



**Nebraska Public Power District**  
*Nebraska's Energy Leader*

NLS2000059  
May 31, 2000

U. S. Nuclear Regulatory Commission  
Attention: Document Control Desk  
Washington, DC 20555-0001

Subject: Nebraska Public Power District  
1999 Annual Financial Report  
NRC Docket No. 50-298, DPR-46

Gentlemen:

In accordance with the requirements of 10CFR50.71(b), the Nebraska Public Power District submits its Annual Financial Report for calendar year 1999. Copies of this report are being distributed in accordance with 10CFR50.4.

Should you have any questions or require additional information, please contact me.

Sincerely,

J. H. Swailes  
Vice President of Nuclear Energy

/jp  
Enclosure

cc: Regional Administrator w/enclosure  
USNRC - Region IV

Senior Project Manager w/enclosure  
USNRC - NRR Project Directorate IV-1

Senior Resident Inspector w/enclosure  
USNRC

J. T. Gilliland (NRC) w/enclosure

NPG Distribution w/o enclosure

MOO4





Nebraska Public  
Power District



Duane Swoboda



Terry Egger

Our employees are an integral part of our company and we were grief stricken in late December when an explosion of tragic proportions took place in the fly ash silo at our Sheldon Station power plant. We have only begun to repair the damage to our hearts over the loss of these two talented employees. The 1999 Annual Report is dedicated to the memory of Duane Swoboda and Terry Egger.

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Kilowatt Hour Sales (General System)	14.1 Billion
Operating Revenues (General System)	\$496.6 Million
Kilowatt Hour Sales to MidAmerican Energy Company (Nuclear Facility)	3.3 Billion
Operating Revenues from Sales to MidAmerican Energy Company (Nuclear Facility)	\$104.1 Million

NEBRASKA PUBLIC  
POWER DISTRICT

Nebraska Public Power District (NPPD) is a public corporation and political subdivision of the State of Nebraska. Control of NPPD and its operations is vested in an 11-member Board of Directors popularly elected from subdivisions within NPPD's chartered territory, which includes all or parts of 91 of the state's 93 counties. NPPD operates an integrated electric utility system, including facilities for generation, transmission and distribution of electric power and energy for sale at wholesale and retail, and a surface water irrigation system.

TABLE OF CONTENTS

Two..... Chairman and  
President's Message  
Three..... 1999 in Review  
Ten ..... 1999 Statistical Review  
Twelve ..... Graphs/Charts  
Thirteen..... General System  
Twenty-Four..... Nuclear Facility  
Thirty..... Board of Directors  
Thirty-Two..... Executive Team

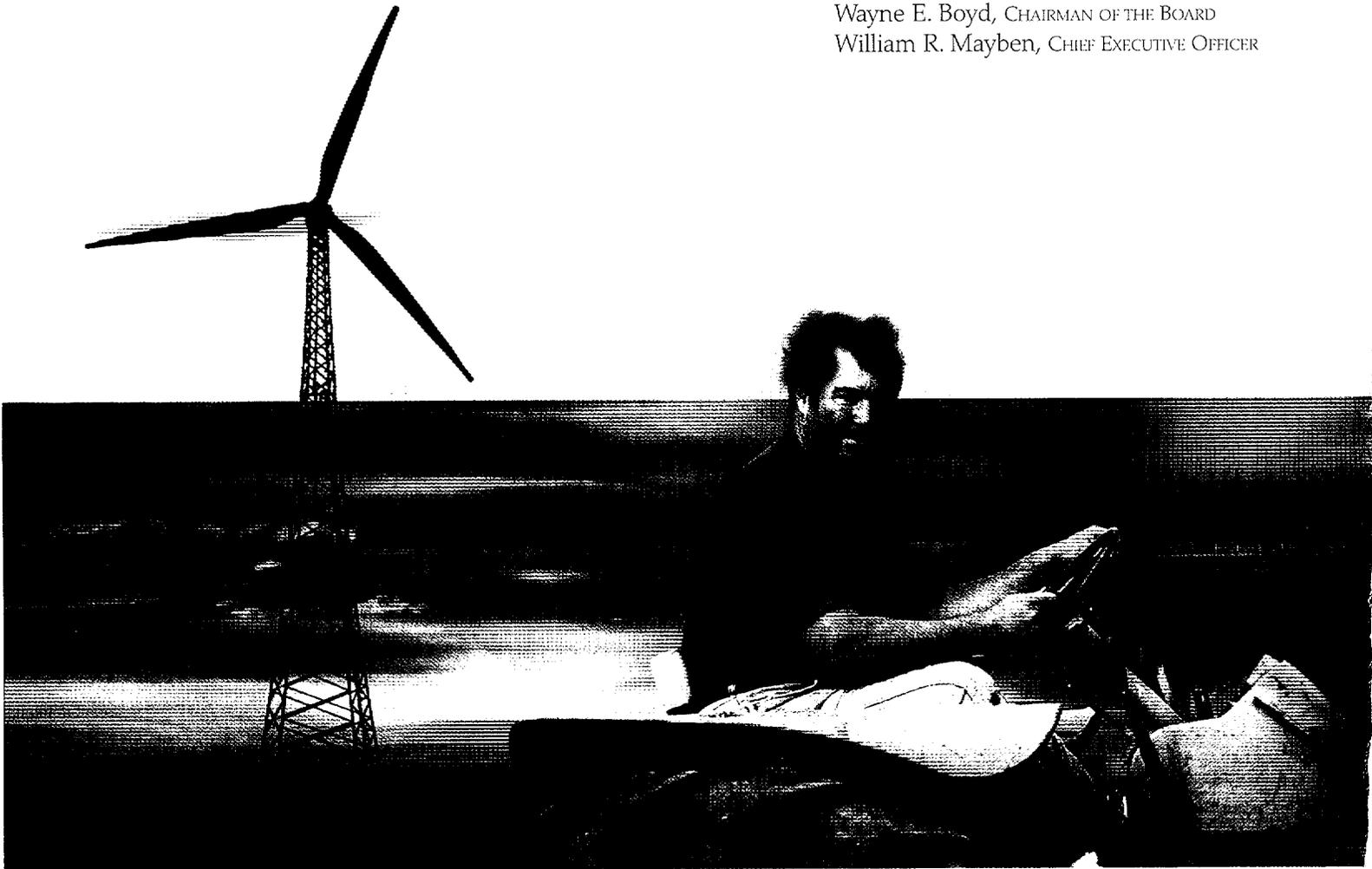
THE YEAR AT A GLANCE

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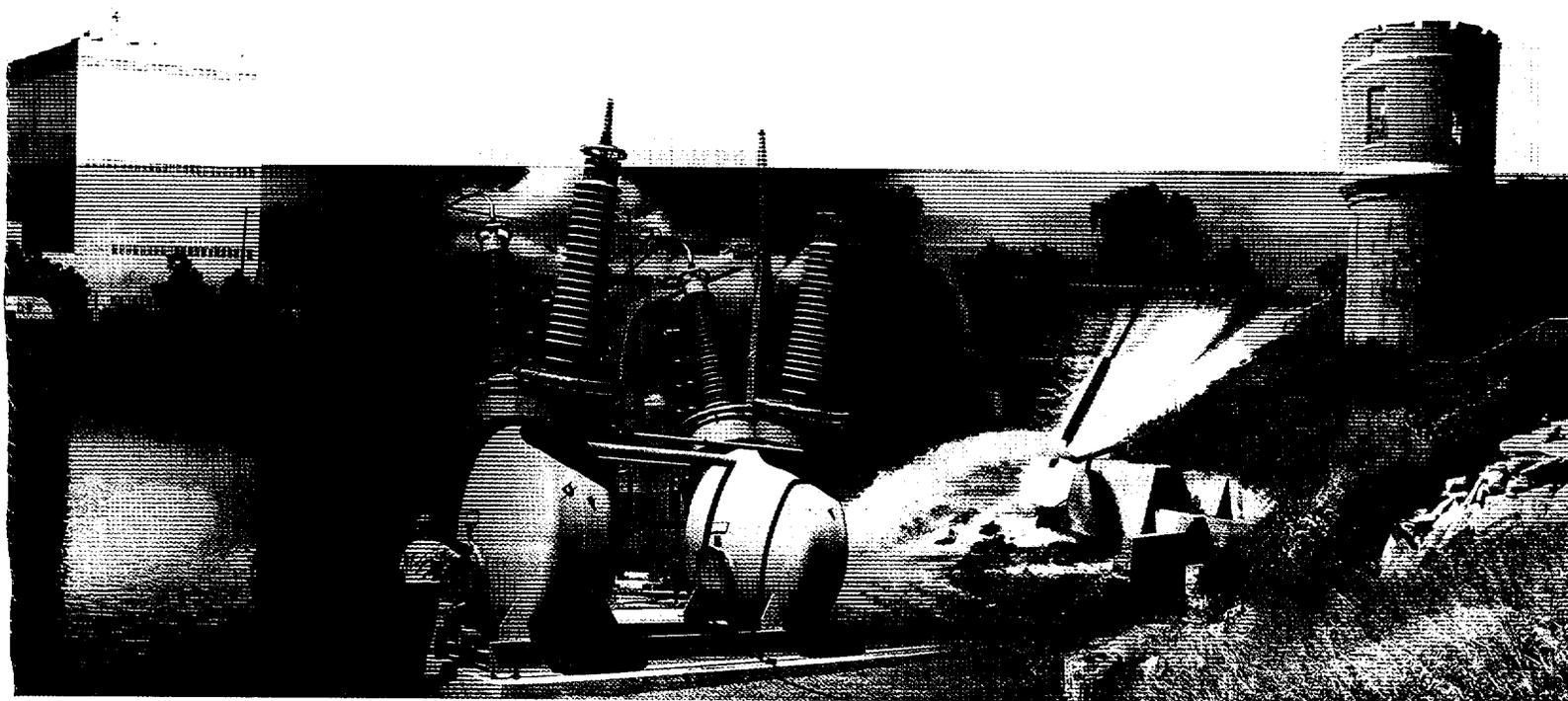
Cost of Power Purchased and Generated (General System)	\$262.3 Million
Other Operating Expenses (General System)	\$156.1 Million
Net Revenues	\$31.7 Million
Debt Service Coverage	1.74

