share in the plant (43 megawatts). It is located on 2,800-acres north of Fulton, Arkansas. The Turk plant uses an advanced clean coal combustion technology called "ultra-supercritical."

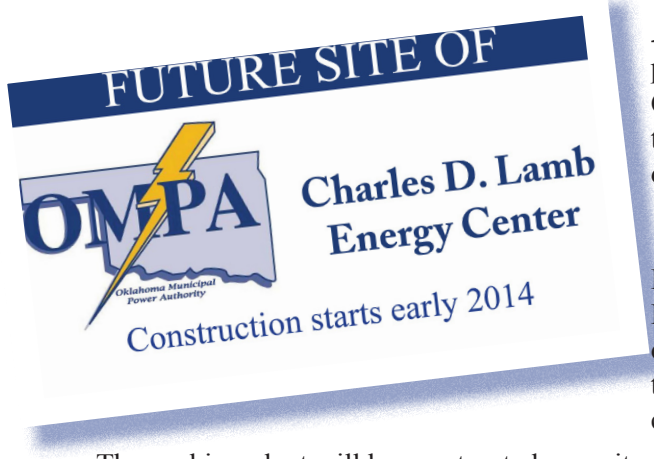
This technology uses 20 percent less coal and further reduces emissions from the plant. The Turk plant is operated by American Electric Power's (AEP) regional utility Southwestern Electric Power Company (SWEPCO). SWEPCO is the majority owner of the Turk plant.

The Canadian Hills Wind Farm became operational on December 22, 2012. It has an installed capacity of 300-megawatts and is located about 25 miles northwest of Oklahoma City near El Reno. The electricity supplied by this new wind farm can power approximately 120,000 average Oklahoma households. This is the largest wind farm completed in Oklahoma so far and has increased the state's installed wind capacity by 15 percent. Oklahoma now ranks sixth in the nation for wind generation, according to the American Wind Energy Association.

OMPA entered into a 25-year power purchase agreement with Virginia-based Apex Holdings, LLC to purchase 49.2 megawatts of the wind farm. This agreement added to OMPA's diversified portfolio of generation resources, while emphasizing conservation and energy efficiency.

The company sold the wind farm to Atlantic Power Corporation, an independent power producer, but the sale did not impact OMPA's agreement. Apex managed construction of the $460 million project. Wind energy gives customers in OMPA member cities a choice to support clean, environmentally-friendly power and serves as a hedge against future environmental costs.

As a source of renewable energy, wind generation in Oklahoma provides many benefits, including a homegrown and domestically produced resource that is not dependent on imported fuel from other countries. Also, wind generation provides long-term stable pricing that is not subject to fluctuating fuel costs. In addition, wind power generates economic development through the creation of new jobs leading to added tax revenue.



At its December 13, 2012 meeting, the OMPA Board of Directors gave the official authorization for OMPA staff to proceed with the construction of the Charles D. Lamb Energy Center, including the purchase of property. This is the first time that OMPA has purchased land where the power plant will be developed, owned and operated by the Authority.

The OMPA Board voted to name the facility the Charles D. Lamb Energy Center after current board chair Charles Lamb. Since 2001, Lamb has served as the board chair and is the longest tenured elected official to serve as chair. The Board also gave the conditional award to Siemens Energy Inc. to supply the 103-megawatt simple-cycle combustion turbine-generator for the project.

The peaking plant will be constructed on a site comprised of 160 acres located in Kay County, Oklahoma. It is approximately seven miles north of Ponca City and east of Blackwell. Both Ponca City and Blackwell are served by OMPA. This site was selected because of its access to a 345-kilovolt electric transmission line and the availability of a natural gas pipeline. The size of the plant site allows OMPA to add additional units in the future.

Preliminary engineering and planning work on the Charles D. Lamb Energy Center started this year. Construction is currently estimated to begin in January of 2014, with an estimated completion date of Spring 2015.

Another renewable energy project OMPA developed in 2012 was our landfill-gas-to-energy project, currently under construction in Sand Springs, Oklahoma. The project was completed on February 27, 2013 and was the first landfill-gas-to-energy project to begin commercial operations in Oklahoma.

The OMPA Board of Directors approved the long-term purchase power contract with Tulsa LFG, LLC for the landfill-gas-to-energy project on June 22, 2012. The notice to proceed for construction was given on October 12, 2012.

The $4 million municipal solid waste landfill project is small, but has the potential for growth. Initially, the project will produce three-megawatts, but could grow to seven-plus megawatts in the future. The project is being funded by the project developer, Montauk Energy.

Traditionally, landfill gas escapes into the atmosphere and is considered a potent greenhouse gas. Landfill gas is comprised of approximately 50 percent methane. The gas is generated through the slow decomposition of waste, and contributes greatly to greenhouse gas emissions and local smog. Usually, landfills flare, or burn off the methane gas as a means of controlling its release. Landfill-gas-to-energy projects capture this gas for electricity and heat, turning a harmful source of waste into a beneficial source of renewable energy. Since a landfill has continuous inflows of waste, this provides additional methane for future generation. Landfill gas is also the only type of renewable energy that directly reduces pollution to the atmosphere.

