Omaha Public Power District
444 South 16th Street Mall
Omaha, Nebraska 68102-2247

March 31, 2000
LIC-00-0032

U. S. Nuclear Regulatory Commission
Attn: Document Control Desk
Mail Station P1-137
Washington, DC 20555

Reference: Docket No. 50-285

SUBJECT: 1999 Annual Financial Report

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the Omaha Public Power District's 1999 Annual Financial Report.

If you should have any questions, please contact me.

Sincerely,

S. K. Gambhir
Division Manager
Nuclear Operations

SKG/brh

Enclosure

c: E. W. Merschoff, NRC Regional Administrator, Region IV (w/o Enclosure)
L. R. Wharton, NRC Project Manager (w/o Enclosure)
W. C. Walker, NRC Senior Resident Inspector (w/o Enclosure)
Winston & Strawn (w/o Enclosure)

Employment with Equal Opportunity

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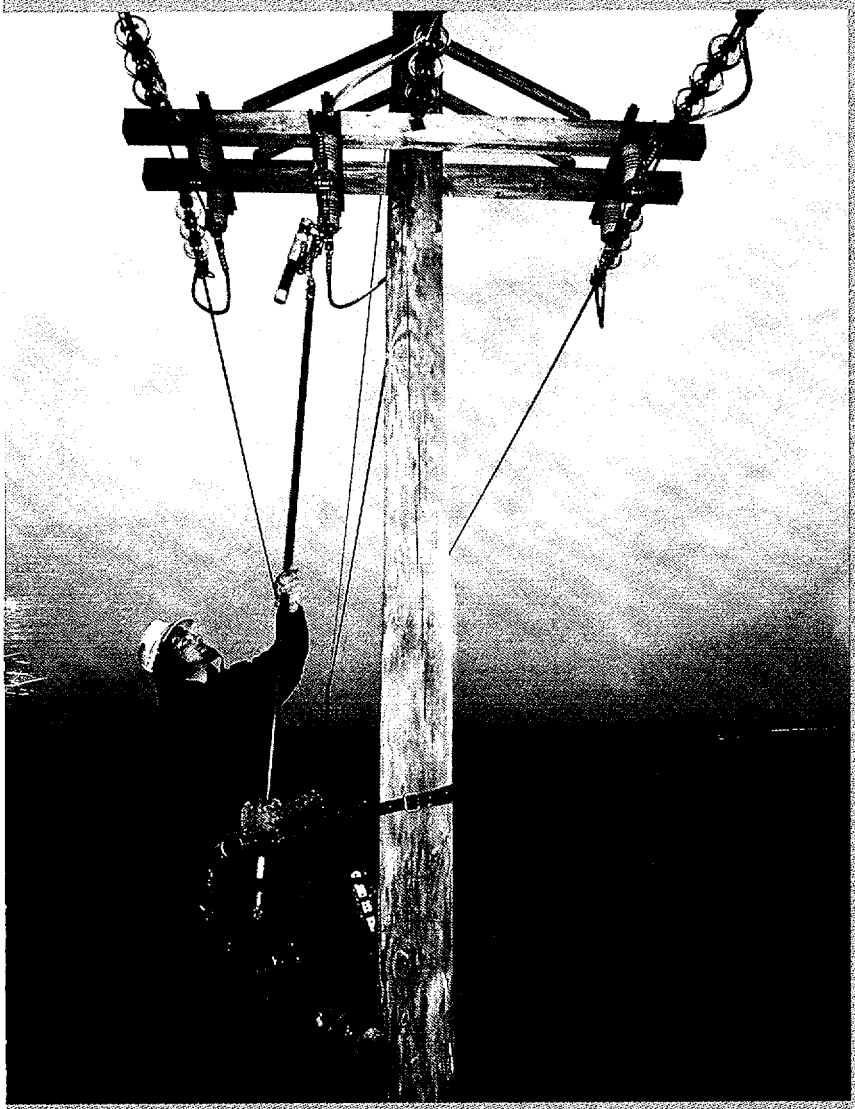
Omaha Public Power District

Annual Report



OPPD cable splicer Al Cook works on an underground cable in downtown Omaha, where a flurry of development is under way.

General Business Sales

General business sales to District customers were 8,141,264,000 kilowatt-hours in 1999, a decrease of 159,991,000, or 1.9%, from 1998 sales of 8,301,255,000 kilowatt-hours.

Average Number of Customers

The District served an average total of 287,320 customers in 1999, an increase of 5,788, or 2.1%, from the 1998 average total of 281,532 customers.

Average Residential Use

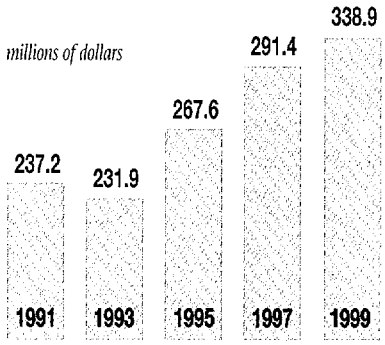
Average annual use per residential customer in 1999 was 10,829 kilowatt-hours, a decrease of 544, or 4.8%, from the 1998 average of 11,373 kilowatt-hours.

Average Residential Cost

The District's residential customers paid an average of 6.92¢ per kilowatt-hour during 1999, which is well below the national average.

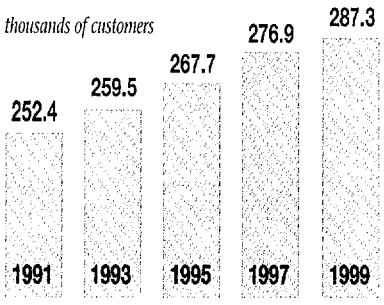
1999 Construction Expenditures

Expansion and improvement of system facilities during 1999 required construction expenditures of $182,073,000.



OPERATION AND MAINTENANCE EXPENSES (thousands)

Classification	1999	Percent of Total	1998	Percent of Increase (Decrease)
Generating Expense	$169,882	50.1	$171,153	(0.1)
Purchased and Interchanged Power	42,578	12.6	33,336	27.7
Transmission and Distribution	27,486	8.1	25,660	7.1
Customer Accounts	12,713	3.8	13,779	(7.7)
Customer Service and Information	11,918	3.5	8,889	34.1
Administrative and General	16,171	4.8	13,137	23.1
Maintenance	58,133	17.1	50,194	15.8
Total Operation and Maintenance Expenses	$338,881	100.0	$316,148	7.2



AVERAGE NUMBER OF CUSTOMERS*

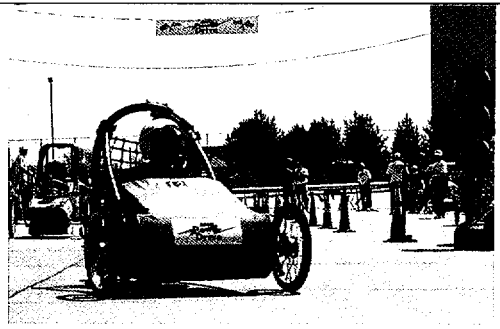
Classification				
Residential	251,057	87.4	245,890	2.1
General Service - Small	35,553	12.4	34,932	1.8
General Service - Large	105	—	103	1.9
Other	605	0.2	607	0.3
Average Customers	287,320	100.0	281,532	2.1

**Average Total Twelve Months Ended December*

HIGHLIGHTS

Operating Revenues

Operating revenues for 1999 were $523,730,000, an increase of $8,780,000, or 1.7%, from 1998 operating revenues of $514,950,000.



The OPPD Power Drive Program proved so successful in its first year that twice as many high schools signed up for the 1999-2000 program.

Operation and Maintenance Expenses

Operation and maintenance expenses for 1999 were $338,881,000, an increase of $22,733,000, or 7.2%, from 1998 operation and maintenance expenses of $316,148,000.

Net Operating Revenues

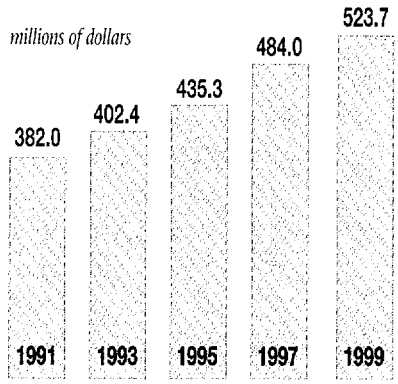
Net operating revenues, before depreciation and decommissioning, were $167,997,000, a decrease of $14,167,000, or 7.8%, from 1998 net operating revenues of $182,164,000.

Net Earnings Reinvested in the Business

Net earnings reinvested in the business totalled $49,014,000, a decrease of $14,979,000, or 23.4%, from 1998 net earnings reinvested in the business of $63,993,000.

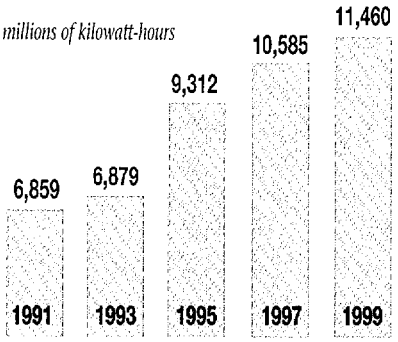
As the use of electronic devices increases, the need for power-quality solutions has become more important. OPPD power-quality engineer David Heins helps customers solve their power-quality problems.

1999 – 1998 COMPARISONS



OPERATING REVENUES (thousands)

Classification	1999	Percent of Total	1998	Percent of Increase (Decrease)
Residential	$188,187	35.9	$192,481	(2.2)
General Service - Small	161,901	30.9	159,844	1.3
General Service - Large	76,513	14.6	79,359	(3.6)
Government and Municipal	11,936	2.3	11,687	2.1
Other Electric Utilities	78,741	15.0	62,550	25.9
Accrued Unbilled Revenues	1,650	0.3	282	485.1
Provision for Rate Stabilization	(5,000)	(0.9)	—	—
Total Electric Revenues	513,928	98.1	506,203	1.5
Miscellaneous Revenues	9,802	1.9	8,747	12.1
Total Operating Revenues	$523,730	100.0	$514,950	1.7

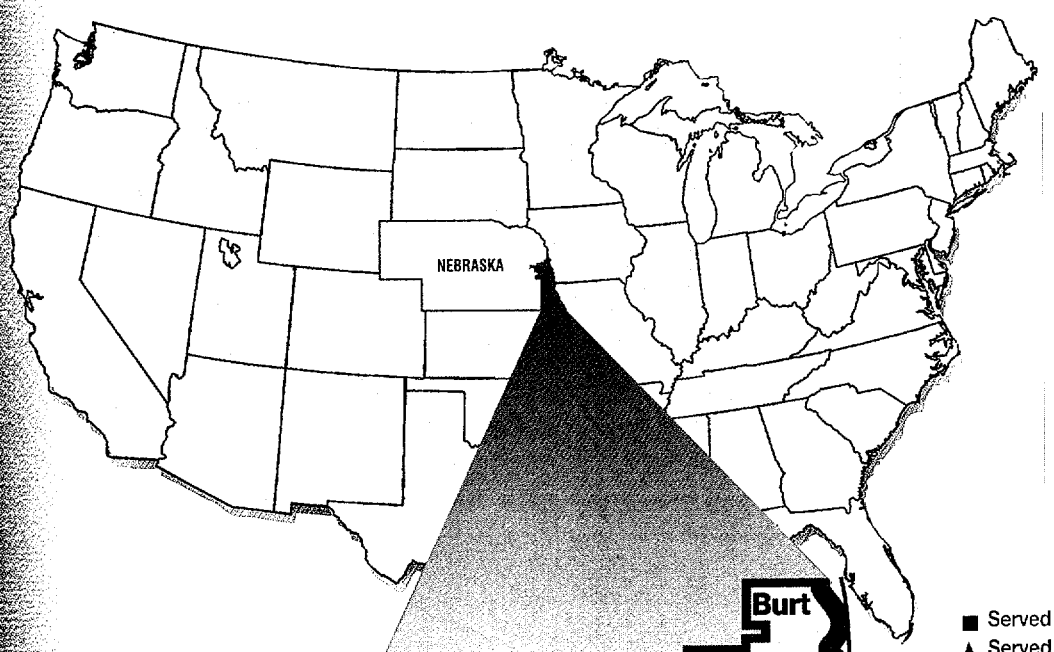


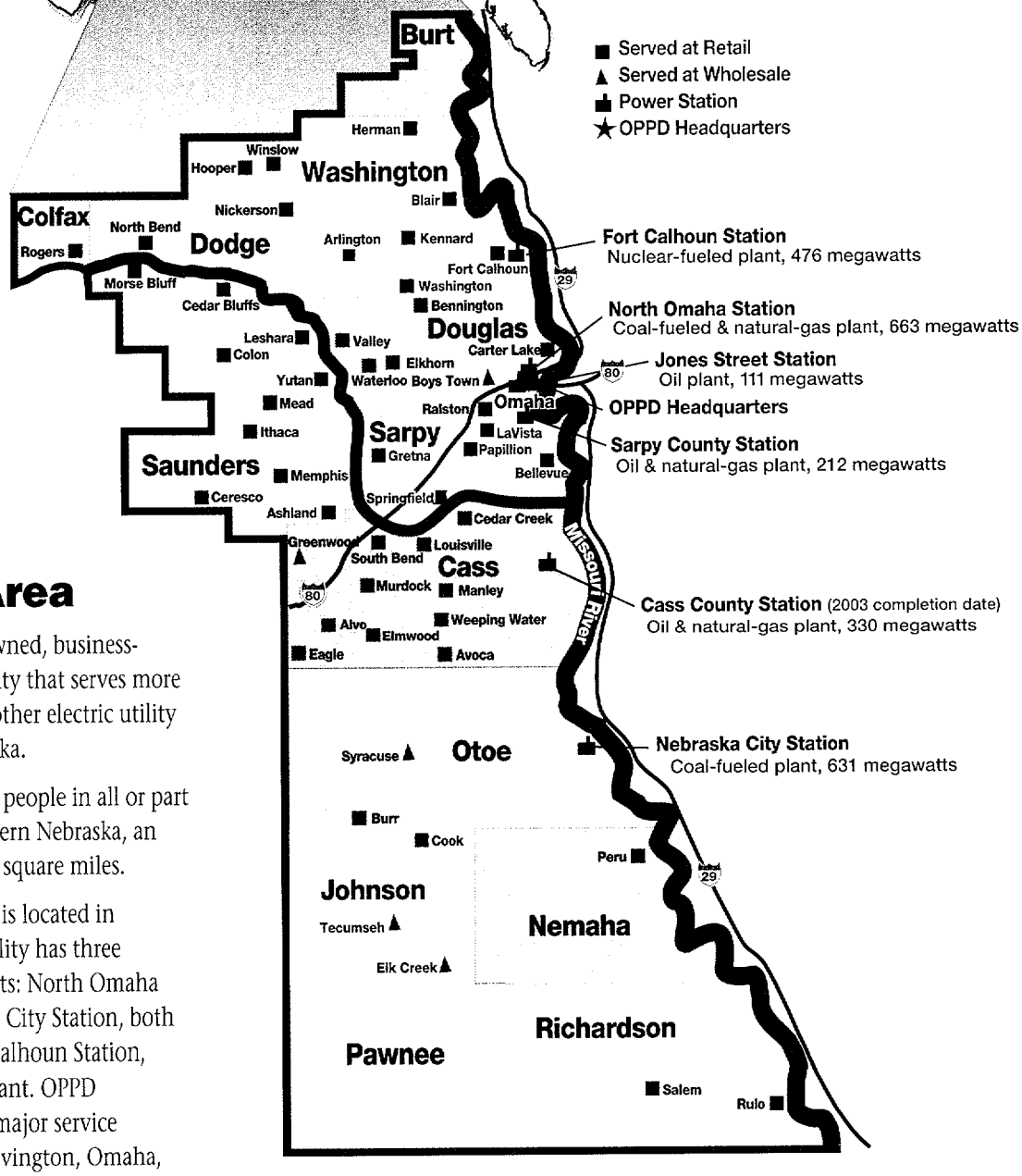
KILOWATT-HOUR SALES (thousands)