*A cool summer. A mild winter. For most people, including our customers, that's a recipe for a beautiful year. In the electric industry, however, it means fewer sales because of less irrigation, less air conditioning, and less electric heat. In 1999 that combination led to less-than-expected revenue for NPPD. And although we were reminded that the weather is a significant factor in our business, the employees and management at NPPD worked hard in 1999 to control costs where possible. For example, our operating budget was several million dollars below budget for the year. Not only did we keep our eye on controllable expenditures in 1999, we kept our eye on the future. With some strategic partnering, we began several exciting initiatives in 1999 that will serve our customers better and help us competitively for years to come. From installing better emission control equipment on our fossil generating plants, to breaking ground on a customer call center, to working with our wholesale distributors to reduce duplication of assets and manpower, we made great strides in 1999. And although we do not know what the future holds for retail competition in our all-public power state, we're making all these strides because we want to be the customer's choice. And regardless of what public policy affecting public power and deregulation of the industry is forthcoming under those legislative domes, we think we will be here and ready.*

Wayne E. Boyd, CHAIRMAN OF THE BOARD  
William R. Mayben, CHIEF EXECUTIVE OFFICER

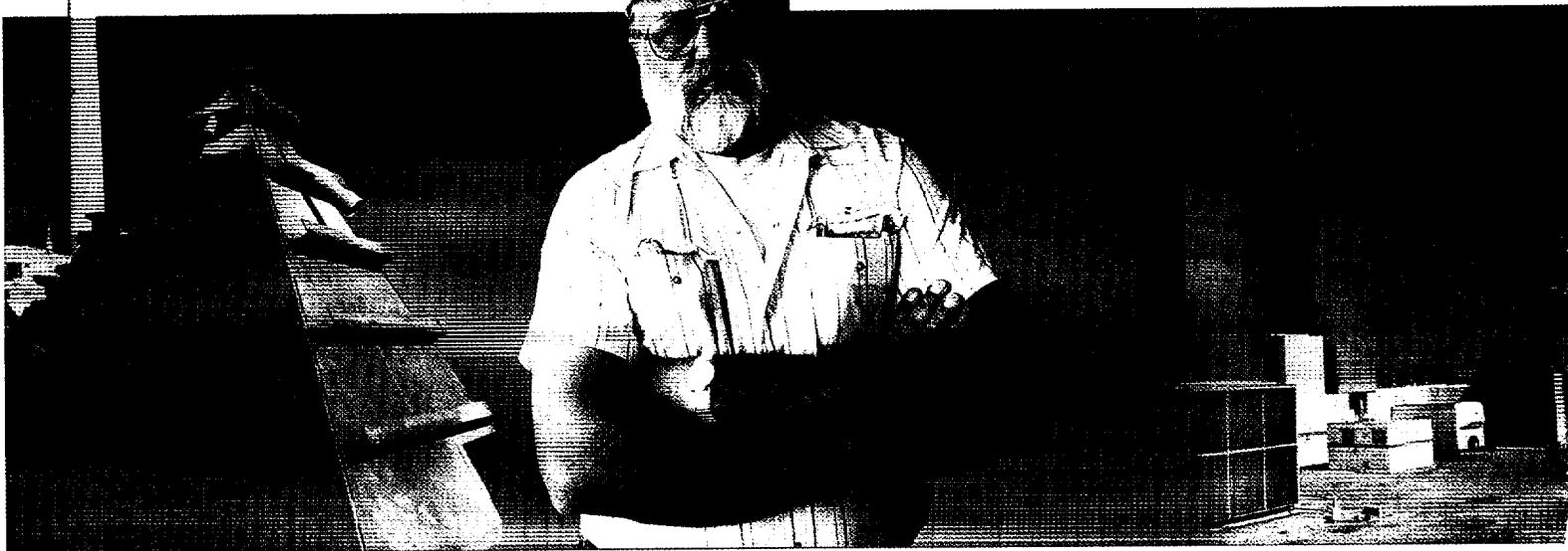


Always there when you need us. NPPD succeeded in living up to that slogan in 1999 to provide our customers in Nebraska with low-cost, reliable electricity. Although our customers enjoyed electric rates 20 percent below the national average in 1999 and our transmission system reliability exceeded the regional average, the employees at our publicly owned electric utility were not content to sit around and enjoy that performance. Instead, we raised the bar in 1999 and began several major initiatives to achieve our vision for customer service, low-cost, reliable, safe generation, transmission, and distribution, and instilling a performance management culture among our employees. And a large part of achieving that vision is continuing to nurture and grow relationships with our partners—whether that’s the 230 residents of Jackson, Nebraska, whom we serve with retail electricity or The Energy Authority of Jacksonville, Florida, our partners in an energy trading alliance.



Some of our major strides in 1999 were in the area of generation, as we began the installation of baghouses at our two coal-fired power plants—Gerald Gentleman Station (GGS) and Sheldon Station. The baghouses replace aging precipitators, and work like a vacuum cleaner, removing the fly ash after the coal is burned and capturing it in the baghouse. This is an even more effective method of protecting the environment. In addition to the environmental benefits, baghouses will improve the two plants' availability, due to fewer and shorter plant shutdowns for maintenance work on the current fly ash removal systems, allowing us to continue generating low-cost, safe, reliable electricity for our customers. Installation was completed for Sheldon Station Unit 1, and the Unit 2 installation is scheduled to be complete in early 2000. Contracts have been awarded for the project at GGS with completion on Unit 1 expected in late 2000 and Unit 2 in early 2001.

Cooper Nuclear Station celebrated three milestones in 1999—most generation for a single year (6.5 million megawatt hours), 25 years of safe operation, and a record low for radiation exposure. In addition, the Nuclear Regulatory Commission (NRC) asked Cooper to partner with them in a pilot project, which began in June, to test and adjust the NRC's new, more effective reactor oversight process. Cooper joined 13 plants in 9 states around the country in this program, which ended in November and will now be extended to all 103 nuclear power reactors in 2000. Excellence at the plant, which is measured by achieving its business plan goals, remained a top priority in 1999.



NPPD's high-voltage transmission system continued to be impacted by the national trend toward deregulation and competition during 1999. NPPD's 4,300 mile, high-voltage transmission system set a new record for carrying electricity in 1999, transporting an estimated 27.23 million megawatt hours of energy. This was due in part to increased usage by other utilities and marketers as competition continued to increase at the wholesale level. Rates that NPPD's transmission service customers paid during 1999 also decreased, reflecting stable operations, avoidance of any significant storm-related damage, and higher usage by customers.

NPPD also continued to monitor the development of Regional Transmission Organizations and Independent Transmission Companies during 1999, as transmission owners throughout the nation evaluated how to respond to Federal Energy Regulatory Commission (FERC) efforts at promoting the separation of transmission and generation ownership. While not under the direct jurisdiction of the FERC, NPPD is interconnected with many utilities that are under the FERC's jurisdiction, prompting our need to evaluate how their actions might impact Nebraska. NPPD created a new position—Vice President of Transmission Services—to focus on this rapidly evolving area.



In addition to our focus on generation and transmission in 1999, we spent much of the year focused on our customers and pursuing new partnerships with them. A top initiative for our utility and our wholesale distributors was what we broadly call our "Future Strategies." This effort includes three parts: 1) realigning some of our retail communities to be served by our wholesale distributors thus eliminating duplication of services in certain locales. We completed the realignment of 36 communities in 1999 and will continue the realignment process in 2000; 2) negotiating new, more flexible power sales contracts with our wholesale distributors; and 3) partnering with other utilities in the state to develop an Energy Services Company (ESCO), whose purpose is to develop products and services for ESCO members to rollout to end-use customers. Our first products as part of the ESCO were approved in 1999 and will roll out early in 2000.

During 1999, we began the process of improving the way we provide service to our customers. We implemented new billing systems, which allow us to produce easy-to-read, user-friendly bills and began looking at the next logical step—allowing customers to view and pay their bills online. We consolidated 35 local retail offices into 9 central locations across the state, centralized cash processing, and selected a location for a 24-hour, 7-day-a-week call center so we can truly be "always there" when our customers need us.

Like other utilities and other businesses, we searched in 1999 for a way to provide customers with products and services they want and need. We modified our organizational structure to put more focus on sales and marketing and named two new vice presidents in this area—one for wholesale power sales and one over marketing and communi-



cation. In June, we began a partnership in The Energy Authority (TEA), a power trading alliance based in Jacksonville, Florida. TEA helps NPPD and the other consumer-owned utilities in this partnership to maximize the value of their power supply resources and minimize the risks associated with the new wholesale market.

We launched "Prairie Power" – to allow customers to support the research and development of renewable power; we continued to work with customers such as our schools, churches, municipal buildings, and retirement homes to install geothermal heating and cooling units to help customers save money and provide heating and cooling efficiency. We continued to partner with the communities we serve, to aid and promote their economic development efforts. As the result of the economic development information found on our Web site, [www.nppd.com](http://www.nppd.com), a major manufacturer chose McCook, Nebraska, as the location for its \$30 million expansion project. Not only will NPPD have increased electric sales from the addition of the plant itself, but will provide the electrical needs of our new customers who relocate to McCook to work at the plant. Efforts like this to attract business and industry to our service territory prompted *Site Selection* magazine to name NPPD one of the top 10 utilities in the nation for economic development.

Along with many others in the world of business, NPPD installed enterprise resource planning software in 1999 with the goal of driving down long-term costs by finding efficiencies in logistics (purchasing, procurement, inventory control, accounts payable), work management, and finance and accounting. NPPD partnered with SAP to install its R/3 product that many Fortune 500 companies are also using, and will continue with the implementation of this software and process change into 2000.