These renewable energy projects safely divert landfill gas through extraction wells and pipe it to a landfill-gas-to-energy plant, where it is cleaned before specialized engines convert it to electricity. Landfill-gas-to-energy projects generate electricity more than 90 percent of the time, 24 hours a day, and seven days a week.

With the construction of the landfill-gas-to-energy project and the completion of the Canadian Hills Wind Farm on December 22, 2012, OMPA's renewable energy resources (methane gas, wind and hydro) for 2013 are estimated to be near 30 percent based on a normal water year. The Authority will continue to develop projects to meet the load growth needs of our members by providing them with cost efficient and reliable electricity while exploring the advantages of renewable resources.

Maintaining Reliability

OMPA Engineering Services was involved with two primary projects this year involving the construction of substations. Staff assisted with the rebuilding of City of Altus' Tamarack Substation after a fire caused significant damage and the completion of a new substation in the City of Purcell.

Staff worked with Purcell Public Works Authority and Oklahoma Gas & Electric Company (OG&E) on the construction of the substation. EDG International, Inc. in Tulsa, Oklahoma provided project support service for the construction of the substation. This new substation allowed service to be removed from the OG&E Walnut Creek Substation, at the south end of town, to the OMPA-owned substation.

OMPA energized its new 138/12.5 kilovolt (kV) Purcell substation, located on the west side of Interstate-35 just north of Adams Street, on July 5th. Purcell's municipal system load was transferred to the new substation by the end of July. The new Purcell substation, with a capacity of 28 mega-volt-amps (MVA), improves the reliability of the city's distribution system and provides the option of expanding to meet future load growth. In addition, staff was involved with the Town of Orlando's voltage conversion and City of Perry's substation 12 kilovolt (kV) breaker replacements.

On August 1, 2012 at 5 pm, OMPA set a new system-wide peak of 811.7 megawatts (MW). The highest system-wide peak recorded previously was 789.5 megawatts (MW) on August 3, 2011 at 5 pm. OMPA had adequate power available to meet the needs of our members.

Operations staff continued this year to forecast, schedule and dispatch power resources on a 24-hour, seven days a week basis to provide low-cost power to meet the load of the Authority's member cities.

On March 31, 2012, the savings generated from off-system sales exceeded the energy costs for that day. To celebrate this "free energy day," the Operations staff presented the Board a check for $89,096.72.

Towards the end of the year, Engineering Services worked with the City of Comanche's engineering and construction partner on the rebuilding of its substation (planned completion by June 2013) and preliminary planning for expanding the City of Marlow's substation. Engineering Services also developed five-year plans for improvements and maintenance of OMPA's substations and transmission lines.

Generating Power

In addition to its main headquarters in Edmond, Oklahoma, OMPA has employees working at the Ponca City Power Plant Complex in Ponca City, Oklahoma. In 1995, OMPA and the City of Ponca City signed an agreement to repower one of two existing steam units through the construction of a natural gas turbine.

The repowered unit is capable of producing a combine output of approximately 62-megawatts. The completed project represented OMPA's first fully owned and initiated power supply project. In 2003, OMPA installed another natural gas turbine with a rating at more than 42-megawatts net output. These units are mainly used during the warmer summer months when additional power resources are needed.

The Authority also owns the 29-megawatt Kaw Hydroelectric Plant, located near Ponca City on Kaw Dam. The plant began commercial operations on September 26, 1989. In a typical year, almost 14 percent of OMPA's energy resources are supplied by water. Kaw Lake and dam are operated by the U.S. Army Corps of Engineers. The OMPA employees in Ponca City maintain all these facilities.

During the yearly planned outage at the Kaw Hydroelectric Plant that occurred from October 29 through November 16, OMPA employees found that no major repairs needed to be made to the plant. Employees upgraded the controls, performed yearly substation and generation maintenance and inspected the water passages.

In 2012, preliminary engineering and planning work started on the Charles D. Lamb Energy Center located 15 minutes from the Ponca City Power Plant. A 103 megawatt simple-cycle combustion turbine generator will be constructed on the 160-acre site. Construction is currently estimated to begin in January of 2014, with an estimated completion date in Spring of 2015.

Meeting Environmental Challenges

OMPA has been involved in supplying power to its municipal utility members on a not-for-profit basis since 1985. During that time, the Authority has established and maintained a track record of building and participating in power generating plants that are efficient and acceptable in accordance with state and federal emissions standards. In recent years, environmental concerns have led to a significant increase in the number and scope of compliance regulations.

To ensure that the agency continues to conform to the ever increasing environmental laws, regulations, standards and other requirements on both state and federal levels, OMPA employs a two-person compliance staff. They are responsible for striving to maintain a culture of compliance within the agency.

This includes meeting all environmental requirements established by both the Environmental Protection Agency (EPA) and the Oklahoma Department of Environmental Quality (ODEQ), as well as meeting the requirements established by both the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC).