Classification				
Residential	2,718,585	23.7	2,796,585	(2.8)
General Service - Small	3,014,202	26.3	2,971,390	1.4
General Service - Large	2,304,441	20.1	2,443,625	(5.7)
Government and Municipal	80,868	0.7	80,286	0.7
Other Electric Utilities	3,318,409	29.0	3,105,942	6.8
Accrued Unbilled Kilowatt-Hours.	23,168	0.2	9,369	147.3
Total Energy Sales	11,459,673	100.0	11,407,197	0.5

Mission

The Omaha Public Power District mission is to exceed customer expectations. As a public utility, our customers are our owners, and we find great pride in taking good care of them.





Service Area

OPPD is a publicly owned, business-managed electric utility that serves more customers than any other electric utility in the state of Nebraska.

OPPD serves 657,000 people in all or part of 13 counties in eastern Nebraska, an area that totals 5,000 square miles.

OPPD's headquarters is located in Omaha, Neb. The utility has three base-load power plants: North Omaha Station and Nebraska City Station, both coal-fired, and Fort Calhoun Station, a nuclear-powered plant. OPPD strategically located major service centers in Elkhorn, Irvington, Omaha, Papillion and Syracuse.

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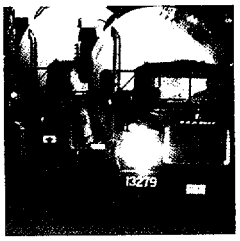

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COVER: OPPD owns and maintains more than 13,100 miles of electric line in southeast Nebraska. On the cover, line technician Jeff Richey repairs a line.

AT LEFT: Bottom photo courtesy of Scott Bruhn/*Omaha World-Herald*.

Chairman and President Message

Michael J. Cavanaugh, Chairman of the Board, left, and Fred M. Petersen, President and Chief Executive Officer

Whether you believe that 1999 was the beginning of a new millennium or the end of one, it was indeed a landmark year at the Omaha Public Power District. Comprehensive, well-thought-out plans prevented any problems related to the transition to the Year 2000, and they also defined the utility's strategy for the changing business environment.

At OPPD, that strategy is not necessarily to be the biggest public utility in the nation, but to be the best, and 1999 found us well on our way.

Last year, OPPD maintained its customary strong financial condition. For the seventh consecutive year, there was no rate increase for customers, and none is forecast through 2003.

Changes in the industry are creating significant opportunities at OPPD, and we're taking advantage of them. For example, we increased non-firm wholesale energy sales by $13.7 million over 1998, thanks in part to the opening of the wholesale market.

Other financial highlights include:

- Total operating revenues of $524 million, an increase of 1.7 percent over 1998.
- Healthy net operating revenues of nearly $168 million.
- Solid net earnings reinvested in the business of more than $49 million.

With electric utility industry restructuring looming on the horizon, we are making a number of changes to ensure that we remain competitive. But we also firmly believe that the best foundation for a competitive future is built on how well we perform the basics today – generating, transmitting and distributing electricity. At OPPD, we do these things as well as or better than anyone in the country, and we intend to continue with that level of performance. In 1999, we began construction of a 95-megawatt combustion turbine scheduled for operation this summer. We also began development of two additional combustion turbines that will provide a total capacity of 330 megawatts by 2003.

OPPD energized a 32-mile stretch of a new 161-kilovolt transmission line in 1999 that will enhance our efforts to meet increased power-delivery needs, and we made improvements to vital interconnecting substation facilities and transmission lines.

In 1999, we also completed the planning for an upgraded coal-handling system at our North Omaha Power Station. This will save time unloading coal cars, and in turn, will help lower the per-megawatt cost of our generation.

While OPPD focused on its ongoing mission to provide reliable, low-cost energy, it also established and pursued a new goal – to exceed the expectations of our customers in everything we do. Toward that end, we introduced several new products and services, and formed alliances to ensure that we can deliver more than electricity.

We signed an agreement in February with Alltel, a local telecommunications firm, which is involved in the design, development and construction of a telecommunications network within the greater Omaha area.

In early May, we launched the OPPD Residential Whole House Surge Guard product, which protects all household electrical appliances and equipment from power surges. The response from customers has been positive.

We also began talks with a prominent local banking firm to offer a utility credit card to customers that will provide them with a rebate on their electric bills, based on the amount charged.

Since our large energy users are extremely important to the success of this utility, we developed several new products and services for our general service customers to help meet their growing need for new services. (See page 10.) In addition, we developed new rates that are available to these customers to ensure their continued low-cost power options.

All of our accomplishments reflect the efforts of our quality, diverse work force, and we continued efforts to strengthen that work force. Also during 1999, the utility said good-bye to two long-time senior managers who played major roles at OPPD during their tenures. Senior Vice President Bill Jones retired in April after nearly 39 years with the utility. A pioneer in the nuclear power industry, he served as Fort Calhoun Station's first plant manager and was key to its success over the years. Charlie Pape, Executive Vice President and Chief Financial and Planning Officer, retired in August. During his 39 years with OPPD, Charlie led the accounting, forecasting and finance areas. Both served as role models, and they helped build strong foundations in their respective areas.

This year is sure to bring many new challenges. We'll continue to closely monitor all congressional utility restructuring bills, and we'll continue to focus on our customers. Our financial outlook for 2000 looks strong, with projections for an increasingly favorable debt/equity ratio and a strong economy.

Our expectations may be great, but OPPD is in a position to meet those expectations. We're strong financially. We have solid generating plants and well-maintained transmission and distribution systems. But it is ultimately the commitment of our board of directors, senior management and employees that will keep us ahead of the competition and move us forward. Their service is invaluable, and through their hard work, this utility will succeed and prosper for the benefit of all customers.

Fred M. Petersen
President and Chief Executive Officer

Michael J. Cavanaugh
Chairman of the Board

Board of Directors

Front, from the left:

Michael J. Cavanaugh
Chairman of the Board
Police Lieutenant, City of Omaha;
Real Estate Investor - Manager

N.P. Dodge Jr.
Board Member
President, N.P. Dodge Company

Geoffrey C. Hall
Board Member
Attorney at Law

Back, from the left:

Kirk E. Brumbaugh
Board Member
Senior Partner and Principal,
Brumbaugh & Quandahl Law Firm

John K. Green
Vice Chairman of the Board
Attorney at Law

Frederick J. Ulrich
Board Member
Farmer, Cattle Feeder

Anne L. McGuire
Treasurer
Former Nurse Educator, Researcher, Clinician

Del D. Weber, Ph.D.
Secretary
President, Omaha Community Foundation;
Chancellor Emeritus,
University of Nebraska at Omaha

Front, from the left:

William D. Dermyer
Vice President

Fred M. Petersen
President,
Chief Executive Officer

Charles N. Eldred
Vice President,
Chief Financial Officer

Back, from the left:

Roger L. Sorenson
Vice President

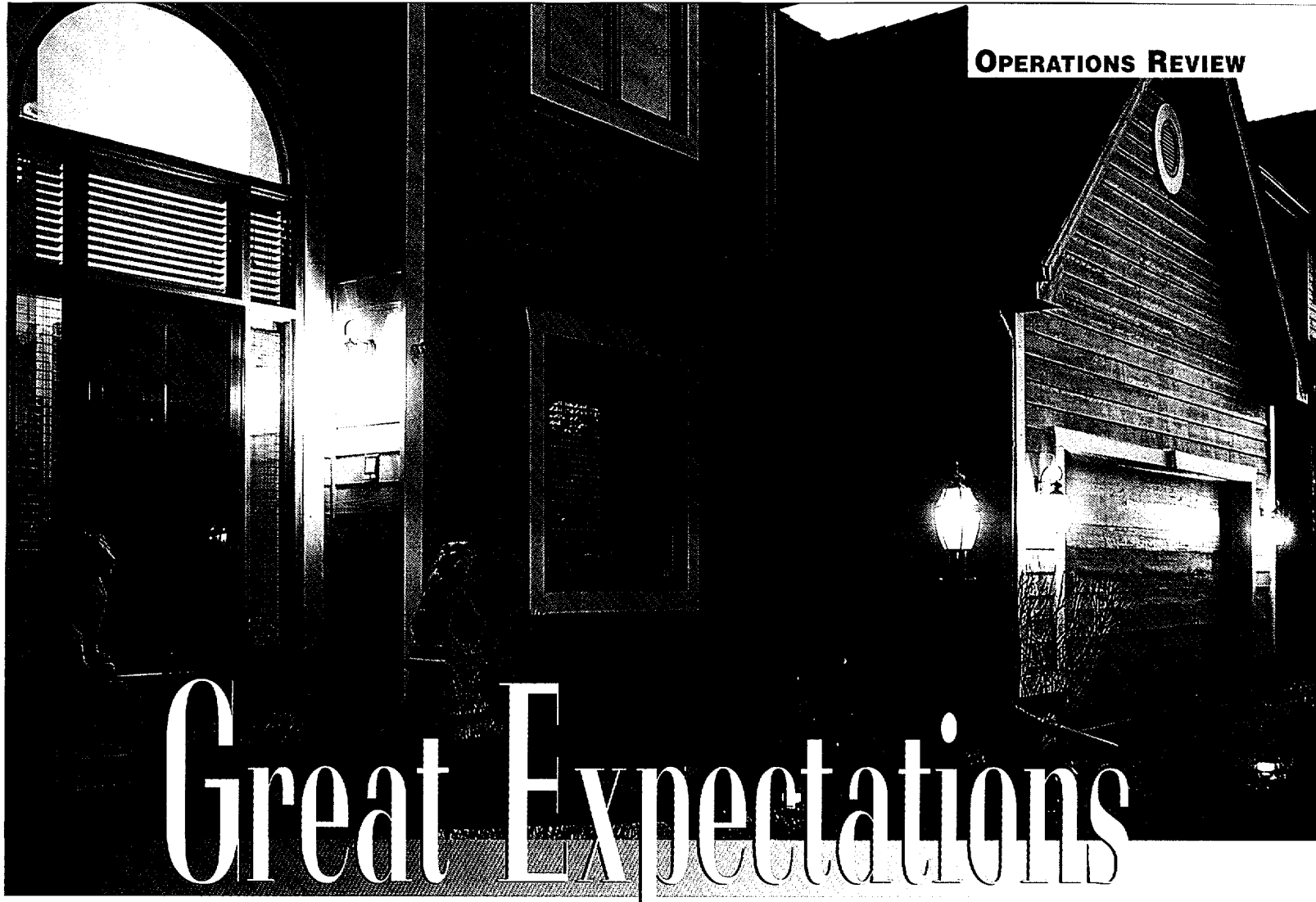
Dale F. Widoe
Vice President

W. Gary Gates
Vice President

Timothy J. Burke
Vice President

Dayton D. Wittke, Ph.D.
Vice President

Kenneth S. Fielding
Vice President



Great Expectations Lead to Great Results

Omaha Public Power District personnel had a clear vision of what they wanted to accomplish in 1999 – exceed customer expectations on all levels. With great expectations everywhere, OPPD proceeded to enhance its customer service, its operations and its ties to the communities it serves.

Focus on the Customers

Through its account executives, electrical service designers, call center personnel, field crews and expanded marketing efforts, the utility got better acquainted with its customers and their specific needs. With a population of 657,000 in the OPPD service area – an increase of 14,000 over 1998 – needs differ greatly from customer to customer.

For one of OPPD's largest customers, Offutt Air Force Base, cutting energy costs in its 10 million square feet of building space took priority. Salem Baptist Church wanted to install an energy-efficient heat pump system in its new north Omaha facility. A new southeast Nebraska parent needed electric safety tips to teach her youngster. The village of Cedar Creek applied for and received $5,000 from OPPD's Tree Promotion Program to plant trees and shrubs at its community park.

With such a varied scope, the utility implemented sales training programs designed to deliver value to customers, manage key accounts, and manage time and territories. OPPD added to its menu of products and services, unveiling products such as Surge Guard Protection for residential customers and the Standby Generation Program for commercial customers. The utility also continued testing and converting customer records into its new customer information system, which will elevate customer service to another level when it becomes operational in mid-2000. And OPPD

began using a new customer remittance-processing system, resulting in better service for customer-bill inquiries.