Through partnerships with the business and the education community, NPPD and the Nebraska Section of the PGA coordinated the Nebraska Open Golf Tournament for the eighth year, which broke a record in raising \$50,000 in scholarship money for community college students in NPPD's service territory. Not only do worthy students complete their education as the result of the scholarships, NPPD and its customers reap the reward when many of the graduates are hired to be our linemen, welders, accountants and drafters.

A big part of being there when the customer needed us occurred December 31, 1999, when the clock turned over a new century and our customers simply turned over in their beds. NPPD dedicated significant resources on preparation and contingency planning. The result was the North American Electric Reliability Council certified NPPD's critical equipment as Y2K ready in July. Hundreds of plant, substation, and customer service personnel kept a watchful eye over our system just in case, but, thanks to lots of diligent pre-Y2K preparation, NPPD entered 2000 without even a flicker. The extensive contingency planning we did will remain useful for all future natural or "man-made" events.

Although we take great satisfaction in the many strategic moves we made in 1999 to remain a player in this industry, we were reminded in 1999 about one factor that greatly affects our industry but over which we have little control—the weather. The extremely mild weather meant that our customers used less irrigation, air conditioning, and electric heat during the year, so we ended 1999 with a small rate deficit. Our employees did what they could to mitigate the financial shortfall and, as a result, operating expenses were under budget for the year. Although we can't



control the weather, we will continue to focus on the things we can control. We remain solidly committed to one of our top corporate initiatives, which is to establish a rate track based on the future market price of energy and then remain below that price. It is the first time NPPD has looked at pricing this way and it will require two steps: projecting the market price over the next five to six years and then establishing plans and initiatives to keep our projected costs of energy production below market. Our employees will be key in continuing to help us keep those projected costs down.

In fact, none of our 1999 initiatives would succeed without the dedication of our employees. Following up on a company-wide "all-hands" survey, administered in late 1998, much of the year was spent developing and implementing action plans to resolve the issues employees said were important to them. One major improvement made as a result of the survey was a better process for giving performance appraisals and helping employees reach their own career potential. We look forward to continued partnering with our employees to build on our successes in 1999 and achieve our foremost goal, to be always there when the customer needs us.



# 1999 STATISTICAL REVIEW

General System and Nuclear Facility Combined

SALES	Average Number of Customers	Electric Energy MWH Sales		Revenues from Electric Sales (Thousands)		Revenue Per KWH
		Amount	%	Amount	%	
Retail:						
Residential	81,347	905,544	6.4	\$ 68,428	13.8	7.56¢
Rural & Farm	2,959	51,945	0.3	4,110	0.8	7.91¢
Commercial	18,137	860,769	6.1	49,709	10.0	5.77¢
Industrial	63	1,085,579	7.7	30,362	6.1	2.80¢
Public Lighting	209	24,770	0.2	2,345	0.5	9.47¢
Municipal Power	164	37,960	0.3	2,283	0.4	6.01¢
Miscellaneous Municipal	2,567	127,761	0.9	5,865	1.2	4.59¢
<b>Total Retail Sales</b>	<b>105,446</b>	<b>3,094,328</b>	<b>21.9</b>	<b>\$163,102</b>	<b>32.8</b>	<b>5.27¢</b>
Wholesale:						
48 Municipalities (Total Requirements)		1,530,344	10.8	\$51,948	10.5	3.39¢
21 Municipalities (Interconnections & Partial Requirements)		46,093	0.3	1,394	0.3	3.02¢
24 Public Power Districts & Cooperatives (Total Requirements)		4,494,814	31.8	136,622	27.5	3.04¢
<b>Total Wholesale Sales</b>						
(Excluding Nonfirm and Participation Sales)		6,071,251	42.9	\$189,964	38.3	3.13¢
<b>Total Retail and Wholesale Sales</b>						
(Excluding Nonfirm and Participation Sales)		9,165,579	64.8	\$353,066	71.1	3.85¢
Other Utilities (Firm and Nonfirm)		2,161,036	15.3	42,284	8.5	1.96¢
Participation Sales (1)		2,813,418	19.9	60,678	12.2	2.16¢
<b>Total Revenues from Electric Energy Sales</b>		<b>14,140,033</b>	<b>100.0</b>	<b>\$456,028</b>	<b>91.8</b>	<b>3.23¢</b>
Other Operating Revenues (Net of Deferred)				40,549	8.2	
<b>Total General System Operating Revenues</b>				<b>\$496,577</b>	<b>100.0</b>	

GENERATION	MWH		Production Costs (Thousands)	
	Amount	%	Amount	%
Production:				
General System (Including Interchange)	9,617,020	65.0	\$ 104,956	40.0
Purchased:				
Nuclear Facility (1)	3,255,616	22.0	\$105,061	40.1
Other	1,933,584	13.0	52,248	19.9
<b>Total Power Purchased</b>	<b>5,189,200</b>	<b>35.0</b>	<b>\$157,309</b>	<b>60.0</b>
<b>Total Power Produced and Purchased</b>	<b>14,806,220</b>	<b>100.0</b>	<b>\$262,265</b>	<b>100.0</b>

(1) The General System purchases 50% of the net generation of the Nuclear Facility based upon the total costs of the system. Pursuant to the Power Sales Contract, MidAmerican Energy Company purchased 3,254,829 MWH from the Nuclear Facility. MidAmerican Energy Company participation is not included in the table.

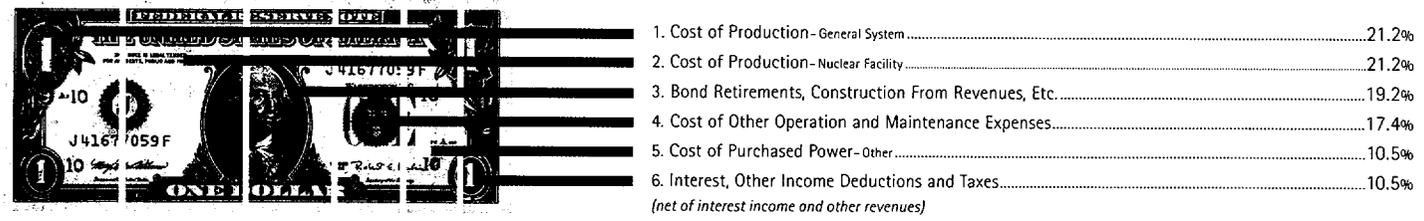
GENERAL	1999	1998	1997	1996	1995
			(Thousands)		
Utility Plant (at cost): (1)					
General System	\$1,997,949	\$1,939,282	\$1,894,735	\$1,841,412	\$1,765,135
Nuclear Facility	768,818	756,228	743,097	731,381	717,273
Total Utility Plant	\$2,766,767	\$2,695,510	\$2,637,832	\$2,572,793	\$2,482,408
Outstanding Debt:					
General System (2)	\$1,319,250	\$1,168,092	\$1,177,607	\$1,216,864	\$1,272,654
Nuclear Facility	131,935	158,865	184,520	208,985	232,360
Total Outstanding Debt	\$1,451,185	\$1,326,957	\$1,362,127	\$1,425,849	\$1,505,014

	Number of Plants (3)	Accredited Capability (MW)	Percent of Total
Production Plant Facilities:			
Steam – Conventional	3	1,709.0	59.5
Steam – Nuclear (4)	1	776.0	27.0
Hydro	9	161.9	5.6
Diesel	10	59.2	2.1
Combustion Turbine	3	166.0	5.8
Total Production Plant Facilities	26	2,872.1	100.0

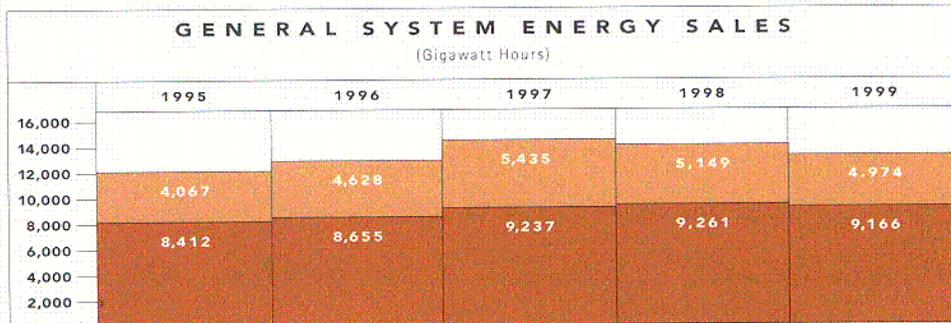
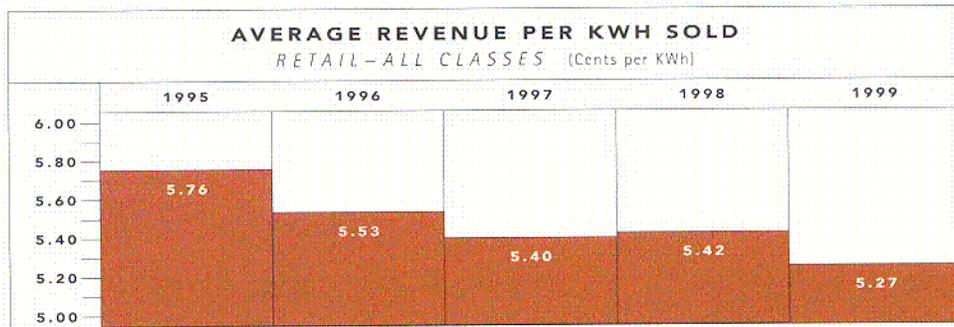
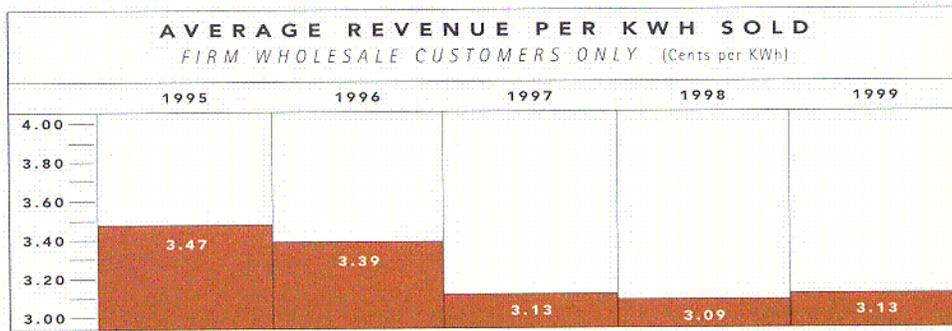
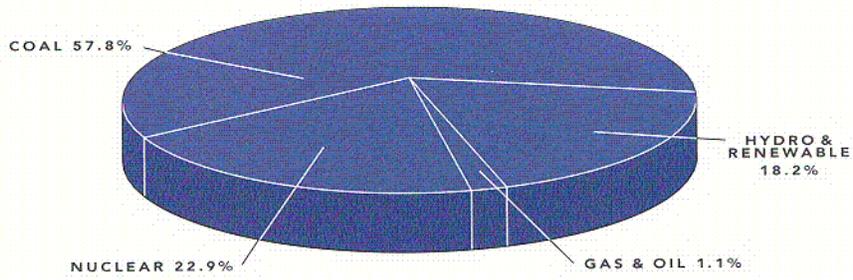
(1) Net of retirements  
 (2) Includes Taxable and Tax-Exempt Commercial Paper  
 (3) Includes six hydro plants and ten diesel plants under contract to the District  
 (4) Includes 50% of MW contracted to MidAmerican Energy Company