NERC was formed by the electric utility industry to promote the reliability and adequacy of bulk power transmission in the electric utility systems of North America. For OMPA, standards from NERC are enforced through the Southwest Power Pool (SPP) and Texas Reliability Entity (TRE). SPP and TRE are mandated by FERC to ensure reliable supplies of power, adequate transmission structure and competitive wholesale prices of electricity. FERC regulates the interstate transmission of natural gas, oil and electricity.

OMPA compliance staff submits quarterly reports, reviews updates to the standards, maintains documentation, and conducts complete internal audits of all applicable standards. Staff also attends workshops on updates from NERC and FERC to make sure OMPA avoids any violations for noncompliance with the regulations. There are always revised standards replacing existing standards.

In 2012, OMPA created a NERC Compliance Plan that addresses all 12 points in FERC's Policy Statement on Enforcement. The plan provides guidance on enforcement of the statutes, orders, rules and regulations administered by FERC. Included in the plan is the requirement that all OMPA employees be trained at least once per calendar year, which is scheduled for 2013, and will include environmental training. The monitoring and enforcement of all environmental standards not only applies to the OMPA employees in Edmond and Ponca City, but also to our 39 member cities.

Another measure implemented by the agency's compliance team concerns member cities Kingfisher, Laverne, Mangum and Pawhuska. These four cities own generating facilities with a total of 16 generators that have a total capacity of 24,980 kilowatts.

By the summer of 2013, these four cities will need to complete the upgrades to their generators to meet Reciprocating Internal Combustion Engines (RICE) rules in order to be in compliance with EPA directives. This includes verifying testing of the units to make sure they are generating at their maximum safe levels during the warmer summer months. OMPA will fund equipment necessary for upgrading these power plants to meet the emission reduction requirements. The four cities involved must commit to maintaining the power plants for a period of five years.

In addition, EPA is constantly issuing new rules and modifications to existing rules. This includes: changes to waste water regulations, emission limitations, coal usage and other changes that may not directly affect OMPA, but play a part in the generation purchased by the Authority.

The Importance of Public Power

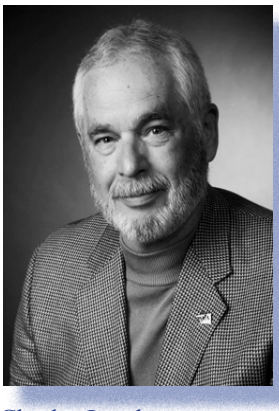
The OMPA Board approved the hiring of a government relations firm to assist in raising awareness of OMPA's profile. This awareness will allow OMPA to separate ourselves from other power groups and educate legislators and key staff both in Washington, DC and Oklahoma on our mission, structure, organization and the crucial role it plays in Oklahoma.

Through this "legislative branding" initiative, the Authority has developed a more proactive strategy to identify, monitor and as necessary, intervene on issues that have a potential impact on OMPA and its members. This year we saw almost 4,000 bills submitted during Oklahoma's 53rd legislative session. Of these proposed bills, 87 were of relevance to OMPA and its members, including one on tax-exempt financing for state and local governments that involved public power utilities.

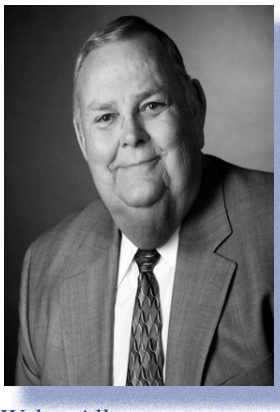
The decision to become more involved in the legislative process has already paid dividends for OMPA as it seeks to ensure that the interests of our member cities are protected. We place a high value on the ability of Oklahoma's municipal electric systems to maintain local control over the delivery of power and we support our member systems in maintaining that control.

OMPA will continue to maintain our "legislative branding" initiative in 2013 to ensure that the interests of OMPA and our member cities remain protected.

OMPA Board of Directors

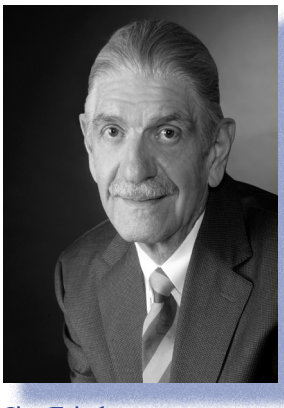


Charles Lamb
Chair
Mayor/Elector
Edmond, Oklahoma
Ex-officio of all Board appointed committees



Walter Allen
Elector
Lexington, Oklahoma

Janice Cain
City Administrator/Elector
Marlow, Oklahoma

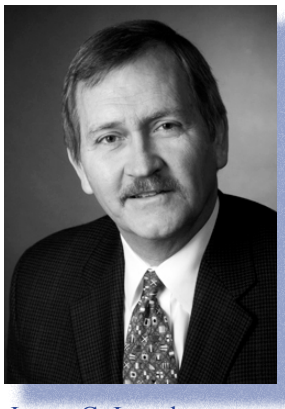


Jim Frieda
City Manager/Elector
Duncan, Oklahoma

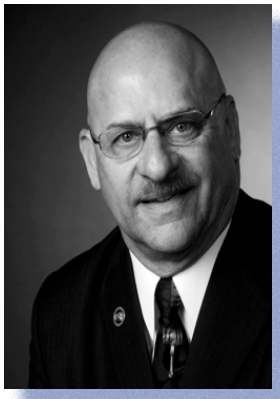
Elizabeth Gray
City Administrator/Elector
Altus, Oklahoma