In addition, the utility held a number of customer seminars throughout the year, covering topics such as deregulation in the electric industry, power quality, and Y2K. Not only did OPPD share its expertise with customers through these meetings, but the utility gained valuable insight into customer needs.

OPPD also continued to step up its economic development efforts, proactively working with communities, businesses and other development organizations throughout southeast Nebraska. Efforts in attracting and working with expanding businesses – which last year accounted for new annual electric sales revenue in excess of $1.25 million – contributed to being selected as one of the top 10 utility economic development programs in the nation, according to *Site Selection* magazine.

And as it has done for the past 16 years, OPPD presented its J.M. Harding Award of Excellence to a large customer for demonstrating efficient and innovative energy use. The award for 1999 was given to the University of Nebraska Medical Center, which applied numerous energy innovations in its new $61 million Lied Transplant Center.

Improving Operations

OPPD's generation, transmission and distribution systems performed admirably in 1999, and several enhancements were made to ensure that customers continue to enjoy that reliability for many years to come.

Nebraska City Power Station marked its 20th year of operation in 1999. A scheduled maintenance outage at the plant was completed ahead of schedule, as was a refueling outage at Fort Calhoun Nuclear Station. Work done during these and other maintenance outages helps optimize the lives of the power plants, as well as the reliability of these units.

Another step to increase overall economy and efficiency at Fort Calhoun Station involves a proposed joint-service company with a nuclear power plant in Washington state. The partnership between Fort Calhoun Station and WNP-2, a boiling-water reactor operated by Energy Northwest, would help both utilities become more competitive in a deregulated environment by enabling increased economies of scale and development of shared services. Pilot programs between the two utilities are under way.

Fort Calhoun Station also was among the plants selected to participate in the Nuclear Regulatory Commission's pilot risk-based inspection program. The pilot program, which began in June, emphasizes the safety significance of plant issues, rather than non-compliance with procedures and regulations.

Strengthening the System

The transmission and distribution side of the business also fared well in 1999. OPPD completed several transmission line construction and improvement projects last year to boost reliability and meet growing power-delivery needs across its system.

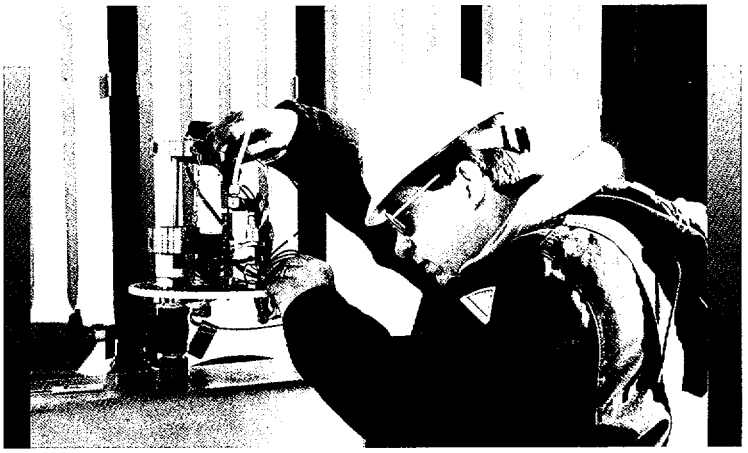
Rod Smith, right, and all OPPD field personnel offer emergency assistance to children or others through OPPD's Buddy Alert Program.

Operational Highlights Include Several Records

OPPD had great expectations for 1999, and it closed out the year in grand fashion, setting several records and achieving numerous milestones.

The following are some operational highlights:

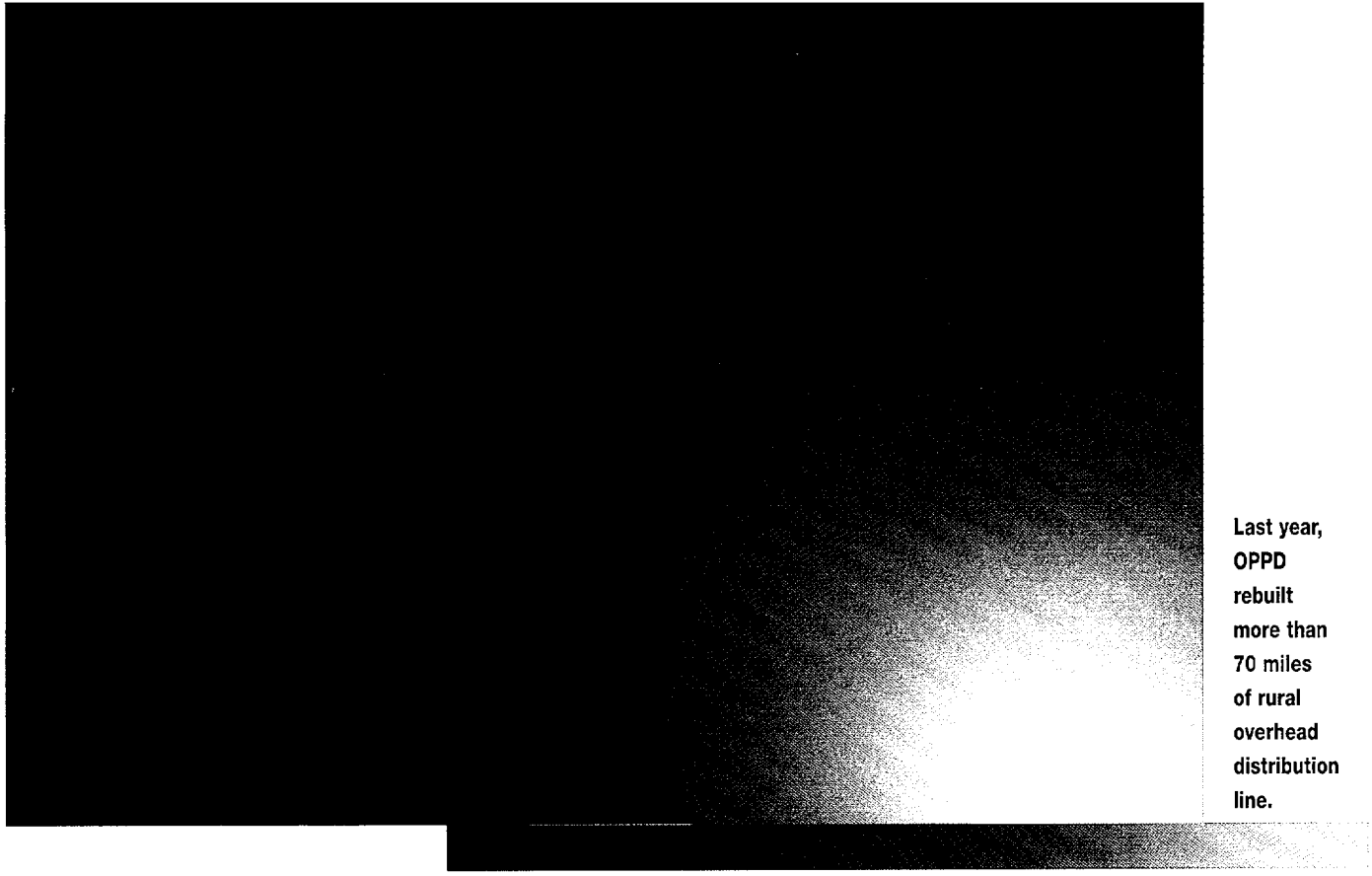
- Set multiple company records for non-firm wholesale energy sales (interchange sales) in 1999.
- Set an annual system production record of 10,724,976 megawatt-hours (mwh) in 1999, an increase of 45,666 mwh over the 1998 record.
- Set a continuous-run record at Fort Calhoun Station, running for 483 days between refueling outages, beating the previous record of 477 days.
- Set a new record for shortest refueling outage of 40 days, 15 hours at Fort Calhoun Station.
- Set an annual production record of 4,036,035 mwh for 1999 at Nebraska City Station, an increase of 52,037 mwh over the 1998 record.
- Set monthly generation records in May and October at Nebraska City Station.
- Power plant personnel reached a one-million-hour safety milestone.
- Set all-time record lows for lost-time incident and recordable incident rates at OPPD, both of which were well below the national incidents rates published by the Bureau of Labor Statistics.
- Provided nearly 2,000 OPPD customers, with over 12,000 accounts, convenience and other benefits of the Summary Billing Program.
- Rebuilt over 70 miles of overhead rural distribution line, and installed more than 70 miles of backbone cable for new underground residential distribution projects.
- Performed construction in 48 new housing subdivisions, providing service to approximately 3,600 new lots.
- Produced and processed more than 3.4 million bills, answered more than 486,000 customer inquiries in the call center, and obtained more than 2.6 million meter readings.
- Established a record of $9 million in estimated annual revenue from the large commercial and industrial completed projects.
- Conducted more than 150 annual energy reviews.
- Offered incentive programs that enabled heating and cooling contractors in the service area to record the highest sales ever for heat pumps, with 1,543 residential heat pumps sold and 3,310 tons of commercial heat pumps sold.
- Added more than 1,200 megawatts of transformer capacity and added the first new 345-kilovolt substation in more than 20 years.
- Received nearly $3.5 million as the result of 1999 annual gross income from wholesale transmission services.



Top Right: Meter reader Linda Faulkner takes a reading at an apartment complex. The utility is evaluating an automated meter reading system that would be phased in over a number of years.

Top Left: Mike Shaw tests a control system computer for Year 2000 readiness.

Bottom Right: OPPD is using cutting-edge technology to monitor transformers that are critical to the utility's electric system. Here, electrician Jeff Wollenburg calibrates substation equipment.



Last year, OPPD rebuilt more than 70 miles of rural overhead distribution line.

By the time the remaining work is completed in mid-2000, OPPD will have spent approximately $40 million over an 18-month period on this effort.

Other projects also are improving efficiency and reliability:

- In September, the utility began installing a network monitoring and control system in downtown Omaha. A total of 192 vaults will be monitored and controlled when the project is completed by mid-2001.
- It began using cutting-edge technology to monitor critical transformers as part of a tailored collaboration project with the Electric Power Research Institute.
- It made progress on its paperless workflow project by enhancing its geo-electric model management system (GEMMS). Having up-to-date computer maps for system operators, cable locators, engineers and others speeds workflow and cuts costs.

Community Ties

OPPD takes pride in maintaining a system that provides reliable, affordable electricity, and numerous other products and services for its customers. Commitment to the communities it serves takes other shapes, too.

Last year, OPPD's Tree Promotion Program awarded more than $100,000 in sponsorships to promote tree-planting activities in its region.

The OPPD Power Drive program, a new effort aimed at teaching high school students how to design and build electric vehicles, revved up some southeast Nebraska communities. Last year, 12 high schools participated in the program, and supporters rallied behind their teams at the year-end meets, during which the students showcased their vehicles. Because of the interest, OPPD, in cooperation with the Industrial Technology Education branch of the Nebraska Department of Education, took the program statewide for the 1999-2000 school year, more than doubling the number of participants.

OPPD began using another alternative fuel – soy diesel fuel – in many of its diesel-powered vehicles. This is being done to help meet federal mandates that promote clean air and encourage less reliance on fuels made from foreign oil. Engines running on soy diesel produce less pollution and run cleaner than engines using conventional diesel.

The OPPD Power Drive program, a new effort aimed at teaching high school students how to design and build electric vehicles, revved up some southeast Nebraska communities. Last year, 12 high schools participated in the program, and supporters rallied behind their teams at the year-end meets, during which the students showcased their vehicles.

By setting high standards and working aggressively to meet them, OPPD continues on its mission to remain the provider of choice for energy and energy-related services for its customers. Throughout the 21st century, OPPD will continue to follow a well-charted course, making value-added improvements along the way.

Proactive

With a goal of exceeding customer expectations, personnel routinely meet with commercial and industrial customers. OPPD's Jim Tomanek, left, meets with Al Campbell, Paxton-Mitchell President.

New Products and Services Raise the Bar on Customer Service

"In order to be competitive, we have to be able to serve the needs of our customers by providing exceptional customer service, reliable power, affordable pricing and new products and services that our customers want," said OPPD President Fred Petersen.

> "When it comes to our customers, we don't want to just meet their needs, we want to exceed their expectations. To do this effectively, our employees have become very knowledgeable about our customers and their businesses."
>
> **- Adrian Minks, OPPD**

This is the direction the utility has focused on for the last several years. Today, OPPD is more than a power provider – going beyond generation, transmission and distribution to offer solutions to a growing number of customer needs.

"When it comes to our customers, we don't want to just meet their needs, we want to exceed their expectations," said Adrian Minks, division manager of customer sales & service. "To do this effectively, our employees have become very knowledgeable about our customers and their businesses."

Offering Diversified Products

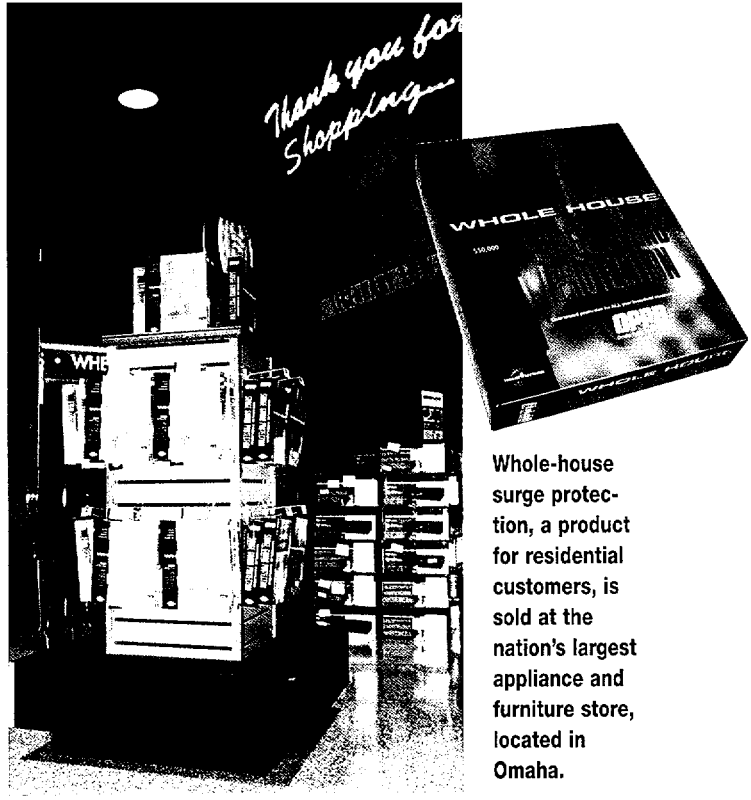
To position the utility in the marketplace, OPPD helped form the Allied Utility Network. Comprised of several utilities, the network provides economies of scale to develop and offer energy products and services to commercial and industrial customers.