Miles of Transmission Line in Service	5,861
Number of Permanent Employees	2,267
1999 Contractual and Tax Payments (Thousands):	
Lease Payments to Retail Towns	\$ 15,903
5% Gross Revenue Tax	\$ 6,032
In Lieu of Tax Payments	\$ 207

HOW NPPD'S DOLLAR WORKS FOR YOU - 1999



**SOURCES OF ENERGY 1999**



■ FIRM ENERGY SALES    ■ ADDITIONAL ENERGY SALES

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## GENERAL SYSTEM

## Report of Independent Accountants

To the Board of Directors  
Nebraska Public Power District

In our opinion, the accompanying balance sheets and the related statements of revenues and expenses and accumulated net revenues, and cash flows present fairly, in all material respects, the financial position of the General System of Nebraska Public Power District (a public corporation and political subdivision of the State of Nebraska, "the District") at 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 accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedules of the calculation of the debt service ratios in accordance with the General Revenue Bond Resolution for each of the three years in the period ended December 31, 1999, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2000 on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Omaha, Nebraska  
March 3, 2000

PricewaterhouseCoopers LLP

## GENERAL SYSTEM

Balance Sheets – December 31, 1999 and 1998	1999	1998
	(Thousands)	
<b>ASSETS</b>		
Utility Plant, at Cost	\$ 1,997,949	\$ 1,939,282
Less – Reserve for depreciation and amortization (Note 1)	884,588	848,129
	<u>\$ 1,113,361</u>	<u>\$ 1,091,153</u>
Prepaid Capital Costs (Note 2)	\$ 55,062	\$ 57,136
Investment in The Energy Authority (Note 3)	\$ 4,453	\$ —
Debt Reserve Fund (Note 1)	\$ 77,661	\$ 77,683
Receivables from Sale of Property	\$ 2,335	\$ 1,190
Current Assets:		
Cash and investments (Note 1)	\$ 251,600	\$ 129,070
Receivables	52,874	57,590
Materials and supplies, at average cost	51,867	38,991
Prepayments and other assets	3,280	976
	<u>\$ 359,621</u>	<u>\$ 226,627</u>
Deferred Compensation Plan Assets (Note 8)	\$ —	\$ 15,030
Deferred Charges:		
Unamortized financing costs (Note 1)	\$ 9,454	\$ 8,221
Other	680	1,028
	<u>\$ 10,134</u>	<u>\$ 9,249</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,622,627</b></u>	<u><b>\$ 1,478,068</b></u>
<b>LIABILITIES AND CAPITAL</b>		
Accumulated Net Revenues (Note 1)	\$ 266,888	\$ 235,225
Long-Term Debt (Note 5)	\$ 1,181,535	\$ 1,031,237
Commercial Paper Notes (Note 4)	137,715	136,855
	<u>\$ 1,319,250</u>	<u>\$ 1,168,092</u>
Less – Current maturities of long-term debt (Note 5)	54,858	43,793
	<u>\$ 1,264,392</u>	<u>\$ 1,124,299</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 54,858	\$ 43,793
Accounts payable	29,581	35,084
Accrued lease payments	3,558	3,612
Other	18,581	14,487
	<u>\$ 106,578</u>	<u>\$ 96,976</u>
Deferred Compensation Plan Liabilities (Note 8)	\$ —	\$ 15,030
Deferred Revenues (Deficit) Surplus (Note 1)	\$ (15,338)	\$ 6,363
Unamortized Payment Received for Refinancing Costs (Note 1)	\$ 107	\$ 175
<b>TOTAL LIABILITIES AND CAPITAL</b>	<u><b>\$ 1,622,627</b></u>	<u><b>\$ 1,478,068</b></u>

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

Statements of Revenues and Expenses and Accumulated  
Net Revenues for each of the Three Years in the Period  
Ended December 31, 1999

	1999	1998	1997
	(Thousands)		
<b>Revenues and Expenses:</b>			
Operating Revenues (Note 1)	\$ 496,577	\$ 493,999	\$ 485,156
<b>Operating Expenses:</b>			
Power Purchased –			
Nuclear Facility (Note 1)	\$ 105,061	\$ 106,232	\$ 111,651
Other	52,248	59,503	50,651
Production –			
Fuel	58,263	59,726	59,265
Operation and maintenance	46,693	49,793	55,765
Other operation and maintenance	70,527	63,860	62,113
Lease payments (Note 1)	15,850	16,331	16,065
Depreciation and amortization (Note 1)	63,615	60,874	58,411
Payments in lieu of taxes	6,102	6,260	6,127
Total operating expenses	\$ 418,359	\$ 422,579	\$ 420,048
Net operating revenues	\$ 78,218	\$ 71,420	\$ 65,108
<b>Investment Income and Other Revenues:</b>			
Allowance for funds used during construction	\$ 1,669	\$ 1,126	\$ 913
Investment income and other	16,748	18,105	15,908
Total interest and other revenues	\$ 18,417	\$ 19,231	\$ 16,821
Net revenues before other deductions	\$ 96,635	\$ 90,651	\$ 81,929
<b>Other Deductions:</b>			
Bond interest	\$ 56,816	\$ 56,387	\$ 61,007
Other interest	8,156	5,812	3,194
Total other deductions	\$ 64,972	\$ 62,199	\$ 64,201
Net Revenues Before Extraordinary Loss	\$ 31,663	\$ 28,452	\$ 17,728
Extraordinary loss (Note 5)	—	33,899	—
Net Revenues (Loss) After Extraordinary Loss	\$ 31,663	\$ (5,447)	\$ 17,728
<b>Accumulated Net Revenues (Note 1):</b>			
Beginning balance	235,225	240,672	222,944
Ending balance	\$ 266,888	\$ 235,225	\$ 240,672

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

## GENERAL SYSTEM

Statements of Cash Flows for each of the Three Years in the  
Period Ended December 31, 1999

	1999	1998	1997
Cash flows provided by operating activities:		(Thousands)	
Net operating revenues	\$ 78,218	\$ 71,420	\$ 65,108
Adjustments to reconcile net operating revenues to net cash provided by operating activities:			
Depreciation and amortization	63,615	60,874	58,411
Vehicle depreciation charged to operations and capital	133	1,114	1,302
Reduction of deferred charges – Nuclear Facility	—	—	7,039
Changes in assets and liabilities:			
Receivables	4,716	(15,697)	1,686
Materials and supplies	(12,876)	(1,795)	3,344
Prepayments and other assets	(2,304)	911	(566)
Other deferred charges	348	812	(682)
Accounts payable and accrued leased payments	(5,557)	(2,828)	6,057
Deferred revenues	(21,701)	(7,875)	(3,750)
Other liabilities	2,793	(1,901)	1,923
Net cash flows provided by operating activities	\$ 107,385	\$ 105,035	\$ 139,872
Cash flows (used in) capital and related financing activities:			
Utility plant additions	\$ (139,438)	\$ (60,503)	\$ (62,001)
Other non-operating revenues	541	548	1,255
Proceeds from (issuance of) notes receivable for sale of property, net	(1,145)	808	696
Repayment of long-term debt – principal	(45,078)	(1,116,370)	(46,631)
Payment of interest on long-term debt	(58,579)	(56,792)	(60,695)
Payment of interest on notes payable	(6,019)	(4,625)	(2,221)
Net change in Debt Reserve Account	22	7,212	(434)
Issuance of long-term debt	194,505	1,007,375	—
Issuance of notes payable	860	73,880	7,060
Other	(2,137)	(1,187)	(973)
Net cash flows (used in) capital and related financing activities	\$ (56,468)	\$ (149,654)	\$ (163,944)
Cash flows (used in) provided by investing activities:			
Interest on cash and cash equivalents	\$ 74	\$ 114	\$ 182
Interest from investments	16,741	15,487	14,464
Sale of securities	622,738	448,405	477,544
Purchase of securities	(687,642)	(454,402)	(450,752)
Net change in gross unrealized gains on securities	188	1,802	11,138
Net change in gross unrealized losses on securities	267	(931)	(11,474)
Net cash flows (used in) provided by investing activities	\$ (47,634)	\$ 10,475	\$ 41,102
Net increase (decrease) in cash	\$ 3,283	\$ (34,144)	\$ 17,030
Cash beginning of year	23,836	57,980	40,950
Cash end of year	\$ 27,119	\$ 23,836	\$ 57,980

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

Supplemental Schedules – Calculation of Debt Service Ratios in accordance with the General Revenue Bond Resolution for each of the Three Years in the Period Ended December 31, 1999