Chuck Hall
Treasurer
Mayor/Elector
Perry, Oklahoma
Audit Committee
Executive/Finance Committees
Legislative Committee

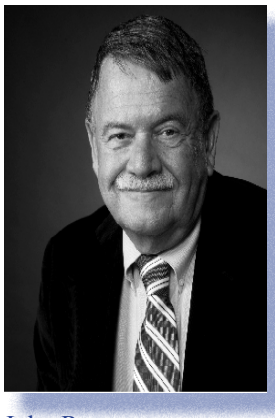
Robert Johnston
Secretary
City Manager/Elector
Frederick, Oklahoma
Executive/Finance Committees
Legislative Committee



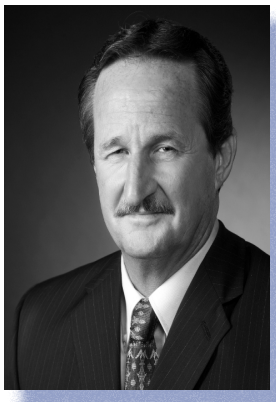
James C. Joseph
State Bond Advisor
Ex-Officio Member



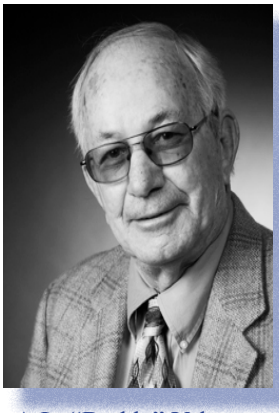
Homer Nicholson
Mayor/Elector
Ponca City, Oklahoma
Legislative Committee



John Ramey
Town Administrator/Elector
Okeene, Oklahoma



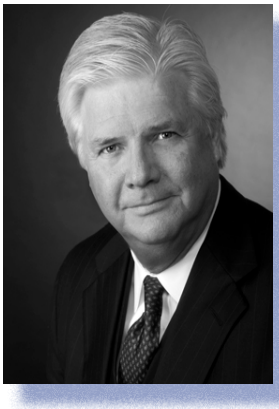
Mark Skiles
City Manager/Elector
Blackwell, Oklahoma
Finance Committee



A.L. “Buddy” Veltema
Chairman Emeritus
Vice Chair
Elector
Walters, Oklahoma
Executive Committee

Key Staff

Cindy Holman, *CMA*
General Manager



Randy Elliott
General Counsel

David W. Osburn
Assistant General Manager

Drake Rice
Director of Member Services

Jim McAvoy, P.E.
Chief Engineer

Roger Farrer, Ph.D., CEM, CEA
Manager of Energy Services

Bruce Jackson, CPA
Manager of Accounting Services

Malcolm Booker
Manager of Financial Services

Mike Mushrush
Operations Manager

MaryDoris Casey
Markets Manager

Andrea Simmons
Administrative/HR Supervisor

Umesh Sadalge
Senior Facilities Engineer

Promoting Energy Efficiency

OMPA offers a variety of energy services programs to our members. The majority of these programs focus on reducing energy consumption, which not only provides savings to customers on their monthly electric utility bills, but delays the need for OMPA to add additional generating capacity. Three of these energy services programs that were offered to our members in 2012 were: Oklahoma Comfort Program (OCP), Ways I Save Electricity (WISE) Rebate Program and Demand and Energy Efficiency Program (DEEP).

OCP

The Oklahoma Comfort Program (OCP) officially ended on September 14, 2012. OCP used funds from the Stimulus State Energy Program (SSEP), as administered by the Oklahoma Department of Commerce, to provide residential energy audits, rebates for geothermal heat pump (GHP) systems and to train GHP installers.

OMPA administered the $3 million project with assistance from the Geothermal Resources Council. ClimateMaster Inc., a large Oklahoma-based manufacturer of GHP equipment, also was involved and provided in-kind contributions to the project in the form of staff time, training for the public and professionals involved in the installation of GHP systems, program promotion and other benefits.

OMPA finalized the contract for OCP with the state commerce department on March 31, 2010. March 31, 2012 was the original date the program was set to end. However, OMPA was notified just a few weeks prior to that date that an extension would be given and the last day was moved to August 31, 2012. During the last week of August, OMPA was once again notified that there would be a two-week extension with a final date of September 14, 2012. The original program was intended to be in place for three years. But there was a delay in getting the contract signed, and the program only lasted about 2 ½ years, even with the extensions.

To promote the program, OMPA conducted a mass marketing campaign by mailing brochures to all residential customers in our member cities. The brochure provided information about the benefits of having a geothermal heat pump and the financial incentives available for installation of GHP systems. The brochure also had a business-reply card for residential customer to complete, tear off and mail to OMPA requesting a free residential energy audit. After the initial mailings, another mailing took place in selected member cities.