Currently, the network is offering several new products, including facility monitoring, which provides continuous remote monitoring of a customer's facilities, and bill management, which verifies and consolidates all of a customer's recurring bills, tracking any energy savings that have occurred.

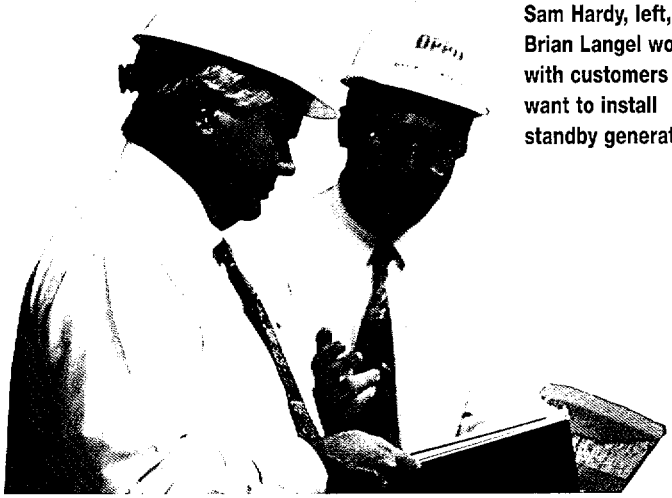
In addition, OPPD offers customers service for transformer repair and, for new commercial and industrial customers or those who are going through major system changes, consultation on electric service sizing and system coordination, said Ms. Minks.

Some of the products OPPD has already rolled out to provide customer solutions include:

- **Performance Contracting** – This program offers customers an opportunity to upgrade their mechanical systems to reduce energy costs without any upfront investment. Offutt Air Force Base participates in this program and plans to pay for its improvement projects with energy savings over a 10-year period. (See *Offutt* story on page 13.)
- **Power-Quality Investigations** – These services help customers find solutions to their power-quality problems through monitoring with state-of-the-art equipment.
- **Summary Billing** – This program provides a streamlined system of billing for customers with multiple locations or service accounts. For example, the city of Omaha has 403 accounts that are consolidated into one customized summary of charges each month.
- **Computerized Rate Studies** – These studies enable customers to receive the best available rate. In 1999, OPPD completed rate studies on 37,000 accounts, resulting in a potential savings of $250,000 to customers.
- **Installation and Maintenance of Geothermal-Loop Heat Exchangers** – This program allows customers to save on upfront installation costs of geothermal heat pump systems and to benefit from high-efficiency heating and cooling equipment. Customers who have used this program include Quality Living, a rehabilitation, education and housing facility; Westside High School; the LaVista Library/Metropolitan Community College Sarpy Center; and Salem Baptist Church. (See *Salem Baptist* story on page 15.)
- **Standby Generation Program** – This program offers energy credits to customers with new or existing generators that have a minimum usable capacity of 100 kilowatts (kw) and provides generation to OPPD when demand for electricity is high. As one example, the University of Nebraska Medical Center earns an annual $84,000 credit on its energy costs by participating with 3,500 kw of generation.
- **Energy Solutions** – This program helps customers optimize energy performance of specific equipment or processes through energy audits, analysis and recommendations on lighting systems, heating and cooling systems, and other energy uses.



Whole-house surge protection, a product for residential customers, is sold at the nation's largest appliance and furniture store, located in Omaha.



OPPD technical analysis engineers Sam Hardy, left, and Brian Langel work with customers who want to install standby generation.

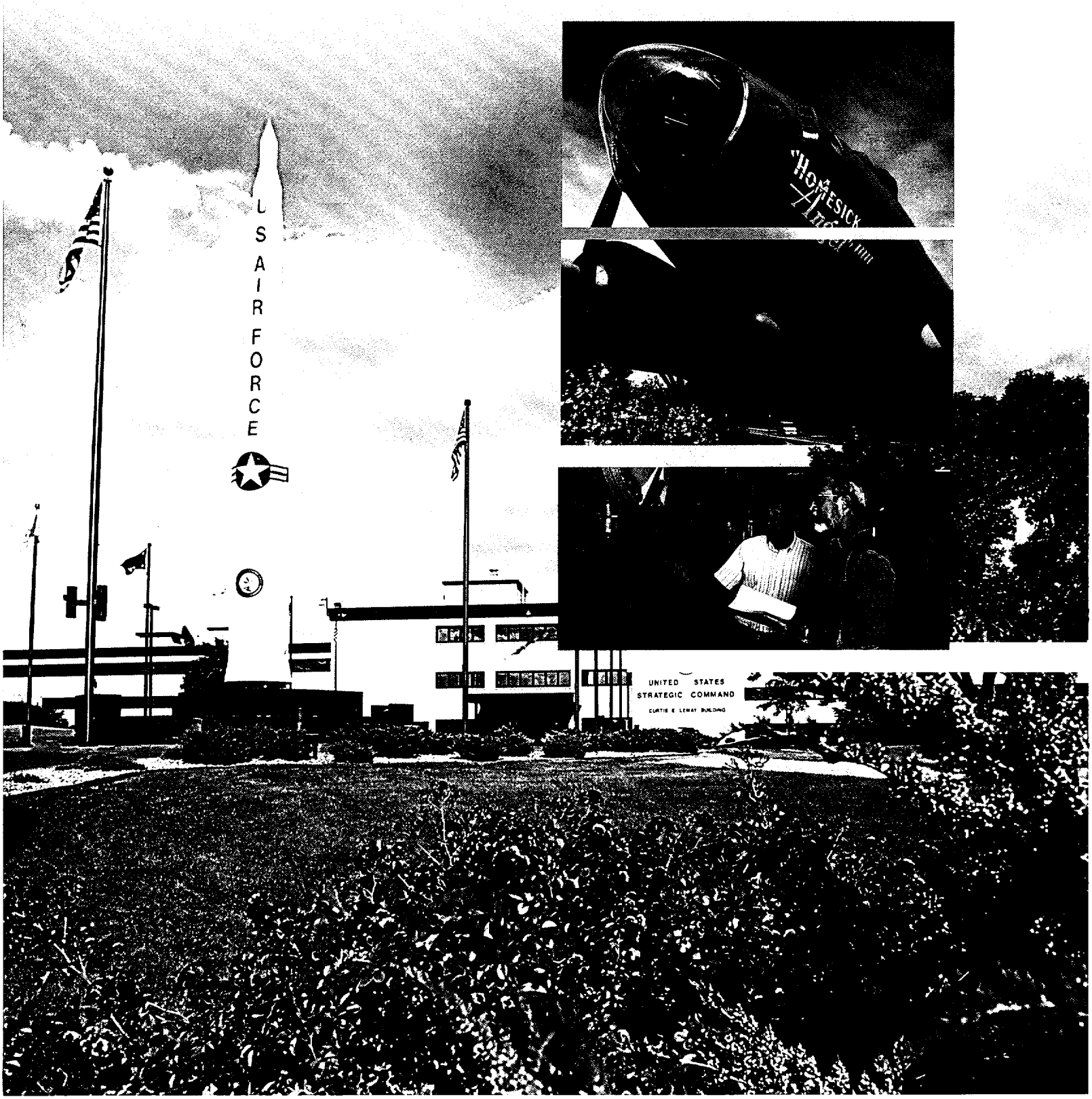
"In addition to these services, we offer contracts to large customers who want to make a long-term commitment in order to receive a lower energy rate," said Ms. Minks. "For customers implementing large new projects, we provide a team approach, using expertise of personnel from many areas of the company. Teams meet on a regular basis, coordinating our efforts until the project is complete with a high level of customer satisfaction."

More Changes on the Horizon

When delving into new products, OPPD hasn't forgotten its residential customers. Consumers now can purchase whole-house surge protection and payment protection insurance. OPPD will soon be adding credit cards, home security and home monitoring to its product array.

In addition, OPPD has formed alliances that will have significant benefits for all of its customers. OPPD has an agreement with Alltel Communications for construction of a fiber-optic network using OPPD infrastructure. Through this alliance, OPPD will obtain fibers within the network, which it can use to enhance monitoring and control of its electrical distribution system.

As a new era begins, OPPD will continue to provide services with a strong focus toward customers' needs, said Mr. Petersen.


U S AIR FORCE
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STRATEGIC COMMAND
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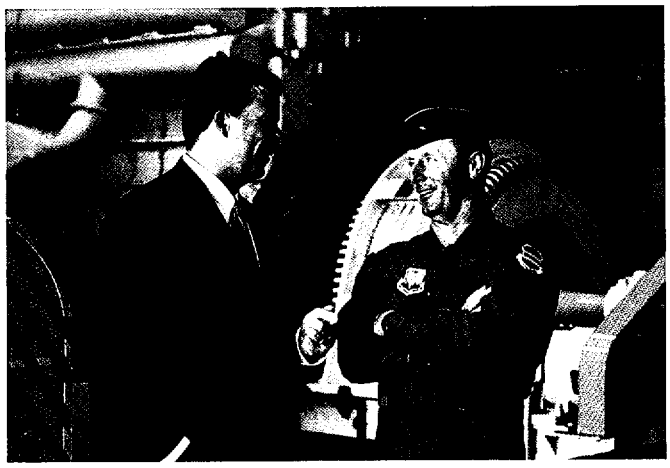


OPPD Vice President Tim Burke tours Offutt Air Force Base with Brigadier General Ronald Sams.

OPPOSITE PAGE: Offutt spans approximately 4,000 acres on the Missouri River.

TOP INSETS: A vintage B-17 resides inside the south entrance to the base.

BOTTOM INSET: Offutt personnel look at plant equipment that will be controlled through an energy management system.

OPPD Helps Offutt Air Force Base Save Energy, Cut Costs with Performance Contracting

When you have as much building space as Offutt Air Force Base – more than 10 million square feet – you need to find ways to save energy.

Toward this end, base personnel chose Omaha Public Power District to help them cut energy costs, utilizing a concept called performance contracting. Under this agreement, OPPD and the customer identify energy-saving capital improvements, then OPPD finds ways to finance those improvements, ensuring that energy savings will pay for the costs.

Offutt Air Force Base spends more than $7 million annually on electricity, gas, water and sewer expenses.

However, Offutt has reduced energy use by 30.9 percent since receiving a presidential directive to reduce energy consumption by 35 percent between 1985 and 2010. Base personnel hope to reach the 35 percent goal by 2001, with OPPD's help.

> "Performance contracting is a way to achieve energy savings and update buildings with no upfront costs to the customer."
>
> **- Patti Quinn-McGovern, OPPD**

OPPD is providing performance contracting to Offutt in partnership with CMS Viron Energy Services, a Kansas City, Mo., firm with substantial experience in professional engineering and building construction. Viron provides engineering, project management, construction management and commissioning of the work. They identify – and guarantee – energy savings.

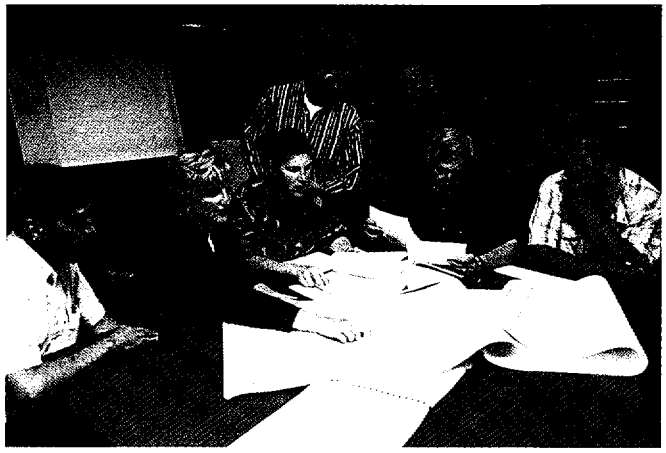
"The program appealed to Offutt personnel," said OPPD Account Executive Patti Quinn-McGovern, who is working on the Offutt project. "They are dedicated to finding creative ways to meet government initiatives and decrease energy costs, which ultimately saves money for taxpayers."

> "We've been partnering with OPPD since the project began. Everyone bends over backward to make sure the project will work. We literally work with OPPD and Viron on a daily basis."
>
> **- Dave Dines, Offutt Air Force Base**

"Performance contracting is a way to achieve energy savings and update buildings with no upfront costs to the customer," said Ms. Quinn-McGovern. "The concept is especially popular with organizations that have aging facilities or infrastructures and are looking for a way to finance energy-saving improvements."

Strategic Savings

Three task orders are under way and a fourth has been initiated. The first one involves the installation of direct-digital energy controls in the Strategic Command Headquarters building and 10 smaller buildings at the base. The energy savings will pay for the cost during the 10-year term of the contract. Offutt will pay for the improvements much like a household mortgage, receiving invoices through OPPD electric billings over the next 10 years. OPPD arranged the financing through a third-party carrier.



OPPD account executive Patti Quinn-McGovern, second from left, goes over plans with Offutt personnel.

Viron also is installing energy-management systems that will regulate temperature, humidity and other conditions in the base buildings, including the Strategic Command Headquarters building, the two-million-square-foot Martin Bomber building, and the 450,000-square-foot Benny Davis hangar, which houses large 707 aircraft. The total cost of these projects will be more than $5 million.

Everybody Wins

"We've been partnering with OPPD since the project began," said Dave Dines, a supervisory engineer at Offutt. "Everyone bends over backward to make sure the project will work. We literally work with OPPD and Viron on a daily basis."