	1999	1998	1997
		(Thousands)	
Operating revenues (Note 1)	\$ 496,577	\$ 493,999	\$ 485,156
Operating expenses (Note 1)*	(418,359)	(422,579)	(420,048)
Net operating revenues	\$ 78,218	\$ 71,420	\$ 65,108
Interest and other revenues	18,417	19,231	16,821
Interest deductions	(64,972)	(62,199)	(64,201)
Extraordinary loss	—	(33,899)	—
Net revenues	\$ 31,663	\$ (5,447)	\$ 17,728
<b>Add:</b>			
Interest deductions	\$ 64,972	\$ 62,199	\$ 64,201
Depreciation and amortization	63,748	61,988	59,730
Lease payments	15,850	16,331	16,065
Extraordinary loss	—	33,899	—
	\$ 144,570	\$ 174,417	\$ 139,996
<b>Deduct:</b>			
Amortization of bond premium	\$ 3,045	\$ 1,706	\$ —
Allowance for funds used during construction	1,669	1,126	913
Gain on sale of property	367	346	344
Investment income retained in construction funds	5,036	541	1,048
	\$ 10,117	\$ 3,719	\$ 2,305
<b>Net revenues available for debt service under the General Revenue Bond Resolution (Note 1)*</b>	<b>\$ 166,116</b>	<b>\$ 165,251</b>	<b>\$ 155,419</b>
<b>Amounts deposited in the General System Debt Service Account:</b>			
Principal	\$ 44,890	\$ 44,755	\$ 46,450
Interest	50,453	55,073	61,007
	\$ 95,343	\$ 99,828	\$ 107,457
<b>Ratio of net revenues available for debt service to debt service deposits (Note 1)</b>	<b>1.74</b>	<b>1.66</b>	<b>1.45</b>

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

\* The reduction of deferred charges is reflected in these summary statements as Operating expenses to avoid overstating Net revenues. These deferred charges were funded by commercial paper notes, which constitute subordinated indebtedness under the General Revenue Bond Resolution.

## GENERAL SYSTEM

## Notes to Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Organization* –

The District has two separate divisions for accounting purposes as follows:

General System  
Nuclear Facility

As required by Bond Resolutions, separate records are maintained for each division. The General System financial statements exclude the Nuclear Facility, for which financial statements are presented separately herein. The General System financial statements should be read in conjunction with such other financial statements.

In connection with the refinancing in June 1998 (see Note 5) the former Power Supply System division and Electric System division have been combined to form the General System division. The combination was accounted for at historical cost basis in a manner similar to a pooling of interests.

The Power Supply System financial statements were previously prepared in accordance with the accounting requirements specified in the Power Supply System Revenue Bond Resolution adopted by the District on September 29, 1972. The General System financial statements are prepared in accordance with generally accepted accounting principles. The net impact on net revenues resulting from the combination was a decrease of \$23.5 million for the period ended December 31, 1997. The net impact on accumulated net revenues at January 1, 1997 was a decrease of \$68.8 million.

Nebraska Public Power District, a public corporation and a political subdivision of the State of Nebraska, is an electric utility which sells electric energy to wholesale and retail customers in the Midwest. The District's contracts and rate schedules specify the time period in which billings are to be paid after services are rendered.

Accounting guidance followed in preparation of these financial statements is provided by the Governmental Accounting Standards Board (GASB). Absent GASB standards on any particular situation, the pronouncements of the Financial Accounting Standards Board (FASB) are presumed to apply.

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.

Certain prior year amounts have been reclassified to conform to current year presentation.

B. *Depreciation, Amortization and Maintenance* –

The District records depreciation over the estimated useful life of the property. Depreciation on Utility Plant was approximately 3% in each of the years ended December 31, 1999, 1998, and 1997.

The District has long-term lease agreements with 173 municipalities. These lease agreements obligate the District to make lease payments and pay for normal property additions during the term of the lease. The District has recorded provisions, net of retirements, for amortization of leased plant additions of \$7.2 million in 1999, \$6.0 million in 1998, and \$8.3 million in 1997. These leased plant additions, which are fully reserved, totaled \$114.9 million at December 31, 1999 and \$116.5 million at December 31, 1998.

The District charges maintenance and repairs, including the cost of renewals and replacements of minor items of property, to maintenance expense account. Renewals and replacements of property (exclusive of minor items of property, as set forth above) are charged to utility plant accounts. Upon retirement of property subject to depreciation, the cost of property is removed from the plant accounts and charged to the reserve for depreciation, along with the removal costs, net of salvage.

C. *Allowance for Funds Used During Construction (AFUDC)* –

This allowance, which represents the cost of funds used to finance construction, is capitalized as a component of the cost of the utility plant and is credited to Interest Income and Other Revenues. The capitalization rate depends on the source of financing. The rate for construction financed with revenue bonds is based upon the interest cost of each bond issue less interest income. The rate for construction financed by revenues is based upon the weighted average rate of interest of the current outstanding borrowings. Construction financed on a short-term basis with tax-exempt commercial paper (TECP) is charged a rate based upon the weighted average of TECP outstanding. For the periods presented herein, the AFUDC rates for construction funded by revenue bonds or revenues vary from 5.1% to 6.2%. For construction financed on a short-term basis with TECP, the rate charged was 3.3% in 1999, 3.8% in 1998, and 3.5% in 1997.

D. *Deferred Charges* –

The District has written off deferred charges representing Nuclear Facility billings for certain capital additions of \$7.0 million in 1997, and included such reductions in power purchased expense.

E. *Unamortized Financing Costs* –

These costs represent issuance expenses on all bonds and are being amortized over the life of the respective bonds using the bonds outstanding method.

F. *Unamortized Payment Received for Refinancing Cost* –

This reimbursement from the Nuclear Facility was for certain refinancing costs of the General System incurred in 1968 and is being amortized over a 35 year life using the bonds outstanding method.

G. *Cash and Investments* –

December 31,	1999	1998
Cash and Investments:	(Thousands)	
Debt Service Fund	\$ 5,773	\$ —
Revenue Fund	67,071	109,373
Operating Fund	—	877
Construction Funds	151,811	10,625
Commercial Paper Fund	26,945	6,737
Cost of Issuance Fund	—	1,458
	\$251,600	\$129,070
Debt Reserve Fund	77,661	77,683
<b>Total Cash and Investments</b>	<b>\$329,261</b>	<b>\$206,753</b>

Cash and investments consist of \$224.5 million of investment securities and \$27.1 million of cash deposits at December 31, 1999, and \$105.2 million of investment securities and \$23.9 million of cash deposits at December 31, 1998. The Debt Reserve Fund consists of \$77.6 million of investment securities and \$28,000 of cash deposits at December 31, 1999 and \$77.6 million of investment securities and \$58,000 of cash deposits at December 31, 1998.

Due to the refinancing in June 1998 (see Note 5) all of the former Power Supply System cash and investment funds are now included in the General System Revenue Fund with the exception of the Construction Funds which are now included with the General System Construction Funds.

On January 1, 1998, the District adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". GASB 31 requires the District's investments to be recorded at market value with the changes in the market value of investments reported as Investment Income and Other in the Statement of Revenues and Expenses and Accumulated Net Revenues. The adoption

of GASB Statement No. 31 did not have a material impact on previous years' Statement of Revenues and Expenses and Accumulated Net Revenues. Prior to January 1, 1998, the District applied provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". This Statement required that unrealized holding gains and losses for securities classified as available-for-sale were reported in Deferred Revenues until realized.

The approximate market values, realized and unrealized gains or losses, are summarized in the following table. The aggregate method was used in computing realized gains or losses.

	Investments	Debt Reserve Fund
	(Thousands)	
Market Value at		
December 31, 1999	\$ 224,481	\$ 77,633
Add: Proceeds of investments sold in 1999	622,738	99,827
Less: Cost of investments purchased in 1999	(687,642)	(103,099)
Less: Market value at December 31, 1998	(105,235)	(77,625)
<b>Change in market value of investments</b>	<b>\$ 54,342</b>	<b>\$( 3,264)</b>

Cash deposits, primarily interest bearing, at December 31, 1999, and throughout much of the year, were covered by federal depository insurance or unregistered U.S. Government and municipal securities held by various depositories. Investments at December 31, 1999, were in unregistered U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

The Debt Reserve Fund is valued annually at January 1 at amortized cost, provided that securities which mature five years or later shall be valued at market, in accordance with the requirements of the General Revenue Bond Resolution (General Resolution).

H. *Deferred Revenues* –

The District is required under the General Resolution to charge rates for electric power and energy from the General System so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the General Revenue bonds, amounts to be paid into the Debt Reserve Fund, and all other charges or liens payable out of revenues of the General System.

In the event the District's rates for wholesale and retail service result in a surplus or deficit in revenues during a rate period, such surplus or deficit is taken into account in projecting estimated revenue requirements for future rate periods. Such treatment of wholesale revenues is stipulated by the District's long-term wholesale power supply contracts.

## GENERAL SYSTEM

The surpluses and deficits which arose in prior years have been accounted for in these financial statements by either a deferral or an accrual of revenue. The cumulative deficit at December 31, 1999, to be reflected in future revenue requirements is approximately \$15.3 million.

#### I. Revenue Recognition –

Wholesale revenues are recorded in the period in which service is rendered, and retail revenues are recorded in the month retail customers are billed. Consequently, revenues applicable to service rendered to retail customers from the period covered by the last billing in a year to the end of the year are not recorded as revenues until the following year. Operating revenues are also impacted by the surplus or deficit in revenues as described in Note 1H.

#### J. Accumulated Net Revenues –

Accumulated net revenues consist primarily of cumulative operating revenues collected for utility plant additions, net of related accumulated depreciation, and debt service principal payments. The remaining accumulated net revenues will be fully offset by future depreciation expense. In addition, accumulated net revenues include cumulative interest income received on Construction Funds. This interest income was \$3.0 million in 1999, \$0.6 million in 1998, and \$1.0 million in 1997.

#### 2. PREPAID CAPITAL COSTS:

Prepaid capital costs are associated with the purchase of the capacity of a 50 MW hydroelectric generating facility owned and operated by The Central Nebraska Public Power and Irrigation District (Central). The District is recording amortization over the estimated useful life of the capacity purchased. Accumulated amortization was \$27.6 million in 1999, \$25.5 million in 1998, and \$23.4 million in 1997.