If qualifying geothermal heat pump systems were installed and all requirements were met, the financial benefits of installing a GHP system included a rebate of $1,000 per ton (OCP) and a rebate of $800 per ton (WISE Rebate Program in participating cities) for both residential and commercial applications. Also available was a federal tax credit of 30 percent of the total system cost (with no upper limit) for homeowners. Since stimulus funds were used, the federal government had some initial requirements that had to be met for each installation, which lengthened the time for the installation of the GHP systems.

As part of OCP, free energy audits, were available to residential customers as long as they purchased their electricity from an OMPA member city. The comprehensive energy audit took about two hours to complete and included a blower-door test. A report was then mailed to the customer typically within two to three weeks of the audit.

Even though the program did not run the full three years as planned, one goal was met. The original goal for completed energy audits was 1,200. At the end of the program, 1,317 audits had been performed by OMPA auditors and member city auditors. The initial goal for installed GHP tonnage was 2,400. The ending total was 1,755 tons. A total of 193 rebate checks were issued and 71 HVAC contractors were trained through the program.

OMPA will continue to offer free energy audits to our member city residential customers. After the audit has been completed, each customer will receive a free weatherization kit.

WISE

The WISE Rebate Program, which continued after the end of OCP, provides rebates for qualifying high-efficiency air conditioners and heat pumps. OMPA has provided the WISE Rebate Program to its members since 1992. The rebates are available for both residential and commercial installations in participating member cities.

The WISE Rebate Program is a cost-sharing program, meaning OMPA provides half of the rebate and the participating member city provides the other half. Some of our member cities have limits on the rebate amounts they will provide to their customers.

The current total rebate amounts are:

Geothermal (ground-source) heat pumps:	$800/ton
Air-source heat pumps:	$250/ton
Dual-fuel heat pumps (air-source or geothermal):	$250/ton
Air conditioners:	$100/ton

One of the unique aspects of this rebate program is that the minimum requirements for rebates are set above the minimum standards required by the Environmental Protection Agency's Energy Star Program. This means the equipment installed is higher than the minimum standards set by the U.S. Department of Energy.

In 2012, a record was set in the number of rebates and the total amount rebated. A total of 1,639 tons of HVAC equipment was rebated – 1,206 tons geothermal, 107 tons air-source and 54 tons dual-fuel. Also, 272 tons of air conditioners were rebated. Over $502,000 was provided to our member cities from OMPA for WISE rebates. This means customers' rebates were approximately $1 million. The kilowatt savings realized from the WISE Rebate Program and OCP from removing inefficient equipment and replacing it with more efficient equipment was 1,522.04 kilowatts.

To off-set some of the costs associated with GHP installations, the OMPA Board approved and set aside $1 million in 2012 for OMPA member cities to assist with the financing of the installation of geothermal heat pumps in their communities. This loop-leasing program will allow OMPA member cities to borrow funds from OMPA at a low interest rate to finance the drilling of the geothermal loop wells needed to install a GHP system. OMPA is providing sample documentation for our cities to modify and use in setting up programs for their customers.

Promoting Energy Efficiency cont.

Demand and Energy Efficiency Program

DEEP

The intent of the Demand and Energy Efficiency Program (DEEP) is to provide incentives to commercial and industrial businesses that invest in more energy-efficient projects. Through this matching funds program, our member cities and their qualified customers receive financial assistance with their efforts to reduce their electric service energy demands and costs. The reduction of these demands helps keep energy rates as low as possible for our member cities and delays the need for additional generation capacity to the OMPA system.

The range of project types include replacing motors with NEMA premium motors, inefficient lighting with new fluorescent LED technology lights, improvements in cooling and heating with ground source heat pumps or high-efficiency chillers or replacing old food service equipment. A variety of customers have qualified to receive funds from this program, including large industries, small businesses, schools and churches.

In 2012, DEEP awarded 39 projects $259,400 for 1,578.6 kilowatt load reduction improvements. These savings can then be used to expand product lines, hire new employees and improve other business systems or just to reduce the length of payback for the energy reduction project. Projects are evaluated on a case-by-case basis, and funds available for an individual project are determined through submission of detailed subject plans.

DEED

DEED

OMPA was awarded a $25,000 research grant from the American Public Power's Demonstration of Energy & Efficiency Development (DEED) Program. Through this grant, OMPA is creating a weather data database workbook that can be customized by any utility to help customer service representatives when talking to customers about high bill complaints. It will generate a report for any billing cycle and will compare recent actual and long-term average weather data for the billing period.

A user's manual and PowerPoint presentation will be developed to train customer service personnel on the use of weather data when speaking with customers. The DEED program sponsors and conducts activities related to energy innovation that improve energy efficiency or lower costs by providing energy services to consumers of publicly owned electric utilities.

APPA American Public Power Association

Improving Municipal Electric Systems

One of the energy services programs offered by OMPA to its members is the Competitive Utility Program (CUP), which began in 1995. CUP is a voluntary program that provides our members with a way to evaluate and improve the operation of their electric utilities, making them better competitors in the electric utility industry. It is not a competitive program between cities, but a program of individual recognition. The program provides two types of rewards - recognition in the form of certification and financial awards.