> "Everyone wins in this situation. Taxpayers are guaranteed energy savings, Offutt will be able to use its budget dollars more efficiently for its main mission, and OPPD will be able to help its customer operate more cost-effectively."
>
> **- Fred Petersen, OPPD President**

To develop and coordinate the project for Offutt, Ms. Quinn-McGovern organized an internal team of experts, including participants from finance, legal, project management and key account sales and service management. She spent more than a year coordinating the program with Offutt's maintenance engineering and contracting groups, Viron representatives and OPPD's team. The project involved the development of various contractual documents, including various submittals and approvals for each step of the performance contracting process.

"Everyone wins in this situation," said OPPD President Fred Petersen. "Taxpayers are guaranteed energy savings, Offutt will be able to use its budget dollars more efficiently for its main mission, and OPPD will be able to help its customer operate more cost-effectively."

Offutt Plays Strategic Role in U.S. History

Located south of Bellevue, Neb., on the western bank of the Missouri River, Offutt Air Force Base houses several vital national defense organizations.

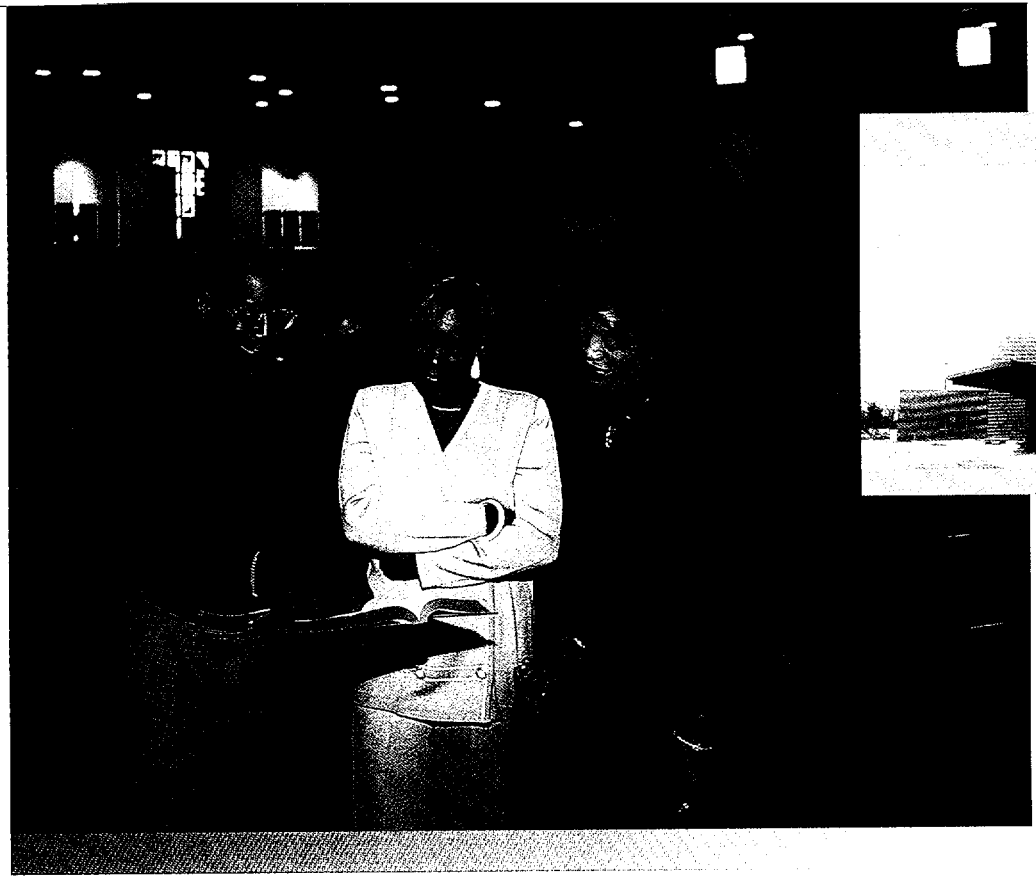
The base's host unit is the 55th Wing. Its diverse missions include reconnaissance; command, control and communications; and international treaty support missions. The wing also supports the Federal Emergency Management Agency during times of natural disaster.

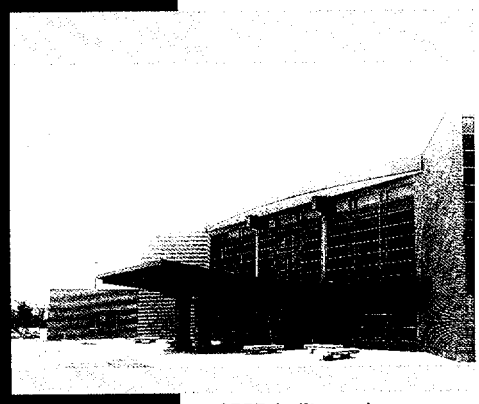
The wing supports more than 40 associate units, including the following:

- **U.S. Strategic Command.** Created in 1992, USSTRATCOM combines the functions of the Air Force's Air Combat Command, the Navy's ballistic missile submarine fleet and the Joint Strategic Target Planning Staff into a single unified command. Its mission is to deter a military attack on the United States and its allies.
- **Air Force Weather Agency**. The weather agency operates the largest computerized weather prediction facility in the world. It enhances combat capability by arming the National Command Authorities, Department of Defense, major Air Force commands, and U.S. combat forces with quality weather products, specialized training and communications – anytime, anywhere. The agency receives, interprets and disseminates approximately 200,000 weather reports daily.

The base was built before the turn of the century as an Army cavalry post. President Benjamin Harrison originally named the base Fort Crook, after Civil War hero Gen. George Crook. In 1920, a flying field was built and named after Lt. Jarvis J. Offutt, Omaha's first air casualty in World War I. A giant aircraft manufacturing plant was added in 1941. In 1948, Fort Crook and Offutt Field were jointly redesignated Offutt Air Force Base.

Today, the main portion of the base covers approximately 4,000 acres. Its runway is 11,702 feet long and 300 feet wide.





OPPD built - and now owns for the next 10 years - the geothermal system that is being used at Salem Baptist Church. Pictured are Ed Williams, Jan Smith and Sherrye Hutcherson, three of the dozen employees who are active in the church.

Salem Baptist Church Installs Geothermal System

Salem Baptist Church - known for its energetic worship - opted to install an energy-efficient geothermal heat pump system in its new north Omaha facility.

The system will be used to heat and cool 34,500 square feet of the facility, including the church offices, classrooms and fellowship hall. The 10,500-square-foot sanctuary, which has a ceiling that reaches 43 feet at its highest point, has a separate heating and cooling system.

Located on the former site of a public housing development, the impressive facility was built completely with private funds.

> "In the Midwest, there is a constant temperature of approximately 53 degrees at 30 feet below ground and deeper. By utilizing this free energy source, the geothermal heat pump can reduce the amount of electricity required for space-conditioning."
>
> **- Tim Burke, OPPD Vice President**

Roger Sayers, director of staff operations for Salem, said the church installed the heat pump system primarily because architect Zenon Beringer Mabrey/Partners Inc. recommended it as the most efficient type of system for Salem's purposes. But church leaders also researched previous installations in local schools, and they liked what they saw.

"The geothermal heat pump system uses the natural energy of the earth," said OPPD Vice President Tim Burke. "In the Midwest, there is a constant temperature of approximately 53 degrees at 30 feet below ground and deeper. By utilizing this free energy source, the geothermal heat pump can reduce the amount of electricity required for space-conditioning."

OPPD managed construction of the system, which was designed by Alvine & Associates. The system consists of a loop field that has 72 holes, each measuring 185 feet deep. High-density pipes and tubes connect the system, which has 75 tons of cooling capacity for the heat pumps alone. OPPD will own the loop field for 10 years, billing Salem monthly for energy they use from the loop field. After 10 years, ownership will transfer to the church.

OPPD offers this type of service at different levels, but primarily offers it as a turnkey project. This includes design, construction, ownership and maintenance of the loop field for an agreed-upon time period.

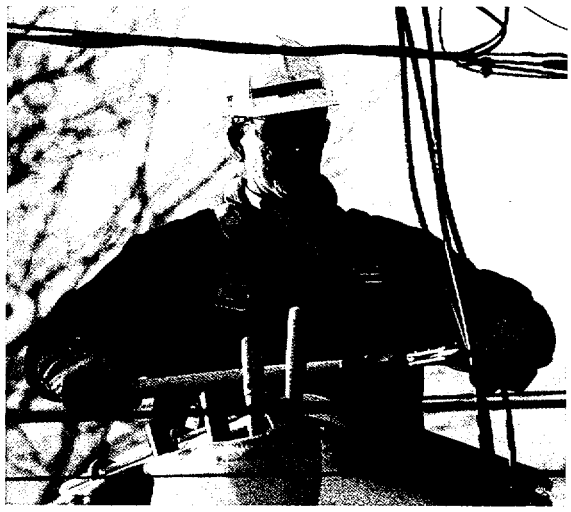
"This technology best suits schools, assisted-living facilities, office buildings and churches, which typically have large land areas and diversified building loads," said Mr. Burke. "More and more customers understand the multiple benefits of heat pumps, as is evidenced by our 1999 commercial heat pump sales of 3,310 tons."

Combustion Turbines Provide Power to Growing Area

As the economy and population in OPPD's service area grow, so does the demand for electricity. To address that need, OPPD is building combustion turbines that will add 425 megawatts of generation capacity by the summer of 2003.

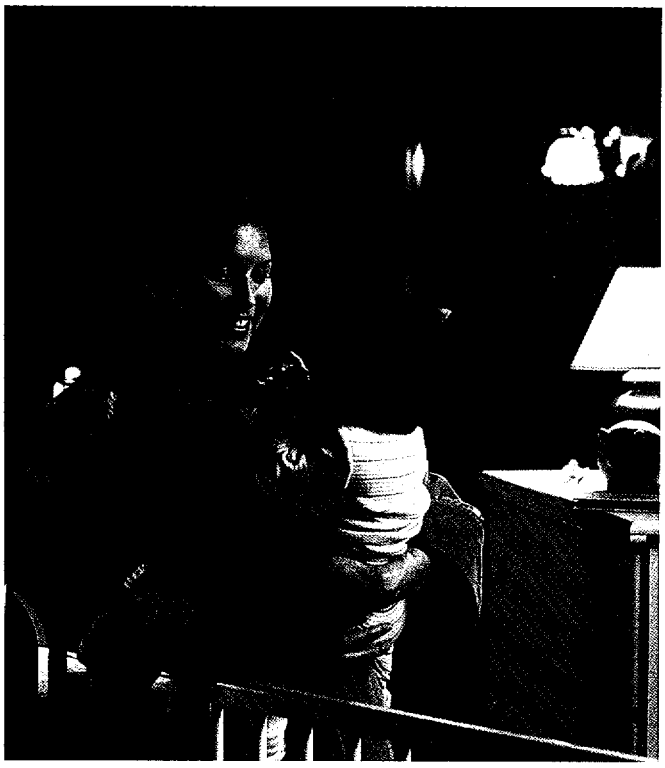
In August, OPPD began installing two twin-pack combustion turbine generators at an established site near the metropolitan area. Both units feature two turbines, with a common generator in the middle. With completion slated for May, these generators will boost generating capability by 95 megawatts during peak summer months. By 2003, an additional 330 megawatts will be added to OPPD's generation mix with the completion of two more combustion turbines in the south subdivision.

The added capacity will provide increased power-supply options.



Ensuring system reliability remains a top priority of line technician Steve Frederick and others who maintain OPPD's equipment.

Reliable



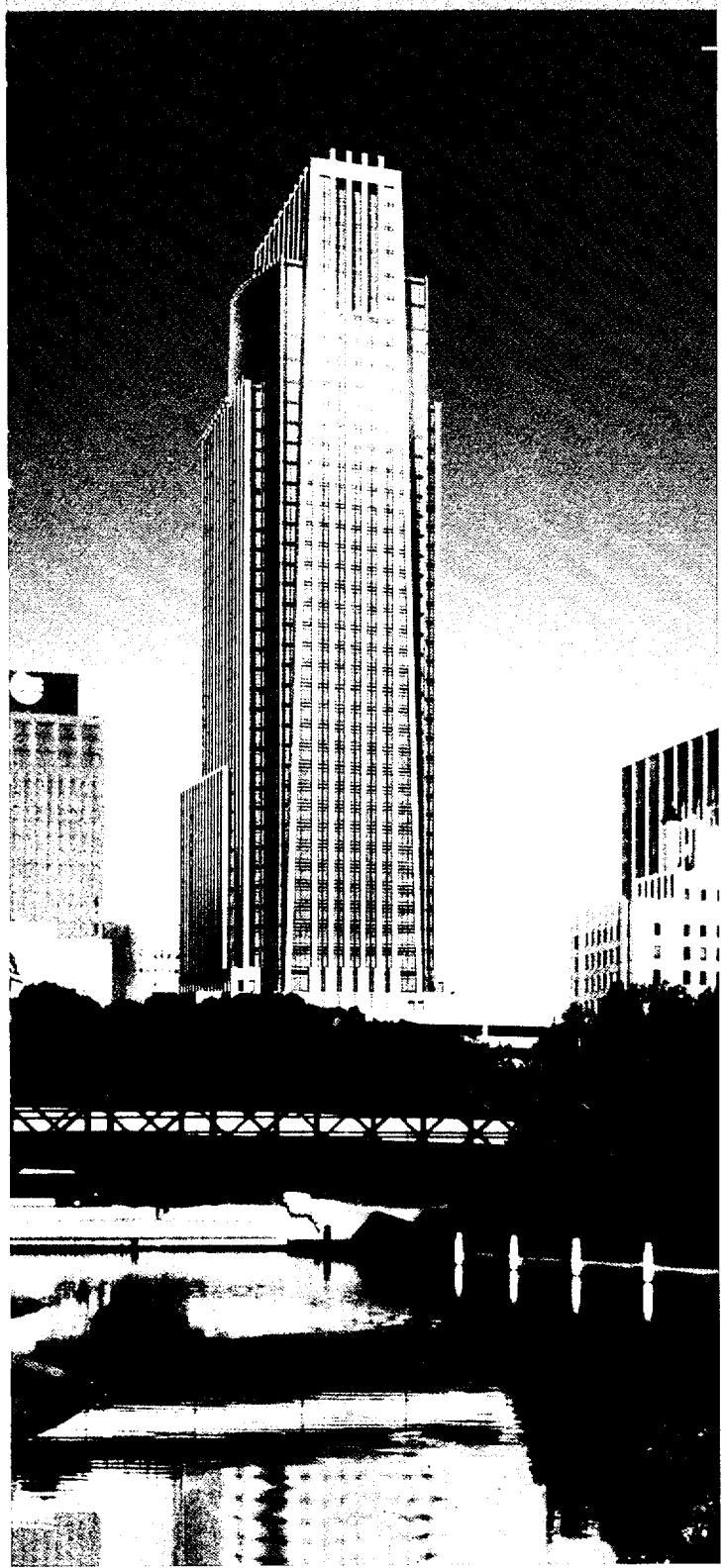
Electric Safety Effort Aimed at Newborns, New Parents

OPPD hopes to make a lasting impression on its littlest customers – newborn babies.