The District has an agreement whereby Central makes available all the production of the facility and the District pays all costs of operating and maintaining the facility plus a charge based on the amount of energy delivered to the District. Costs of \$1.1 million in 1999 and in 1998, and \$0.7 million in 1997 are included in Production – Operation and maintenance.

#### 3. INVESTMENT IN THE ENERGY AUTHORITY:

The District joined The Energy Authority (TEA), a power marketing corporation, on June 1, 1999. TEA assumes the wholesale power marketing responsibilities of its four members with each member having a quarter ownership in the joint venture. TEA has access to over 10,000 megawatts of its members generation located in Nebraska, Florida, Georgia and South Carolina. TEA

provides energy products and resource management services to the power industry.

The table below contains the condensed financial information for TEA as of December 31 (in thousands):

#### Condensed Balance Sheet

	<u>1999</u>
Current Assets	\$ 54,345
Noncurrent and Restricted Assets	<u>22,370</u>
Total Assets	<u>\$ 76,715</u>
Current Liabilities	\$ 45,001
Noncurrent Liabilities	19,995
Members' Capital	<u>11,719</u>
Total Liabilities and Capital	<u>\$ 76,715</u>

#### Condensed Statement of Operations

	<u>1999</u>
Revenues	\$235,038
Energy Costs	<u>(158,738)</u>
Gross Margin	76,300
Operating Expenses	<u>(10,674)</u>
Operating Revenues	65,626
Non-Operating Income	<u>510</u>
Net Revenues	<u>\$ 66,136</u>

In addition to \$2.6 million of contributed capital, the District has committed up to an additional \$15 million secured by a combination of cash collateral and member guarantees. The District also paid a membership fee of \$2.6 million which is being amortized over a five-year period.

#### 4. COMMERCIAL PAPER NOTES:

The District is authorized to issue up to \$80.0 million of taxable commercial paper (TCP) notes and up to \$150.0 million of tax-exempt commercial paper (TECP) notes. In June 1998, the District issued TCP notes in the amount of \$73.9 million, together with General Revenue Bonds as described in Note 5, to refund or defease all the outstanding Electric System Revenue Bonds and Power Supply System Revenue Bonds. The District has outstanding as of December 31, 1999, \$69.7 million of TCP and \$68.0 million of TECP. The proceeds of the TECP notes have been used (1) to finance certain capital additions of the Nuclear Facility, (2) to provide short-term financing for certain capital additions of the General System, and (3) for other lawful purposes of the District.

A credit agreement is maintained with a bank to support the sale of each of these commercial paper notes. The TECP and TCP credit agreements expire in May 2001 and June 2001, respectively. The effective interest rates on outstanding TCP notes for 1999 and 1998 was

5.3% and 4.9%, respectively. The effective interest rates on outstanding TECP notes for 1999 and 1998 were 3.2% and 3.5%, respectively.

The \$137.7 million of commercial paper notes outstanding at December 31, 1999, are anticipated to be retired by future collections through electric rates and long-term borrowings. The carrying value of commercial paper notes approximates market.

5. LONG-TERM DEBT:

Debt service payments and principal payments of the General Revenue Bonds as of December 31, 1999 are as follows:

Year	Debt Service Payments	Principal Payments
	(Thousands)	
2000	\$ 110,577	\$ 54,665
2001	119,829	66,600
2002	118,966	68,965
2003	115,298	68,650
2004	110,949	67,780
Thereafter	1,181,940	832,965
<b>Total payments</b>	<b>\$1,757,559</b>	<b>\$1,159,625</b>

In June 1998, the District issued General Revenue Bonds, 1998 Series A and 1998 Series B in the amounts of \$734.4 million and \$292.2 million, respectively, together with TCP as described in Note 4, to refund or defease all the outstanding Electric System Revenue Bonds, which include 1995 Series A, 1993 Series A, 1992 Series A, 1973 Series and 1968 Series and all the outstanding Power Supply System Revenue Bonds, which include, 1995 Series A, 1993 Series, 1993 Series B and 1993 Series C. As a result of this early extinguishment of debt, an extraordinary loss was realized of \$33.9 million.

In May 1999, the District issued General Revenue Bonds, 1999 Series A, in the amount of \$194.5 million for the principal purpose of paying the costs of acquisition and construction of various improvements and additions to the General System. The fair value of existing debt at December 31, 1999, is determined using rates currently available to the District.

The fair value is estimated to be \$1,121.5 million.

December 31,		1999	1998
		(Thousands)	
<b>General Revenue Bonds:</b>			
1998 Series A			
Serial Bonds			
1999 - 2016	3.95% - 5.25%	\$626,130	\$653,790
Term Bonds			
2017 - 2027	5.00%	13,485	13,485
Capital Appreciation Bonds			
2005	4.65%	18,686	17,846
2006	4.70%	19,233	18,360
2007	4.75%	20,106	19,184

1998 Series B			
Serial Bonds			
1999 - 2017	4.00% - 5.25%	185,195	201,140
Term Bonds			
2018 - 2027	5.00%	83,570	83,570
1999 Series A			
Serial Bonds			
1999 - 2018	4.00% - 5.125%	193,220	—
		<b>\$1,159,625</b>	<b>\$1,007,375</b>
Lease Purchase Payables -			
2.00%, due 1999 to 2005		1,156	1,345
Unamortized Bond Premium		24,776	26,192
Unamortized Bond Discount		(4,022)	(3,675)
<b>Total Long-Term Debt</b>		<b>\$1,181,535</b>	<b>\$1,031,237</b>

6. RETIREMENT PLAN:

The District's Employees' Retirement Plan (Plan) is a defined contribution pension plan established by the District to provide benefits at retirement to regular full-time employees of the District. At December 31, 1999, there were 2,187 Plan members. Plan members are required to contribute a minimum of 2%, up to a maximum of 5%, of covered salary. The District is required to contribute two times the Plan member's contribution based on covered salary up to \$40,000. On covered salary greater than \$40,000, the District is required to contribute one times the Plan member's contribution. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

The financial statements are prepared using the accrual basis of accounting. Employer and Plan member contributions are recognized in the period that the contributions are due. The District's contribution was \$9.1 million for 1999, \$8.3 million for 1998, and \$7.8 million for 1997.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

Concentration of investments representing 5% or more of Plan net assets is as follows:

American Express Trust Equity Index Fund III	26.0%
American Express Trust Investment Contracts	23.8%
AXP Growth Fund Y	14.4%
Franklin Small Cap Growth Fund A	10.6%
PIMCO Total Return Fund	8.5%
T. Rowe Price Equity Income Fund	8.4%

## GENERAL SYSTEM

### 7. POSTRETIREMENT BENEFITS:

The District, for employees hired on or prior to December 31, 1992, pays part of or the entire cost (determined by retirement age) of certain hospital-medical premiums when these employees retire.

The District amended the plan effective January 1, 1993. Employees hired on or after that date must participate in the plan as an active employee the last five years of employment in order to qualify for these benefits. In addition, employees hired on or after January 1, 1993, are subject to a contribution cap that limits the District's portion of the cost of such coverage to the full premium the year the employee or retired employee reached age 65, or the year in which the employee retires if older than age 65. Any increases in the cost of such coverage in subsequent years would be paid by the retired employee.

The District amended the plan effective January 1, 1999. Employees hired on or after January 1, 1999 are not eligible for postretirement hospital-medical benefits once they reach age 65 or Medicare eligibility.

The District also provides employees a life insurance benefit when they retire.

Substantially all of the District's retired and active employees are eligible for such benefits. Currently, the cost of these benefits is recognized as expense as the premiums are paid. The total cost of postretirement hospital-medical and life insurance benefits was \$3.7 million for 1999, \$2.9 million for 1998, and \$2.4 million for 1997.

Statement 12, Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employees (OPEB), issued by the GASB provides that entities should provide certain minimum disclosures regarding the OPEB provided. Additionally, Statement 12 provides for differing methods for financing OPEB. The District, as indicated above, currently funds OPEB on a "pay-as-you-go" basis and has not elected to fund OPEB through advance funding on an actuarially determined basis. The District does not contemplate any changes to the method for funding OPEB until results of the GASB's project on recognition and measurement of OPEB are available for analysis.

### 8. DEFERRED COMPENSATION PLAN:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Prior to 1999, all amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights were (until made available to the employee or other beneficiary) solely the property and rights of the District

(without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. The District had recorded the assets of its deferred compensation plan and the corresponding liability to reflect its fiduciary responsibility under the plan. In the past, the plan assets have been used for no purpose other than to pay benefits.

To comply with The Small Business Job Protection Act of 1996, effective January 1, 1999, all amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights are held in an annuity contract for the exclusive benefit of the employee or other beneficiary and are not subject to the claims of the District's general creditors. As a result of this change, the District will no longer record the assets and liabilities associated with the plan. The plan is administered by The Equitable Life Assurance Society of the United States.

### 9. CAPITAL ADDITIONS:

The General System 2000 construction plan includes authorization for future expenditures of \$46.2 million. These expenditures will be funded from existing bond proceeds, revenues, other available funds, and additional financings as deemed appropriate.

### 10. COAL SUPPLY AND RAIL TRANSPORTATION CONTRACTS:

The District has three coal supply contracts for its two coal fired generating stations which permit the District to purchase between a designated minimum and maximum number of tons annually. One coal supply contract expires May 31, 2000. The other two coal supply contracts expire December 31, 2003. The District also has two rail transportation contracts for Gerald Gentleman Station and one rail transportation contract for Sheldon Station which provide for, among other things, transportation of coal to Gerald Gentleman Station and Sheldon Station. One of the Gerald Gentleman Station rail transportation contracts expires December 31, 2007 and the other rail transportation contract expires December 31, 2011. The Sheldon Station rail transportation contract also expires December 31, 2011. All three rail transportation contract rates are escalated or de-escalated pursuant to an index promulgated by the Surface Transportation Board.