Applications for certification are submitted to OMPA for evaluation by a peer review committee, composed of personnel who are member city staff. Upon successful review, the committee recommends that formal certification be awarded by the OMPA Board of Directors. Currently, 18 member cities are CUP-certified and other cities are in the process of completing their applications.

One of the main components involved in obtaining/maintaining CUP certification is training. All-Employee Training is one of several OMPA-sponsored professional development training opportunities that is available to all our member cities whether or not they are certified in CUP. This special customer service training program is held every year.

In 2012, Gary D. Sheely, owner/CEO of Career Edge Consulting in Sapulpa, Oklahoma, conducted All-Employee Training that was held at 10 locations during the months of September, November and December. Overall attendance at the 14 training sessions was 662 with 25 cities sending their employees to the training. His presentation, "Tactical Communication Secrets for Life and Business," drew on his 30 years of experience as a counselor, executive coach, adjunct instructor and skydiving instructor/ jumpmaster.

OMPA conducts other customer service training sessions at selected regional locations throughout the year. Various topics related to customer service are covered, including key accounts training to assist our cities with developing closer relationships with their large commercial customers. Other topics include sessions on residential and commercial energy efficiency and use.

The Authority also provides two Gatekeeper Programs. One is training to raise awareness among city personnel of the needs of the vulnerable elderly who may need help but may be unable to get it for themselves. The second is training on how to recognize signs of suicidal tendencies in people who may be considering suicide.

Developing Community Relations

Throughout 2012, OMPA supported our member cities in their efforts to promote the benefits of municipal electric ownership to their customers by participating in a variety of activities. These activities included Public Power Week, which is a country-wide program that celebrates the importance of public power to local citizens.

OMPA staff assisted five of our member cities with their open houses and provided several other cities with materials. One of OMPA's member cities, Ponca City, celebrated its 100th anniversary. In 1912, the citizens of Ponca City voted to approve $30,000 in bonds for the construction of a municipal light and power plant to meet the community's demand for electric service.

The week-long celebrated public power events were sponsored in conjunction with the American Public Power Association (APPA), based in Washington, DC. APPA is the service organization for the nation's more than 2,000 community-owned electric utilities. Collectively, these utilities serve more than 47 million Americans.

One of the major events each year that OMPA jointly sponsors with Municipal Electric Systems of Oklahoma (MESO) and Grand River Dam Authority (GRDA) is the Public Power Workshop. This year the workshop was held at the Embassy Suites Hotel & Conference Center in Norman, Oklahoma. The workshop is designed for public power representatives of all types, including administrators, billing department heads, customer service professionals, lineworkers, and electric superintendents.

"Keeping Oklahoma's Future Bright!" was the theme of this year's workshop. The opening session speakers were James Albert, Deputy Secretary of Energy for the State of Oklahoma, and Steve Collier, Vice President, Business Development for Milsoft Utility Solutions. Albert spoke on Oklahoma's energy future and Collier discussed how global economics in energy will affect utilities. A nationally recognized expert on customer service implementation, Dr. Lee Manzer, Professor in the Department of Marketing, Spears School of Business, Oklahoma State University, closed the workshop with his presentation entitled "Stories of the Past – Managing the Future."

In addition to the key speakers, there were breakout sessions on relevant topics related to the electric utility industry and an exhibitors' hall with 29 companies offering a variety of services and products. A total of 169 people, including OMPA, MESO and GRDA staff, attended the workshop. This was the largest number of participants to attend the workshop since its inception and included representatives from 31 cities across Oklahoma and Arkansas.

OMPA also assisted MESO and the City of Edmond's electric utility, Edmond Electric, with the 2012 Municipal Lineworkers' Rodeo. The rodeo was held at Edmond Electric's training field in Edmond, Oklahoma. The rodeo is an opportunity for lineworkers to compete, while showcasing their skills and knowledge through a series of events. The rodeo is broken into several categories, including journeyman events, apprentice events, a mutual aid event and a team event.

Both journeyman and apprentice events included a "hurt-man rescue event," which simulates rescuing a 175-pound mannequin from a utility pole and beginning CPR within four minutes. The mutual aid event has become very popular among the competitors. In this event, individual names are drawn from each participating city, two journeyman and one apprentice, to form a team.

Because many cities within the State of Oklahoma have "mutual aid agreements" that offer assistance during catastrophic events, it provides lineworkers' the opportunity to work with fellow linemen they may be called upon to serve with, or help some day.

In conjunction with The American Public Power Association's (APPA) Engineering and Operations Conference, Edmond Electric has been chosen as the host of the 2014 National Municipal Lineworkers' Rodeo. OMPA looks forward to assisting MESO and Edmond Electric with this national event.

APPA American Public Power Association

OKLAHOMA GREEN BUILDING SUMMIT 2012

This year OMPA was one of the sponsors of the Oklahoma Green Building Summit held in Midwest City. The summit dealt with the benefits, strategies and resources available for sustainable building in Oklahoma.