Working through hospitals in its service territory, OPPD began targeting new parents with its electric safety campaign. Utility personnel hope that parents will impress upon their children the importance of electric safety while they are very young, with the hope that this message will stick with them for life.

OPPD supplied the hospitals with night lights that were attached to a magnetic Electric Safety Tips card. Parents received one in their new parent gift package. OPPD suggested that parents post the tips on their refrigerators as a constant reminder.

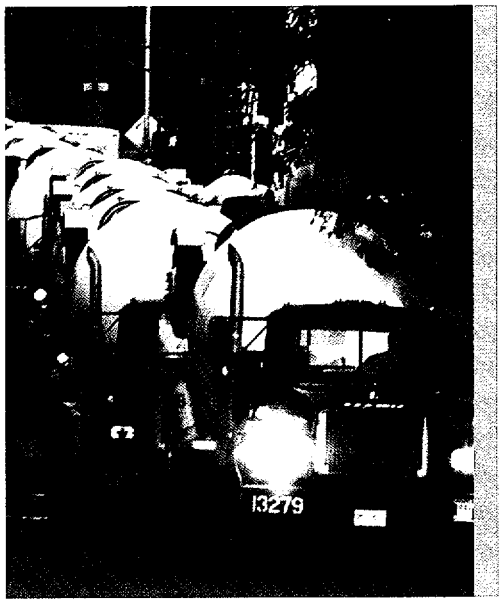
"In addition to our regular electric safety messages, we have directed an electric safety campaign toward elementary schoolchildren for several years," said OPPD President Fred Petersen. "We have used everything from coloring books, calendars, rulers, stickers and a rap song to reach the schoolchildren. We decided to add new parents to the mix for two reasons: because of the influence they have on their infants and because of the importance of the message."



OPPD Takes Fly Ash to the Bank

Concrete trucks carted a record amount of concrete to the site where Nebraska's tallest office building is being built – by one of OPPD's oldest commercial customers.

It took 500 truckloads to deliver the equivalent of 46,500 wheelbarrow-loads for the foundation of the First National Bank tower, which is being built in downtown Omaha. Mixed into the concrete were 215 tons of fly ash from OPPD's North Omaha Power Station.



More than 215 tons of OPPD fly ash were used in the bank tower foundation. The building, shown in a rendering at left, will be the largest in Nebraska. Truck photo courtesy of Scott Bruhn/*Omaha World-Herald*.

Fly ash, a coal combustion product, is used as a replacement for cement in the manufacture of concrete and other paving materials. The material is collected from North Omaha Station and OPPD's other coal-generating plant in Nebraska City. Nebraska Ash Company collects, handles and markets most of the fly ash from the OPPD plants.

In addition to the bank foundation, fly ash has been used in many Nebraska road projects, and it has been used in numerous soil-stabilization projects around the state.

The bank, which has been serving Omaha and surrounding communities for more than 130 years, expects its 633-foot tower to be completed in 2002.

Financing/Year 2000 Reporting

In December 1946, the Omaha Public Power District funded the purchase of the Nebraska Power Company with a bank loan for $42,000,000. Revenue bonds were issued in February 1947 to pay off this loan. Since then, $2,865,990,000 of additional bonds have been sold.

The District retired $49,590,000 of revenue bonds in 1999. These retirements bring the total of bonds redeemed and refunded through 1999 to $2,211,950,000, leaving outstanding bonds of $696,040,000 at December 31, 1999. During 1999, $35,397,000 of interest expense was charged to operations on outstanding bonds, representing an average annual rate of 5.1%.

In 1999, the District issued an additional $50,000,000 of commercial paper, leaving outstanding commercial paper of $100,000,000 at December 31, 1999. During 1999, $1,988,000 of interest expense was charged to operations on outstanding commercial paper, representing an average annual rate of 3.3%. The outstanding subordinated obligation at December 31, 1999, totalled $3,884,000. During 1999, $352,000 of interest expense was charged to operations on the outstanding subordinated obligation, representing an average annual rate of 9.0%. Outstanding Minibonds at December 31, 1999, were $32,726,000, including $3,772,000 of capital appreciation interest accretion. During 1999, $1,863,000 of interest expense was charged to operations on the outstanding Minibonds, representing an average annual rate of 5.8%.

Gross Electric Plant amounted to $2,590,479,000, and Nuclear Fuel (at amortized cost) amounted to $30,965,000 at December 31, 1999. Accumulated earnings reinvested in the business increased $49,014,000 to a total of $1,011,918,000 during 1999, while total assets increased $60,920,000 to a total of $2,124,533,000.

OPPD's strong financial condition has allowed the utility to maintain its rates without an increase for the seventh consecutive year. Charlie Moriarty, division manager of finance, center, meets with managers John Thurber and Laura Kapustka.

The Year 2000 (Y2K) issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs were adjusted to recognize the difference between those two years or the programs would have failed or created errors. The District made Y2K readiness a high priority and committed significant resources to the project, including Senior Management oversight. The District actively worked on this issue since the early 1990s and developed a comprehensive Y2K plan to address, minimize and manage Y2K risks.

The District completed all stages of its Y2K readiness program. Subsequent to December 31, 1999, the District has not incurred any significant service disruptions associated with Y2K failures. In addition, the District is not aware of any significant Y2K failures experienced by any of its significant vendors.

Omaha Public Power District:

We have audited the accompanying balance sheets of the Omaha Public Power District (the "District") as of December 31, 1999 and 1998, and the related statements of net earnings and accumulated earnings reinvested in the business and of cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our report dated February 17, 1999, we qualified our opinion on the 1998 financial statements because insufficient audit evidence existed to support the District's disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletins 98-1 and 99-1, Disclosures About Year 2000 Issues. On February 23, 2000, the GASB issued Technical Bulletin (TB) 00-1, Disclosures About Year 2000 Issues - A Rescission of Technical Bulletins 98-1 and 99-1. Year 2000 disclosures are no longer required for financial statements issued after February 22, 2000. Accordingly, our present opinion on the 1998 financial statements, as expressed herein, is different from our prior report on the 1998 financial statements.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Omaha Public Power District as of December 31, 1999 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Omaha, Nebraska
February 23, 2000

Omaha Public Power District
Balance Sheets as of December 31, 1999 and 1998

ASSETS	NOTES	1999	1998
		(thousands)	
UTILITY PLANT - At cost:	2,9		
Electric plant (includes construction work in progress of $221,111,000 and $176,306,000, respectively)		**$2,590,479**	$2,421,919
Less accumulated depreciation		**1,063,994**	987,122
Electric plant - net		**1,526,485**	1,434,797
Nuclear fuel - at amortized cost		**30,965**	33,085
Total utility plant - net		**1,557,450**	1,467,882
SPECIAL PURPOSE FUNDS - (primarily at fair value):	1,3,4		
Construction fund		**82,520**	94,700
Electric system revenue bond fund (net of current portion)		**34,855**	37,527
Segregated funds		**13,172**	12,547
Segregated fund - collateralized securities		**2,402**	6,418
Decommissioning funds		**174,558**	156,998
Total special-purpose funds		**307,507**	308,190
CURRENT ASSETS:			
Cash and cash equivalents	4	**89**	10,634
Revenue fund - U.S. Government securities (at amortized cost)		**—**	15,508
Electric system revenue bond fund - current portion		**68,584**	60,669
Accounts receivable - net		**25,131**	32,000
Unbilled revenues		**19,837**	18,187
Fossil fuels - at average cost		**13,971**	9,590
Materials and supplies - at average cost		**45,071**	43,384
Sulfur dioxide allowances		**4,312**	4,312
Other		**3,158**	3,500
Total current assets		**180,153**	197,784
DEFERRED CHARGES	5	**79,423**	89,757
TOTAL		**$2,124,533**	$2,063,613

See notes to financial statements.

LIABILITIES	NOTES	1999	1998
		(thousands)	
LONG-TERM DEBT:	2		
Electric system revenue bonds - net of current portion:			
Serial bonds, 3.75% to 5.5% due annually from 2000 to 2010		**$394,365**	$453,170
Term bonds, 5.25% to 5.5% due at various dates from 2009 to 2017		**242,870**	242,870
Total electric system revenue bonds		**637,235**	696,040
Electric revenue notes - commercial paper series		**100,000**	50,000
Electric revenue notes - minibonds		**32,726**	32,283
Subordinated obligation		**3,752**	3,884
Total		**773,713**	782,207
Less unamortized discounts and premiums		**5,417**	5,984
Total long-term debt - net		**768,296**	776,223
COMMITMENTS AND CONTINGENCIES	8,9,10		
LIABILITIES PAYABLE FROM SEGREGATED FUND	1,3	**13,065**	7,495
CURRENT LIABILITIES:			
Current portion of electric system revenue bonds	2	**58,805**	49,590
Current portion of subordinated obligation	2	**132**	121
Accounts payable		**34,944**	38,759
Accrued payments in lieu of taxes		**15,918**	15,888
Accrued interest		**17,054**	16,892
Other		**15,396**	19,088
Total current liabilities		**142,249**	140,338
OTHER LIABILITIES:			
Decommissioning costs		**170,558**	158,269
Other	8	**18,447**	18,384
Total other liabilities		**189,005**	176,653
ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS		**1,011,918**	962,904
TOTAL		**$2,124,533**	$2,063,613

Statements of Net Earnings and Accumulated Earnings Reinvested in the Business for the Three Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
		(thousands)	
OPERATING REVENUES	**$523,730**	$514,950	$483,953
OPERATING EXPENSES:			
Operation:			
Fuel	**76,666**	85,613	80,180
Other production	**135,794**	118,876	110,539
Transmission	**4,939**	4,944	4,473
Distribution	**22,547**	20,716	17,589
Customer accounts	**12,713**	13,779	12,416
Customer service and information	**11,918**	8,889	4,834
Administrative and general	**16,171**	13,137	18,663
Maintenance	**58,133**	50,194	42,755
Total operation and maintenance	**338,881**	316,148	291,449
Depreciation	**79,255**	72,687	88,641
Decommissioning	**10,682**	15,700	9,910
Payments in lieu of taxes	**16,852**	16,638	16,447
Total operating expenses	**445,670**	421,173	406,447
OPERATING INCOME	**78,060**	93,777	77,506
OTHER INCOME CREDITS (CHARGES):			
Interest income - all funds	**19,944**	22,289	20,963
Operating funds - net increase (decrease) in fair value	**(1,647)**	(453)	124
Decommissioning funds - net increase (decrease) in fair value	**(6,731)**	(261)	457
Decommissioning interest and change in fair value transfer	**(1,606)**	(11,603)	(7,415)
Allowance for funds used	**5,152**	3,728	2,771
Other - net	**(305)**	2,843	1,761
Total other income credits - net	**14,807**	16,543	18,661
EARNINGS BEFORE INTEREST EXPENSE	**92,867**	110,320	96,167
INTEREST EXPENSE	**43,853**	46,327	49,015
NET EARNINGS	**49,014**	63,993	47,152
ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS, BEGINNING OF THE YEAR	**962,904**	898,911	851,759
ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS, END OF THE YEAR	**$1,011,918**	$962,904	$898,911

See notes to financial statements.

Statements of Cash Flows
for the Three Years Ended December 31, 1999, 1998 and 1997

	1999	1998	1997
		(thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	**$78,060**	$93,777	$77,506
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	**79,255**	72,687	88,641
Amortization of nuclear fuel	**18,251**	20,796	25,894
Change in other liabilities	**5,063**	730	(952)
Other	**6,973**	(931)	695
Changes in current assets and liabilities:			
Revenue fund - U.S. Government securities	**15,508**	15,205	(13,477)
Accounts receivable	**6,869**	2,564	(6,025)
Unbilled revenues	**(1,650)**	(282)	(1,554)
Materials and supplies	**(1,687)**	(5,220)	(1,772)
Fossil fuels	**(4,381)**	910	(891)
Accounts payable	**(7,815)**	4,619	(3,338)
Accrued payments in lieu of taxes	**30**	379	948
Sulfur dioxide allowances	**—**	(4,312)	—
Other	**(3,785)**	(3,103)	2,308
Net cash provided from operating activities	**190,691**	197,819	167,983
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from long-term borrowings	**49,987**	50,012	80,377
Principal reduction of long-term debt	**(49,711)**	(120,149)	(27,445)
Interest paid on long-term debt	**(39,612)**	(44,017)	(44,000)
Acquisition and construction of capital assets	**(165,957)**	(101,410)	(76,206)
Acquisition of nuclear fuel	**(15,966)**	(12,981)	(6,288)
Net cash used for capital and related financing activities	**(221,259)**	(228,545)	(73,562)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of special purpose funds - investment securities	**(489,682)**	(476,922)	(375,327)
Maturities and sales of special purpose funds - investment securities	**507,999**	495,247	297,914
Net change in electric system revenue bond fund - current	**(7,915)**	753	(19,536)
Interest on investments	**9,621**	12,491	12,266
Net cash provided from (used for) investing activities	**20,023**	31,569	(84,683)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(10,545)**	843	9,738
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**10,634**	9,791	53
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$89**	$10,634	$9,791

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE THREE YEARS ENDED DECEMBER 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – The Omaha Public Power District, a political subdivision of the state of Nebraska, is a public utility engaged solely in the generation, transmission, and distribution of electric power and energy and other related activities. The Board of Directors is authorized to establish rates. The District is not liable for federal and state income or ad valorem taxes on property; however, payments in lieu of taxes are made to various local governments.