### 11. FERC HYDROELECTRIC PROJECT LICENSES:

In July 1998, the District received a new 40-year license from the Federal Energy Regulatory Commission (FERC) for the District's hydroelectric Project No. 1835. Project No. 1835 includes the North Platte hydroelectric

generating station and related facilities. Lands and waters of Project No. 1835 are utilized by Gerald Gentleman Station for cooling water purposes.

Central also received a new 40-year license for FERC Project No. 1417. Project No. 1417 includes the Kingsley Dam, Lake McConaughy, four hydroelectric generating plants and related facilities.

The relicensing of both projects addressed numerous environmental issues including, among other things, species protected under the Endangered Species Act. In order to obtain these new 40-year licenses, the District and Central are required to acquire and develop certain lands for wildlife management purposes.

The costs incurred to obtain the new license for Project No. 1835 has been capitalized and is being amortized over the 40-year life of the license.

## 12. RETAIL REALIGNMENT:

The District and its wholesale customers are currently in the process of realigning certain retail service areas to improve the efficiency of distribution of electricity. The realignment will transfer to certain wholesale customers the right to provide electric service to retail customers of the District. When completed in 2000-2001, it is expected that an estimated 27,000 retail customers, located in approximately 130 of the 207 communities served at retail by the District will have been transferred. In 1999, the retail realignment resulted in the transfer of the retail customers located in 36 of the realigned communities. When realignment is complete, the District's annual retail revenue will have decreased approximately \$31 million. However, the transfer will result in increased wholesale power sales. Annual wholesale revenues are expected to increase approximately \$20 million. The realignment will also include the sale of certain subtransmission and distribution facilities to the wholesale customers. Proceeds from the sale of such facilities are estimated to be approximately \$26 million.

## 13. LITIGATION:

On May 19, 1995, MidAmerican Energy Company (MEC), a 50 percent participant in the District's Cooper Nuclear Station (CNS), filed suit against the District alleging that the District failed to operate and maintain CNS in accordance with the Power Sales Contract (Contract). That case was settled in 1997. On May 23, 1995, Lincoln Electric System (LES), a 12.5 percent participant in CNS, also filed suit making similar allegations. On April 24, 1998, a jury returned a verdict of \$9.83 million in favor of LES. The District filed an appeal in July 1998. Briefs have been submitted by the parties, oral arguments were presented to the Nebraska Court of Appeals on March 21, 2000, and the matter has

been taken under advisement. The District has been and intends to continue defending the LES case vigorously; however, no assurance can be given at this time as to the outcome of this case.

On July 23, 1997, the District filed a complaint in Federal District Court in Nebraska against MEC for a declaratory judgment that MEC is obligated under the Contract to pay 50 percent of the estimated costs of decommissioning accumulated during the term of the Contract without a right of refund; that the District is properly collecting transition costs; and that the District's current method of investing decommissioning funds is proper. MEC filed its amended answer and ten counterclaims. MEC denies the District's claims; seeks to have the Court declare that MEC has no duty to pay any portion of the decommissioning costs unless CNS is shut down when the Contract expires in 2004; and also asserts other claims concerning the existence and extent of its rights and obligations under the Contract. On October 6, 1999, the Court entered a partial summary judgment in favor of the District and against MEC on the District's claim and MEC's counterclaims relating to MEC's obligation to pay its 50% share of decommissioning costs accumulated during the Contract term with no right of refund. MEC has appealed that judgment and the appeal is pending with the Federal Court of Appeals. The remaining claims and counterclaims continue to pend in the District Court.

A number of other claims and suits are pending against the District for alleged damages to persons and property and for other alleged liabilities arising out of matters usually incidental to the operation of a utility such as the District. In the opinion of management, the exposure under these claims and suits would not materially affect the financial position, results of operations, and cash flows of the District as of December 31, 1999.

# NUCLEAR FACILITY

## Report of Independent Accountants

To the Board of Directors  
Nebraska Public Power District:

We have audited the accompanying special-purpose statements of assets and liabilities of the Nuclear Facility of Nebraska Public Power District (a public corporation and political subdivision of the State of Nebraska, "the District") as of December 31, 1999 and 1998, and the related special-purpose statements of revenues and costs 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 auditing standards generally accepted in the United States and *Government Auditing Standards*. 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.

The accompanying special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of, accounting requirements specified in the Nuclear Facility Revenue Bond Resolution adopted by the District on August 22, 1968, as supplemented, as described in Note 1B, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the accompanying special-purpose financial statements of the Nuclear Facility of Nebraska Public Power District present fairly, in all material respects, the assets and liabilities as of December 31, 1999 and 1998, and its revenues and costs for each of the three years in the period ended December 31, 1999, on the basis of accounting described in Note 1B.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 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.

Omaha, Nebraska  
March 3, 2000

PricewaterhouseCoopers LLP

Statements of Assets and Liabilities December 31, 1999 and 1998  
Prepared Pursuant to Requirements of the Nuclear Facility Revenue  
Bond Resolution

	1999	1998
	(Thousands)	
<b>ASSETS</b>		
Utility Plant, at Cost	\$ 768,818	\$ 756,228
Less –		
Reserve for depreciation (Note 1)	345,517	318,220
Amounts funded from revenue (Note 1)	358,867	348,542
	<u>\$ 64,434</u>	<u>\$ 89,466</u>
Nuclear Fuel – Net of Amortization (Note 1)	\$ 95,830	\$ 91,944
Cash and Investments (Note 1):		
Debt service fund	\$ 7,684	\$ 7,313
Debt reserve account	19,910	19,832
Reserve and contingency fund	9,008	8,251
Additions and improvements account	6,084	3,158
General reserve fund	2,033	2,890
Construction fund	8,303	6,995
Fuel reserve account	60,396	57,023
Operating fund	9,674	11,972
Revenue fund	396	218
Decommissioning fund (Note 5)	12,186	18,770
	<u>\$ 135,674</u>	<u>\$ 136,422</u>
Accounts Receivable	\$ 5,872	\$ 15,908
Interest Receivable	\$ 1,226	\$ 1,492
Deferred Charges and Other Assets	\$ 15,699	\$ 15,781
External Decommissioning Fund (Notes 1 and 5)	\$ 207,430	\$ 176,192
<b>TOTAL ASSETS</b>	<u>\$ 526,165</u>	<u>\$ 527,205</u>
<b>LIABILITIES</b>		
Revenue Bonds (Note 3):		
1992 Series Serial 1999-2003 5.00% - 5.70%	\$ 91,120	\$ 105,745
1968 Series Term 1999-2002 5.10%	40,815	53,120
	<u>\$ 131,935</u>	<u>\$ 158,865</u>
Operating Reserves (Note 1)	\$ 151,370	\$ 147,859
Accounts Payable and Other Accrued Liabilities (Note 1)	\$ 19,731	\$ 28,590
External Decommissioning Fund (Notes 1 and 5)	\$ 207,430	\$ 176,192
DOE Facilities Decommissioning Assessment (Note 9)	\$ 15,699	\$ 15,699
<b>TOTAL LIABILITIES</b>	<u>\$ 526,165</u>	<u>\$ 527,205</u>

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

## NUCLEAR FACILITY

Statements of Revenues and Costs for each of the Three Years  
in the Period Ended December 31, 1999. Prepared Pursuant  
to Requirements of the Nuclear Facility Revenue Bond Resolution

	1999	1998	1997
	(Thousands)		
<b>Revenues (Notes 1 and 2):</b>			
Sales –			
General System	\$ 104,056	\$ 105,019	\$ 103,126
MidAmerican Energy Company	104,051	105,026	103,125
Investment and other income	7,621	8,442	12,288
<b>Total revenues</b>	<b>\$ 215,728</b>	<b>\$ 218,487</b>	<b>\$ 218,539</b>
<b>Costs (Note 1):</b>			
Operating expenses –			
Production –			
Fuel (Note 1)	\$ 38,176	\$ 28,335	\$ 31,858
Operation and maintenance (Note 1)	86,840	107,581	102,375
Provisions for operating reserves (Note 1)	38,486	31,788	38,721
General and administrative	16,838	15,392	10,198
	<b>\$ 180,340</b>	<b>\$ 183,096</b>	<b>\$ 183,152</b>
Debt service –			
Principal (Note 1)	27,297	25,995	24,775
Interest	8,091	9,396	10,612
<b>Total costs</b>	<b>\$ 215,728</b>	<b>\$ 218,487</b>	<b>\$ 218,539</b>

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

## Notes to Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Organization* –

The District has two separate divisions for accounting purposes as follows:

General System  
Nuclear Facility

As required by Bond Resolutions, separate records are maintained for each division. The Nuclear Facility financial statements exclude the General System, for which financial statements are presented separately herein. The Nuclear Facility financial statements should be read in conjunction with such other financial statements.

B. *Basis of Accounting* –

Revenues are recognized and billed at an amount equal to costs as defined by the Nuclear Facility Revenue Bond Resolution (Nuclear Resolution) which include operating expenses (excluding depreciation), and debt service on the revenue bonds, less investment income. Revenues are computed and billed so that no equity is accumulated in the Nuclear Facility.

Revenues and costs as defined by the Nuclear Resolution differ in the following respects from generally accepted accounting principles:

(i) Amortization of the debt principal is included as a cost in the accompanying Statements of Revenues and Costs as Debt service – Principal.

Depreciation is not recorded as a cost. Had the District provided straight-line depreciation over a 30-year life rather than including amortization of debt principal over the same period, costs would have decreased \$13.7 million in 1999, \$12.4 million in 1998, and \$11.1 million in 1997. Accumulated depreciation through December 31, 1999, would have decreased costs approximately \$30.4 million. The reserve for depreciation shown on the Statements of Assets and Liabilities was provided by recording amounts equal to repayment of debt principal. Upon retirement of property subject to depreciation, the cost of property is removed from plant accounts and charged to the reserve for depreciation, along with the removal costs, net of salvage.

(ii) Billings to provide capital for renewals and replacements of property, capital additions, and nuclear fuel are included in the accompanying statements as Operating Reserves and Provisions for operating reserves. Under generally accepted accounting principles, capital additions and provisions for renewals

and replacements are not expenses but (exclusive of minor items of property) are charged to utility plant. Provisions for working capital for nuclear fuel are not expenses under generally accepted accounting principles until the fuel is used. Renewals and replacements of property and capital additions funded from revenues are fully reserved.