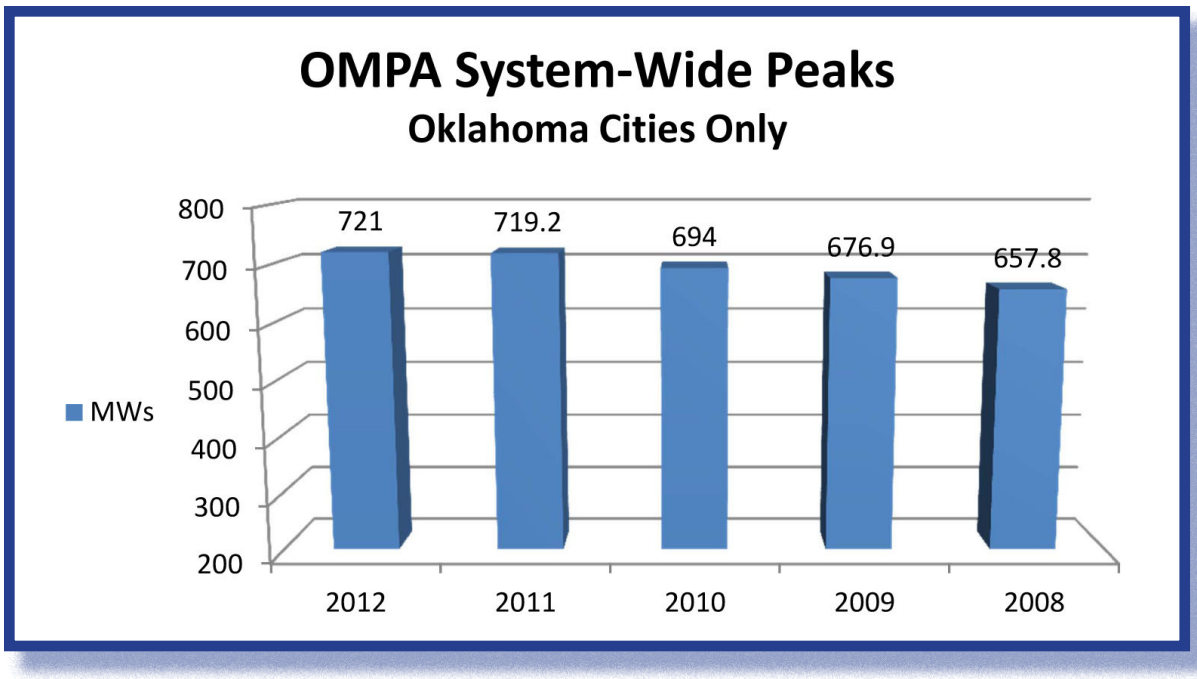
OMPA also had a booth at the summit that illustrated some of the programs the agency offers on energy efficiency.