Basis of Accounting – The accounting records of the District are maintained generally in accordance with Financial Accounting Standards, Government Accounting Standards and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

The District applies the accounting policies established in SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71). In general, SFAS No. 71 permits an entity with cost-based rates to defer certain costs that would otherwise be expensed to the extent that the rate-regulated entity is recovering or expects to recover such costs in rates charged to its customers.

If, as a result of changes in regulation or competition, the District's ability to recover these assets and liabilities would not be assured, then pursuant to SFAS No. 101, "Accounting for the Discontinuation of Application of SFAS No. 71" (SFAS No. 101) and SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121), the District would be required to write off or write down such regulatory assets and liabilities, unless some form of transition cost recovery continues through established rates. In addition, the District would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets.

In order to reduce exposure to potentially stranded costs related to generation assets, the District's Board of Directors approved additional depreciation expense of $11,000,000 and $19,000,000 for the years ended December 31, 1999 and 1997, respectively.

Accounting for Revenues – Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the District considers highly liquid investments of the Revenue or Segregated Funds purchased with a maturity of three months or less to be cash equivalents.

Utility Plant – The costs of property additions, replacements of units of property, and betterments are charged to electric plant. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric plant retired are eliminated from electric plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account.

An allowance for funds used, approximating the District's current cost of financing electric plant construction and the purchase of nuclear fuel, is capitalized as a component of the cost of the utility plant. This allowance was computed at 4.6%, 4.6% and 4.0% for both construction work in progress and nuclear fuel for the years ended December 31, 1999, 1998 and 1997, respectively.

Depreciation and Amortization – Depreciation is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. The District has performed an asset evaluation which identified potentially stranded generation equipment in a competitive environment. This assessment continues to be refined based on current information and forecasts. Depreciation expense has averaged approximately 4.0%, 3.7% and 4.5% of depreciable property for the years ended December 31, 1999, 1998 and 1997, respectively.

Amortization of nuclear fuel is based upon the cost thereof, which is pro-rated by fuel assembly, in accordance with the thermal energy that each assembly produces.

Deferred Charges – Certain costs and charges are deferred and amortized over the period that ratepayers are expected to benefit. The most significant items are:

Deferred Financing Costs – Debt discount and expense and other charges relating to debt issuance are amortized ratably over the lives of the related issues to which they pertain.

Federal Enrichment Facility Decommissioning and Decontamination Costs – Costs arising from the Energy Policy Act of 1992's funding mandate for the decommissioning and decontamination of Federal enrichment facilities have been deferred and are being amortized over fifteen years through 2006.

Nuclear Fuel Disposal Costs – Permanent disposal of spent nuclear fuel is the responsibility of the Federal Government under an agreement entered into with the United States Department of Energy (DOE). Under the agreement, the District is subject to a fee of one mill per net kilowatt-hour generated and sold on all nuclear energy generation, which is paid quarterly to the DOE. The spent nuclear fuel disposal costs are included in the District's nuclear fuel amortization and are collected from customers as part of fuel costs. In May 1998, the U.S. Court of Appeals confirmed DOE's statutory obligation to accept spent fuel by 1998, but rejected the request that a move-fuel order be issued to DOE.

Nuclear Decommissioning – The District's Board of Directors has approved the collection of nuclear decommissioning costs based on an independent engineering study of the costs to decommission the Fort Calhoun Station. The decommissioning estimates accepted by the District's Board of Directors (which exceed the Nuclear Regulatory Commission's minimum funding requirements) totaled $363,953,000 for 1999 and $354,500,000 for 1998 (see Note 3).

Provision for Rate Stabilization – In 1999, the District established a Rate Stabilization Reserve Account in the amount of $5,000,000. The District has established this regulatory liability to set aside these earnings that have exceeded financial performance targets to help maintain stability in the District's long-term rate structure.

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

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform with the 1999 presentation.

2. LONG-TERM DEBT

The District utilizes proceeds of debt issues primarily in financing its capital program.

Electric System Revenue Bonds – Maturities of Electric System Revenue Bonds outstanding at December 31, 1999, due 2000 through 2004, are as follows (in thousands):

2000	$58,805
2001	$60,225
2002	$41,925
2003	$45,005
2004	$46,815

In October 1998, the District issued $50,000,000 of 1998 Series A Electric System Revenue Bonds. The proceeds were used for previously incurred construction expenditures.

The District's bond indenture provides for certain restrictions, the most significant of which are:

> Additional bonds may not be issued unless estimated net receipts (as defined) for each future year will equal or exceed 1.4 times the debt service on all bonds outstanding including the additional bonds being issued or to be issued in the case of a power plant (as defined) being financed in increments.
>
> In any three-year period, at least 7 1/2% of general business income (as defined) must be spent for replacements, renewals, or additions to the electric system. Any deficiency is to be spent within two years thereafter for such purposes or, if not so spent, is to be used for bond retirements in advance of maturity.

In August 1998, the District legally defeased the outstanding 1993 Series B Electric System Revenue Term Bonds by placing securities with a carrying amount of $71,495,000 in irrevocable escrow accounts to be used solely for satisfying scheduled payments of principal and interest. The District has expressly and absolutely retained its right to call and redeem these bonds prior to their stated maturity. At December 31, 1999 and 1998, the following Electric System Revenue Bonds, with outstanding principal amounts of $401,685,000 as of December 31, 1999, and $415,155,000 as of December 31, 1998, were also legally defeased: 1973, 1986 Series A, 1989 Series A, 1992 Series A and 1992 Series B. Such bonds are funded by Government securities deposited by the District in irrevocable escrow accounts. Accordingly, the bonds and the related Government securities escrow accounts have been removed from the District's balance sheets.

Electric Revenue Notes – Commercial Paper Series – In 1999, the District issued an additional $50,000,000 of commercial paper, leaving outstanding commercial paper of $100,000,000 at December 31, 1999. The 1999 issuance of commercial paper is supported by a credit agreement which expires in October 2001. The line of credit for the original $50,000,000 is supported by a credit agreement which expires in February 2001. The average borrowing rates at December 31, 1999 and 1998, were 3.7% and 3.1%, respectively.

Electric Revenue Notes – Minibonds – The minibonds at December 31, 1999 and 1998, consist of current interest-bearing and capital appreciation minibonds, which are payable on a parity with the District's Electric Revenue Notes – Commercial Paper Series, both of which are subordinated to the Electric System Revenue Bonds. The outstanding balances at December 31 were as follows:

	1999	1998
	(thousands)	
Principal:		
1992 minibonds, due 2007 (6.0%)	$9,550	$9,652
1993 minibonds, due 2008 (5.35%)	9,644	9,707
1994 minibonds, due 2009 (5.95%)	9,760	9,819
Subtotal	28,954	29,178
Accreted interest on capital appreciation minibonds	3,772	3,105
Total	$32,726	$32,283

Subordinated Obligation – The subordinated obligation is payable in annual installments of $481,815, including interest, through 2014.

Fair Value Disclosure – The estimated fair value amounts were determined using rates that are currently available for issuance of debt with similar credit ratings and maturities. As market interest rates decline in relation to the issuer's outstanding debt, the fair value of outstanding debt financial instruments with fixed interest rates and maturities will tend to rise. Conversely, as market interest rates increase, the fair value of outstanding debt financial instruments will

tend to decline. Fair value will normally approximate the carrying amount as the debt financial instrument nears its maturity date. The use of different market assumptions may have an effect on the estimated fair value amount. Accordingly, the estimates presented herein are not necessarily indicative of the amount that bondholders could realize in a current market exchange.

The aggregate carrying amount and fair value of the District's long-term debt, including current portion, were as follows at December 31, 1999 and 1998:

1999		1998	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
(thousands)			
$832,650	$830,467	$831,918	$872,065

The estimated fair value of other financial instruments does not differ significantly from their recorded value.

3. SPECIAL-PURPOSE FUNDS

Special-purpose funds of the District are as follows:

The Construction Fund is to be used for capital improvements, additions and betterments to and extensions of the District's electric system, or for payment of principal and interest on Electric System Revenue Bonds.

The Electric System Revenue Bond Fund is to be used for the retirement of term and serial bonds and the payment of related interest.

The Segregated Funds represent assets held for payment of customer deposits, refundable advances, certain other liabilities or refunds and funds set aside as part of the District's self-insured health insurance plans (see Note 8). The balances of the funds at December 31 were as follows:

	1999	1998
	(thousands)	
Segregated Funds - customers	$7,903	$7,529
Segregated Funds - self-insurance	5,269	5,018
Total Segregated Funds	$13,172	$12,547

The Segregated Fund – Collateralized Securities represents investments in short-term securities (generally repurchase agreements collateralized by Government securities) as permitted by State statute.

The Decommissioning Funds are utilized to account for the investments held to fund the estimated cost of decommissioning the Fort Calhoun Station when its operating license is scheduled to expire. The Decommissioning Funds are held by outside trustees in compliance with the decommissioning funding plans approved by the District's Board of Directors (see Note 1). The balances of the funds at December 31 were as follows:

	1999	1998
	(thousands)	
Decommissioning Trust - 1990 Plan	$143,864	$127,115
Decommissioning Trust - 1992 Plan	30,694	29,883
Total Decommissioning Funds	$174,558	$156,998

4. DEPOSITS AND INVESTMENTS

Bank Deposits – The District's bank deposits at December 31, 1999 and 1998, were entirely insured or collateralized with securities held by the District or by its agent in the District's name.

Investments – The District's cash equivalents and investments included in the Construction Fund, Electric System Revenue Bond Fund, Segregated Funds and Decommissioning Funds are held by the District's agents in the District's name in accordance with the District's bond covenants and State statutes. The District does not invest in securities such as mortgage-backed investments and reverse repurchase agreements. The investments, which are primarily recorded at fair-market value, consist of U.S. Government and Agency securities and Repurchase Agreements collateralized by U.S. Government Securities. Fair values were determined based upon quotes received from the trustee's market valuation service.

5. DEFERRED CHARGES

The composition of deferred charges at December 31, 1999 and 1998, was as follows:

	1999	1998
	(thousands)	
Deferred financing costs	$37,212	$40,082
Capitalized software	17,297	15,002
Federal enrichment facility decommissioning and decontamination costs	9,561	10,685
Customer energy conservation programs	7,703	6,532
Low-level radioactive waste site development	–	8,308
Other	7,650	9,148
Total	$79,423	$89,757

6. RETIREMENT PLAN

Substantially all employees are covered by the District's Retirement Plan (the "Plan"). It is a single-employer defined benefit plan which provides retirement and death benefits. The Plan was established and may be amended under the direction of the District's Board of Directors, and is administered by the District. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors.

The Plan information, based on the actuarial valuation on January 1, was as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over Funded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Over Funded AAL as a Percentage of Covered Payroll ((a-b)/c)
	(thousands)				(thousands)	
1999	$475,874	$330,390	$145,484	144.0%	$109,117	133.3%
1998	$449,030	$306,354	$142,676	146.6%	$104,507	136.5%

Contribution requirements are actuarially determined, using the Attained Age (level percent of pay) Method. Employees contribute 4.0% of their covered pay to the Plan. The District is obligated to contribute the balance of the funds needed on an actuarially determined basis. For 1999, 1998 and 1997 there was no annual pension cost, net pension obligation or District contribution made to the Plan. Plan contributions by District employees for 1999, 1998 and 1997 were $4,613,000, $4,355,000 and $4,190,000, respectively.

The assumptions used in computing the actuarial liability for each year were as follows:

	1999	1998
Discount rate	6.55%	7.17%
Expected rate of return	9.00%	9.00%
Rate of compensation increase	5.00%	5.00%
Cost-of-living adjustment	3.00%	3.00%

7. SUPPLEMENTAL RETIREMENT SAVINGS PLANS

In 1999, the District established a Defined Contribution Supplemental Retirement Savings Plan – 401(k) in addition to the current Defined Contribution Supplemental Retirement Savings Plan – 457. Both plans cover substantially all employees, and allow contributions by employees that are partially matched by the District. Each Plan's assets and income are held in an external trust account in the employee's name. The District's matching share of contributions in 1999, 1998 and 1997 was $4,709,000, $4,385,000 and $4,073,000, respectively.

8. SELF-INSURANCE HEALTH PROGRAM

The District's Administrative Service Only (ASO) Health Insurance Program was used to account for the health insurance claims of all active and retired employees. With respect to the ASO program, reserves sufficient to satisfy both statutory and District-directed requirements have been established to provide risk protection. Additionally, private insurance covering claims in excess of 120% of expected levels, as actuarially determined, has been purchased. Actual net claim payments during 1999, 1998 and 1997 were $16,081,000, $13,550,000 and $12,749,000, respectively, which did not exceed 120% of the expected claims level.

9. COMMITMENTS

The District's Construction Budget provides for expenditures of approximately $136,445,000 during 2000 and $161,903,000 during later years, of which approximately $11,040,000 was under contract at December 31, 1999.

The District has coal supply contracts which extend through 2003 with minimum future payments of $45,430,000. The District also has coal transportation contracts which extend through 2003 with minimum future payments of $75,612,000. These contracts are subject to price escalation adjustments.

Contracts are in effect through 2005 with estimated future payments of $14,597,000 for nuclear fuel and $41,425,000 for furnishing uranium enrichment services.

10. CONTINGENCIES

Effective August 20, 1998, the Price-Anderson Act was amended. Under the provisions of the Act, the District and all other licensed nuclear power plant operators could each be assessed for claims in the event of a nuclear incident in amounts not to exceed a total of $88,095,000 per reactor per incident with a maximum of $10,000,000 per incident in any one calendar year. These amounts are subject to adjustment every five years in accordance with the Consumer Price Index.