(iii) Interest income on construction fund investments is credited to utility plant. Under generally accepted accounting principles, such income would have increased revenues \$0.3 million in 1999, \$0.4 million in 1998, and \$0.2 million in 1997.

(iv) Investment securities are recorded at cost. Interest income on these investments is recognized ratably over the term of the securities. Under generally accepted accounting principles, the difference between the carrying value of the securities and the fair value is to be recognized as a net amount in investment income. Had this method been followed, Cash and Investments as of December 31, 1999, would have decreased by \$1.3 million and Accounts Receivable would have increased by \$1.3 million as the Nuclear Facility has no equity as stated above. Additionally, the External Decommissioning Fund would have decreased by \$4.4 million had this method been followed.

(v) As part of a 1989 settlement agreement with General Electric Company (GE), the District will receive discounts on future purchases of certain equipment and services for Cooper Nuclear Station (CNS) and will receive credits and discounts under an amendment to the fuel fabrication contract. The District amortized over a two-year period ending in 1991 the entire amount of the benefits allocated to operations. Under generally accepted accounting principles, such benefits would be recognized when received which in the case of the settlement would be over the next 15 years. This difference results in a decrease in costs during the two-year amortization period and increased costs thereafter. Negotiations held with GE to determine the extension of discounts for future purchases of certain equipment and services that were to expire in 1994 resulted in a portion of the discounts being extended beyond 1994 and a write down of the related receivable for a portion of the unused discounts that expired in 1994. The agreement stipulates that the dollar value of the settlement should not be disclosed.

C. *Nuclear Fuel* –

The District has entered into several long term contracts for the various nuclear fuel components of uranium concentrates, conversion, enrichment, and fabrication. Nuclear fuel in the reactor is being amortized on the basis of energy produced as a percentage of total energy expected to be produced. Fees for disposal of fuel in the reactor are being provided as

## NUCLEAR FACILITY

part of the fuel cost and collected through revenues of the Nuclear Facility.

### D. *Cash and Investments* –

Funds consist of \$124.5 million of investment securities and \$11.2 million of cash deposits at December 31, 1999, and \$118.4 million of investment securities and \$18.0 million of cash deposits at December 31, 1998.

Cash deposits, primarily interest bearing, at December 31, 1999, and throughout much of the year, were covered by federal depository insurance or unregistered U. S. Government and municipal securities held by various depositories. Investments at December 31, 1999, were in unregistered U. S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

The Debt Reserve Account and the Reserve Account in the Reserve and Contingency Fund are valued semi-annually at January 1 and July 1 at the lower of cost or market in accordance with requirements of the Nuclear Resolution. Gains or losses on valuations are included in investment income.

### E. *Operation and Maintenance* –

Beginning in 1996, the annual excess nuclear property insurance premium and beginning in 1998, the annual primary nuclear property insurance premium was paid directly by the District's General System and MidAmerican Energy Company (MEC) with each paying one-half the cost as described in Note 2 under terms of a power sales contract. The excess nuclear property insurance premium was not included in the Nuclear Facility's Statement of Revenues and Costs in 1997. Neither of these premiums is included in the Nuclear Facility's Statement of Revenues and Costs for 1998 and 1999. Had the premiums been included, Sales and Production – Operation and maintenance expense would have increased \$2.4 million in 1999 and increased \$2.7 million in 1998.

## 2. POWER SALES CONTRACTS:

Under terms of a power sales contract with MEC, the District makes available one-half of the production of CNS to MEC with the balance available to the District's General System. MEC and the District's General System each pay a proportionate share of the nuclear fuel costs (based on energy actually delivered) plus one-half of all other costs of the facility.

The District has also agreed to make available, through its General System, 12.5% of the output of CNS to the City of Lincoln, Nebraska.

## 3. LONG-TERM DEBT:

The fair value of existing debt at December 31, 1999, is determined using rates currently available to the District. The fair value is estimated to be \$133.3 million.

The debt service accruals of the Nuclear Facility Revenue Bonds are \$35.4 million for the years 2000 through 2002 and \$35.5 million for 2003. Principal payment accruals, as a component of debt service accruals, are \$28.7 million, \$30.2 million, \$31.8 million and \$33.6 million for each of the years 2000 through 2003, respectively.

## 4. RATE COVENANT:

The District is required under the Nuclear Resolution to charge rates for electric power and energy from the Nuclear Facility so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the Nuclear Facility Revenue Bonds, amounts to be paid into the Debt Reserve Account and Reserve and Contingency Fund, and all other charges or liens payable out of revenues of the Nuclear Facility.

## 5. PLANT DECOMMISSIONING COSTS:

Pursuant to regulations promulgated by the Nuclear Regulatory Commission (NRC), the District established in July 1990, an external trust fund segregated from the District's assets in which amounts accumulated to pay the decommissioning costs of CNS are to be deposited. The NRC prescribed minimum amount to be accumulated by the District in said fund for decommissioning costs, in 1999 dollars, is approximately \$342.3 million. This amount does not include the cost of removal and disposal of spent fuel or of nonradioactive structures and materials beyond that necessary to terminate the District's operating license. For purpose of accumulating amounts for complete dismantlement and site restoration of CNS, the District is estimating the total decommissioning costs, in 1999 dollars, to be approximately \$533.2 million.

It is expected that the costs of decommissioning will be funded from revenues, certain reserve funds established under the Nuclear Resolution, and surplus funds derived from the ownership and operation of the Nuclear Facility. The District anticipates sufficient funds will be available in accordance with the NRC decommissioning rules to decommission CNS at the end of its useful life. The District intends to periodically review the costs and methods of funding as a result of changing conditions and requirements for decommissioning.

## 6. CAPITAL ADDITIONS:

The Nuclear Facility 2000 construction plan includes authorization for future expenditures of \$13.9 million. These expenditures will be billed to participants as Provisions for operating reserves on the basis of estimated cash flow requirements.

## 7. CONTINGENCIES:

Under the provisions of the Federal Price-Anderson Act, the District and all other licensed nuclear power plant operators could each be assessed for claims in amounts up to \$88.1 million per unit owned in the event of any nuclear incident involving any licensed facility in the nation, with a maximum of \$10.0 million per year per incident per unit owned. MEC would be liable to the District for one-half of such assessment under the Power Sales Contract. To satisfy the obligation, the District has obtained a \$5.0 million line of credit and MEC has demonstrated its financial integrity and responsibility for \$5.0 million.

As part of the 1989 settlement agreement between GE and the District, GE has agreed to store at its facility at Morris, Illinois, the 1,056 spent nuclear fuel assemblies from the first two core loadings at no cost to the District until May 2002, which is the expiration of the current license for the GE facility. After that date, storage will be at no cost to the District so long as GE can maintain, without certain additional costs, the NRC license for the facility. If after May 2002, storage of the 1,056 assemblies results in certain additional costs to GE then the District shall be responsible for such costs. Such costs would be collected through revenues of the Nuclear Facility as part of fuel costs.

## 8. LOW-LEVEL RADIOACTIVE WASTE DISPOSAL:

The Low-Level Radioactive Waste Policy Amendments Act of 1985 (1985 Act) requires each state to be responsible for providing for the availability of capacity for the disposal of low-level radioactive wastes generated within its borders except for certain defense related radioactive wastes. Among other things, the 1985 Act authorizes and encourages states to enter into interstate compacts, subject to Congressional consent, to provide for the establishment and operation of regional disposal facilities for low-level radioactive waste generated within the states entering into a compact.

Pursuant to the 1985 Act, Nebraska has entered into the Central Interstate Low-Level Radioactive Waste Compact (Compact) with the states of Arkansas, Kansas, Louisiana, and Oklahoma. The Compact has been approved by each of said states and by Congress. In 1987, Nebraska was selected to be the host state for a disposal facility and in 1989 a site was selected. A

license application for the facility was filed by U.S. Ecology Inc., the disposal facility contractor selected by the Compact, with the Nebraska Department of Environmental Quality. In December 1998, the license application was denied. Nebraska has been sued by the Compact, U.S. Ecology and others alleging improper interference with the licensing process. The matter is pending in a federal court.

In 1999, Nebraska enacted a law to withdraw Nebraska from the Compact which becomes effective in 2004.

The District is a party to an agreement under which partial funding for the prelicensing costs of the proposed disposal facility has been provided by the owners/operators of nuclear plants within the Compact. The District has fulfilled its obligation under the agreement and along with the other owners/operators has declined to provide funding for additional prelicensing costs after January 31, 1999.

Currently, the District has access to the low-level radioactive waste disposal facility in Barnwell, South Carolina and ships its waste to this facility. Future access to the facility in Barnwell is uncertain.

## 9. DEPARTMENT OF ENERGY FACILITIES ASSESSMENT:

Under the provisions of the National Energy Policy Act adopted in 1992, the District is subject to assessments estimated to be \$1.67 million per year (to be adjusted for inflation) for a period up to 15 years for the purpose of paying the costs of decontaminating and decommissioning Department of Energy operated uranium enrichment facilities. Such assessments commenced in 1993. The present value for such annual assessments for the 7 remaining years is approximately \$15.7 million. The District has recorded on the Nuclear Facility financial statements, the present value of such annual assessments by recording a liability and a matching deferred charge of approximately \$15.7 million as of December 31, 1999 and 1998.

## 10. LITIGATION:

A number of claims and suits are pending against the District for alleged damages to persons and property and for other alleged liabilities arising out of matters usually incidental to the operation of a utility such as the District. In the opinion of management, the exposure under these claims and suits would not materially affect the financial position and results of operations of the District as of December 31, 1999.



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WARREN R. COOK, RALPH D. JOHNSON, LARRY G. KUNCL, DORALENE WEED-FIRST VICE CHAIRMAN, GARY THOMPSON, BRUCE W. GUSTAFSON



EXECUTIVE TEAM FROM LEFT TO RIGHT:

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