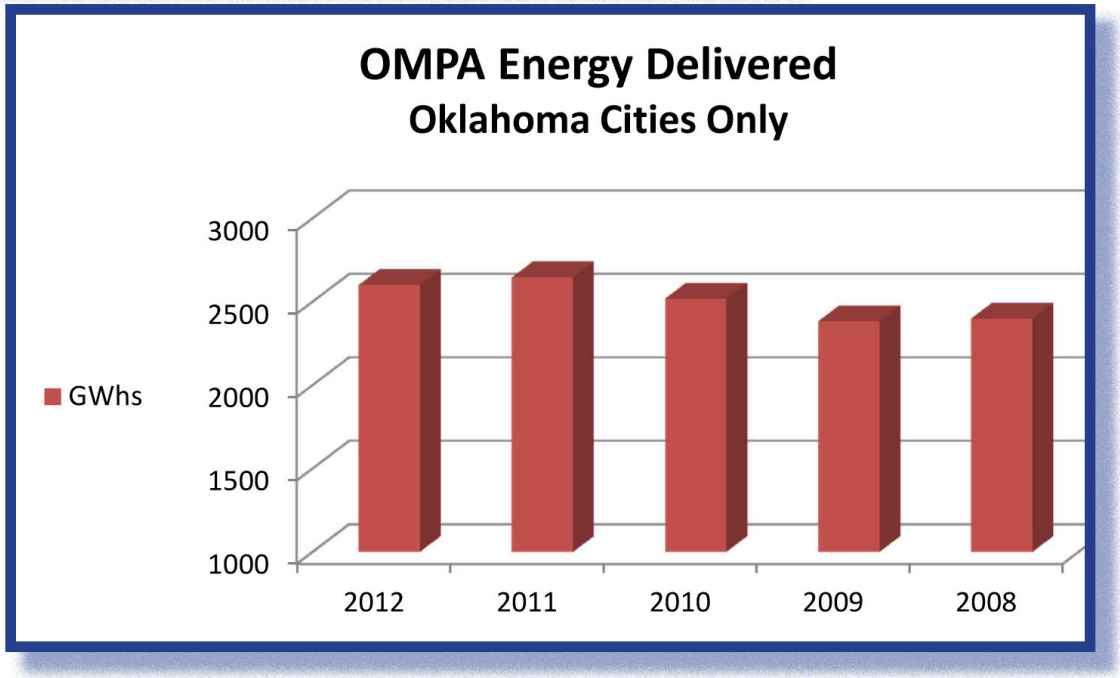
Net Revenues & Debt Service Coverage

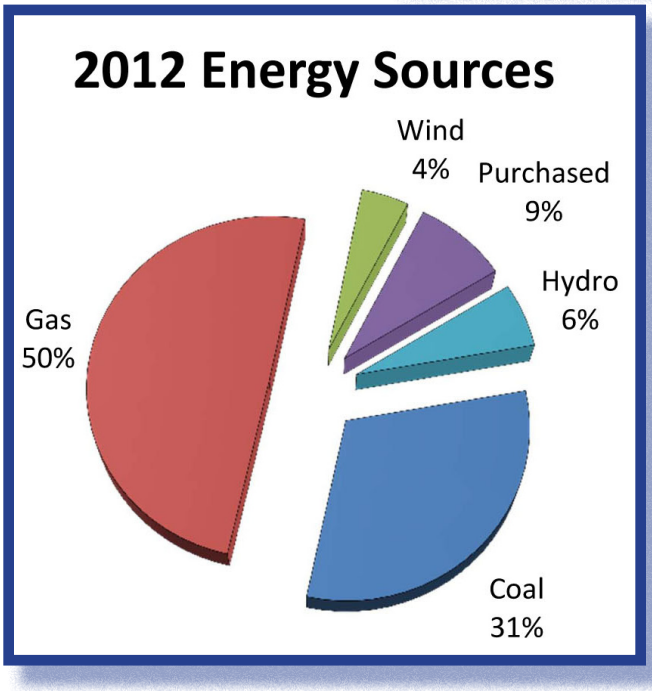
In thousands	2012	2011	2010	2009	2008
Operating revenues	$169,661	$168,109	$156,868	$147,670	$151,053
Operating expenses					
Purchased power	41,697	44,445	36,928	39,878	44,088
Generation	60,448	62,735	62,286	54,704	61,855
Transmission	14,239	11,893	11,580	12,408	10,620
Other operating expenses	7,925	7,114	6,815	6,578	6,265
Depreciation	16,013	15,487	15,267	15,111	11,484
	140,322	141,674	132,876	128,679	134,312
Net operating revenues	29,339	26,435	23,992	18,991	16,741
Other revenues (expenses)					
Interest income**	2,365	2,804	2,276	2,841	4,251
Net change in fair value of investments **	(226)	663	(602)	(1,113)	351
Other Income				-	-
Gain on Sale of Assets	1	1	-	48	(129)
Ponca City fire loss				-	-
Lease Revenue - FPL	2,839	2,934	3,024	3,108	3,188
Amortization of organization costs	(85)	(85)	(85)	(85)	(85)
	4,894	6,317	4,613	4,799	7,576
Interest and debt expense					
Interest expense	(25,138)	(26,918)	(24,340)	(22,708)	(19,086)
Interest expense - Other	(2,839)	(2,934)	(3,024)	(3,108)	(3,237)
Amortization of bond costs	(2,531)	(2,701)	(2,904)	(3,259)	(3,309)
Amortization of Other Costs	(183)	(142)	(153)	(106)	(60)
	(30,691)	(32,695)	(30,421)	(29,181)	(25,692)
Net nonoperating expenses	(25,797)	(26,378)	(25,808)	(24,382)	(18,116)
Net deferred costs recoverable in future years	1,048	1,614	2,578	3,612	1,145
Extraordinary income					
Increase (decrease) in fund equity	4,590	1,671	762	(1,779)	(230)
Fund equity, beginning of year	23,586	21,917	21,155	22,934	23,164
Fund equity, end of year	$ 28,176	$ 23,588	$ 21,917	$ 21,155	$ 22,934
Debt Service Coverage					
Net Operating Revenues	$ 29,339	$ 26,435	$ 23,992	$ 18,991	$ 16,741
Add:					
Investment income	2,365	2,804	2,276	2,841	4,251
Depreciation	16,013	15,487	15,267	15,111	11,484
Gain/Loss on asset sale	1	1	-	48	(129)
Amortization of capacity prepayment	3,024	2,764	2,741	2,741	2,915
Credit Obligations *	25,477	26,448	23,872	22,706	23,147
Net revenue available for bond coverage	$ 76,219	$ 73,939	$ 68,148	$ 62,438	$ 58,409
Principal and interest	$ 43,773	$ 44,713	$ 42,425	$ 38,888	$ 34,471
Debt service coverage	1.74	1.65	1.61	1.61	1.69

* Certain purchase power contracts with terms in excess of five years may be excluded from operating expenses for purposes of debt service coverage.

** Interest income and net change in fair value of investments have been adjusted in order to comply with bond covenant requirements for the purpose of debt service coverage calculation.


OMPA System-Wide Peaks
Oklahoma Cities Only
800
700
600
500
400
300
200
MWs
721
719.2
694
676.9
657.8
2012
2011
2010
2009
2008


OMPA Energy Delivered
Oklahoma Cities Only
3000
2500
2000
1500
1000
GWhs
2012
2011
2010
2009
2008


2012 Energy Sources
Wind
4%
Purchased
9%
Hydro
6%
Gas
50%
Coal
31%

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