The District and other plaintiffs, who are owners and operators of nuclear power generating units within the Central Interstate Low-Level Radioactive Waste Compact (the "Compact"), and who have provided funding for the activities of the Compact, have filed suit against the state of Nebraska and others, alleging unreasonable delay in the licensee-application review process, for a low-level radioactive waste disposal facility, and have asked for injunctive relief and monetary damages, in an amount to be proven in trial.

The District is engaged in routine litigation incidental to the conduct of its business and, in the opinion of its General Counsel, the aggregate amounts recoverable from or to the District, taking into account estimated amounts provided in the financial statements and insurance coverage, are not material.

11. STORM DAMAGE

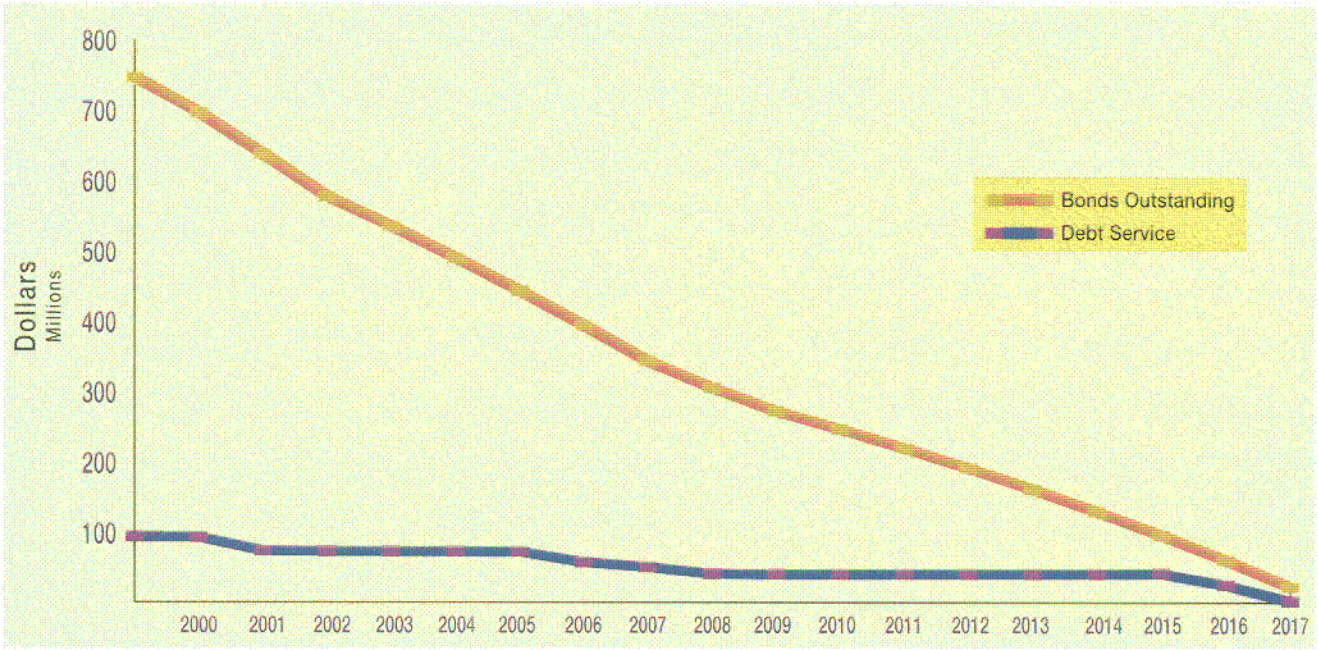
In October 1997, the District incurred significant damage to its electrical distribution system as a result of an early season snowstorm. Total damage approximated $13,900,000. The District applied for federal disaster assistance funds for repair and replacement of the disaster-damaged facilities. The District was approved for $10,500,000, which is 75% of the replacement cost, for federal disaster assistance and received $1,600,000, $6,100,000 and $2,800,000 during 1999, 1998 and 1997, respectively, from the Federal Emergency Management Agency (FEMA).

Net Receipts and Debt Service Coverage for the Five Years Ended December 31, 1999 (Unaudited)

	1999	1998	1997	1996	1995
			(thousands)		
Operating revenues	**$523,730**	$514,950	$483,953	$453,522	$435,347
Operation and maintenance expenses	**338,881**	316,148	291,449	283,748	267,571
Payments in lieu of taxes	**16,852**	16,638	16,447	15,499	15,263
Net operating revenues	**167,997**	182,164	176,057	154,275	152,513
Investment income (1)	**2,098**	2,414	2,609	2,846	2,915
Net receipts	**$170,095**	$184,578	$178,666	$157,121	$155,428
Total debt service (2)	**$93,434**	$87,697	$87,437	$71,637	$78,229
Debt service coverage	**1.82**	2.10	2.04	2.19	1.98

(1) Income derived from the investment of moneys in the Reserve Account of the Electric System Revenue Bond Fund under the District's bond indenture (Resolution No. 1788).
(2) Total Debt Service for Resolution No. 1788 Bonds is accrued on a calendar-year basis similar to the computation of Net Receipts.
Interest funded from bond proceeds, when applicable, is not included in Total Debt Service.

Electric System Revenue Bonds Outstanding & Annual Debt Service as of 12/31/99



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Electric System Revenue Bonds Outstanding (In thousands) as of December 31, 1999

	1993 ISSUE SERIES A		1993 ISSUE SERIES B		1993 ISSUE SERIES C		1993 ISSUE SERIES D	
Maturity Date February 1	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
2000	4.85	13,760	4.70	4,540			4.40	5,440
2001	5.00	14,520	4.80	4,620			4.50	5,580
2002	5.00	15,430	4.90	4,700			4.60	5,830
2003	5.10	16,140	5.00	6,340			4.70	6,080
2004	5.25	18,220	5.00	4,670			4.75	6,960
2005	5.30	18,780	5.10	5,710			4.80	7,110
2006	5.40	20,150	5.20	5,710			4.90	7,280
2007	5.50	21,330	5.30	6,230			5.00	10,080
2008			5.40	9,340	5.40	13,230	5.10	11,000
2009					5.40	14,020	5.25*	11,430
2010					5.50	14,860	5.25*	11,970
2011					5.50*	15,750	5.25*	12,590
2012					5.50*	16,700	5.25*	13,270
2013					5.50*	17,700	5.25*	13,990
2014					5.50*	18,770	5.30*	14,730
2015					5.50*	19,890	5.30*	15,520
2016					5.50*	21,080	5.30*	17,120
2017					5.50*	22,360		
Total Outstanding		138,330		51,860		174,360		175,980
Bonds Redeemed to 12/31/99		46,370		112,340				26,420
Original Issue		184,700		164,200		174,360		202,400

*Term Bonds

The 1973 Issue was defeased to maturity with final maturity on February 1, 2003.
The 1989 Series A Issue was advance refunded and will be called on February 1, 2000.
The 1986 Series A Issue was defeased to maturity with final maturity on February 1, 2015.
The 1992 Series A Issue was advance refunded and will be called on February 1, 2002.

1993 ISSUE SERIES E		1997 ISSUE SERIES A		1998 ISSUE SERIES A			
Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Total Principal Maturities February 1	Annualized Debt Service
4.10	7,920	4.30	20,000	3.75	7,145	58,805	92,969
4.20	8,360	5.00	20,000	4.50	7,145	60,225	73,466
4.30	8,820			4.50	7,145	41,925	72,719
4.40	9,300			4.50	7,145	45,005	72,493
4.50	9,820			4.05	7,145	46,815	72,499
4.50	10,360			4.10	7,145	49,105	72,235
4.60	10,930			4.20	7,130	51,200	57,448
						37,640	50,536
						33,570	40,954
						25,450	40,150
						26,830	40,211
						28,340	40,311
						29,970	40,415
						31,690	40,518
						33,500	40,615
						35,410	41,424
						38,200	25,082
						22,360	1,966
	65,510		40,000		50,000	696,040	916,011
	39,590		40,000			264,720	
	105,100		80,000		50,000	960,760	

The 1992 Series B Issue was defeased to maturity with final maturity on February 1, 2017.
The 1993 Series B Term Bonds were defeased to maturity with final maturity on February 1, 2017. The District has expressly and absolutely retained its right to call and redeem these bonds prior to their stated maturity.

Electric Statistics

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Total Utility Plant, including Nuclear Fuel *(at year end)*										
(in thousands of dollars)	**2,621,444**	2,455,004	2,360,495	2,309,733	2,235,631	2,188,106	2,113,562	2,050,336	1,986,679	1,897,546
Bonded Indebtedness *(at year end)*										
(in thousands of dollars)	**696,040**	745,630	813,860	761,020	947,390	974,510	998,060	998,950	891,725	911,265
Operating Revenues *(in thousands of dollars)*										
Residential	**188,187**	192,481	183,178	170,021	171,687	165,813	160,489	141,992	154,215	152,464
General Service - Small	**161,901**	159,844	157,406	150,388	145,096	147,669	144,312	135,262	135,059	135,774
General Service - Large	**76,513**	79,359	76,806	75,016	73,395	75,483	77,760	75,992	76,222	78,375
Government and Municipal	**11,936**	11,687	11,356	10,937	8,577	10,626	10,505	10,186	9,651	9,685
Other Electric Utilities	**78,741**	62,550	44,484	39,908	29,170	4,211	3,673	3,046	3,095	3,824
Accrued Unbilled Revenues	**1,650**	282	1,554	(161)	998	(279)	(283)	1,158	(1,654)	1,015
Provision for Rate Stabilization	**(5,000)**	—	—	—	—	—	—	—	—	—
Miscellaneous	**9,802**	8,747	9,169	7,413	6,424	6,173	5,904	5,477	5,371	5,511
Total	**523,730**	514,950	483,953	453,522	435,347	409,696	402,360	373,113	381,959	386,648
Operation & Maintenance Expenses Charged to Operations										
(in thousands of dollars)	**338,881**	316,148	291,449	283,748	267,571	235,596	231,930	226,063	237,230	241,409
Payments in Lieu of Taxes										
(in thousands of dollars)	**16,852**	16,638	16,447	15,499	15,263	15,515	15,104	13,924	14,359	14,370
Net Operating Revenues before Depreciation and Decommissioning										
(in thousands of dollars)	**167,997**	182,164	176,057	154,275	152,513	158,585	155,326	133,126	130,370	130,869
Net Earnings Reinvested in the Business										
(in thousands of dollars)	**49,014**	63,993	47,152	39,339	47,835	52,115	45,203	30,255	35,209	40,337
Kilowatt-Hour Sales *(in thousands)*										
Residential	**2,718,585**	2,796,585	2,688,951	2,577,624	2,571,881	2,467,405	2,361,565	2,139,300	2,431,265	2,292,975
General Service - Small	**3,014,202**	2,971,390	2,894,595	2,787,471	2,657,948	2,580,258	2,434,023	2,355,409	2,372,148	2,275,647
General Service - Large	**2,304,441**	2,443,625	2,323,253	2,305,328	2,124,023	1,930,664	1,853,975	1,858,243	1,849,141	1,831,635
Government and Municipal	**80,868**	80,286	79,572	78,710	79,732	80,906	81,081	80,731	79,087	78,514
Other Electric Utilities	**3,318,409**	3,105,942	2,544,508	2,492,385	1,855,154	177,489	153,396	138,862	153,669	137,166
Accrued Unbilled Kilowatt-Hours	**23,168**	9,369	54,222	7,358	23,161	7,707	(4,676)	18,832	(26,123)	6,695
Total	**11,459,673**	11,407,197	10,585,101	10,248,876	9,311,899	7,244,429	6,879,364	6,591,377	6,859,187	6,622,632
Number of Customers *(average per year)*										
Residential	**251,057**	245,890	241,626	237,584	233,879	230,391	227,181	224,107	221,214	218,373
General Service - Small	**35,553**	34,932	34,555	33,993	33,137	32,438	31,685	31,259	30,626	30,117
General Service - Large	**105**	103	99	99	97	95	94	92	91	90
Government and Municipal	**560**	567	551	555	542	516	503	497	491	475
Other Electric Utilities	**45**	40	36	34	31	7	5	5	5	5
Total	**287,320**	281,532	276,867	272,265	267,686	263,447	259,468	255,960	252,427	249,060
Residential Statistics *(average)*										
kWh/Customer	**10,829**	11,373	11,129	10,849	10,997	10,710	10,395	9,546	10,991	10,500
Dollar Revenue/Customer	**749.58**	782.79	758.11	715.62	734.08	719.70	706.43	633.59	697.13	698.18
Cents/kWh	**6.92**	6.88	6.81	6.65	6.76	6.72	6.80	6.64	6.34	6.65
Generating Capability *(at year end)*										
(in kilowatts)	**2,100,000**	2,089,500	2,067,000	2,033,100	1,924,200	1,924,200	1,924,200	1,883,500	1,883,300	1,867,200
System Peak Loads										
(in kilowatts)	**1,965,600**	1,914,000	1,851,800	1,813,900	1,827,900	1,645,900	1,603,100	1,442,000	1,605,900	1,652,300
Net System Requirements *(kilowatt-hours in thousands)*										
Generated	**10,724,976**	10,679,310	9,698,231	9,260,923	9,073,968	8,876,535	8,846,354	7,653,496	9,129,971	7,721,410
Purchased and Net Interchanged	**(2,190,252)**	(1,960,844)	(1,281,496)	(1,096,996)	(1,206,817)	(1,418,694)	(1,697,288)	(844,178)	(2,038,980)	(864,931)
Net	**8,534,724**	8,718,466	8,416,735	8,163,927	7,867,151	7,457,841	7,149,066	6,809,318	7,090,991	6,856,479

( ) Denotes Negative

Executive Offices
Energy Plaza
444 South 16th Street Mall
Omaha, Nebraska 68102-2247

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National Association
Chicago, Illinois

Paying Agents
First Chicago Trust
Company of New York
New York, New York

Bank One Trust Company,
National Association
Chicago, Illinois

Norwest Bank Nebraska, N.A.
Omaha, Nebraska

Minibond
Administration
Omaha Public Power District
Treasury Analysis Department

General Counsel
Fraser, Stryker, Vaughn, Meusey,
Olson, Boyer & Bloch, P.C.
Omaha, Nebraska

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