



Nebraska Public Power District
Nebraska's Energy Leader

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June 14, 2001

50.71(b)

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

Subject: Nebraska Public Power District
2000 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 2000. 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. Swail
by

J. H. Swail
Vice President of Nuclear Energy

/nr
Enclosure

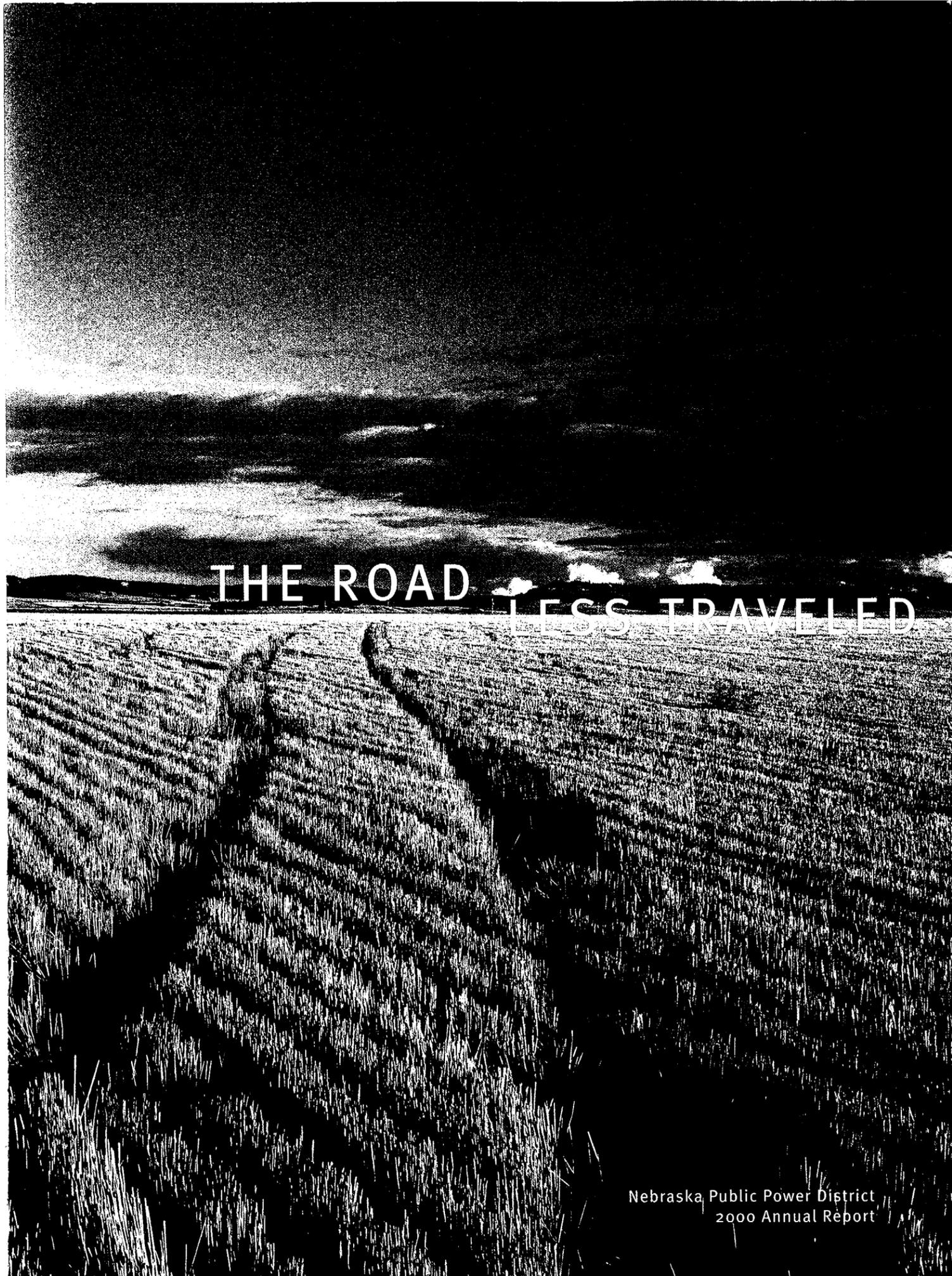
cc: Regional Administrator w/enclosure
USNRC - Region IV

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

Senior Resident Inspector w/enclosure
USNRC

NPG Distribution w/o enclosure

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THE ROAD LESS TRAVELED

Nebraska Public Power District
2000 Annual Report

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ABOUT THE THEME. Throughout our history at NPPD, we have chosen the road less traveled. It began with being the only state in the nation served entirely by public power and continues today by serving customers wherever they are. This report features various forms of roads. These roads are visual metaphors which help reinforce our commitment to public power and the people of this state.

A black and white photograph of a rural landscape. In the foreground, there is a dirt road that curves to the right, bordered by tall, dense grass. A large wooden utility pole with cross-arms and insulators stands prominently on the right side of the road. Several power lines stretch across the sky from the pole towards the horizon. In the distance, another utility pole is visible on the horizon line. The sky is bright and clear. The overall scene is desolate and open.

REACHING CUSTOMERS
3.8 MILES SOUTHEAST
OF THEDFORD.

Kilowatt Hour Sales (General System)	13.8 Billion
Operating Revenues (General System)	\$513.9 Million
Kilowatt Hour Sales to MidAmerican Energy Company (Nuclear Facility)	2.4 Billion
Operating Revenues from Sales to MidAmerican Energy Company (Nuclear Facility)	\$108.2 Million

Ainsworth, Alma, Anoka, Ashton, Atkinson, Aurora, Barada, Bassett, Big Springs, Bloomfield, Brandon, Bristow, Broadwater, Brule, Burchard, Butte, Chadron, Clinton,

Cost of Power Purchased and Generated (General System)	\$299.2 Million
Other Operating Expenses (General System)	\$161.7 Million
Net Revenues	\$3.5 Million
Debt Service Coverage	1.37

COI

CHAIRMAN AND PRESIDENT'S MESSAGE

Crab Orchard, Craig, Crawford, Creighton, Dakota City, Dawson, Dubois, Elm Creek, Elsie, Emmet, Fort Robinson, Geneva, Gibbon, Gordon, Hartington, Hay Springs,

Our annual report for the year 2000—*The Road Less Traveled*—has some of the same characteristics embodied in the theme of the book that was written more than 25 years ago by Scott Peck (The title of this report is taken from the book, *The Road Less Traveled*, by M. Scott Peck, M.D., and is used courtesy of Simon & Schuster). Our theme and Peck's reflect upon the intersections of paths that could have been taken and those actually taken by the original author and by this organization now known as the Nebraska Public Power District (NPPD).

Perhaps the earliest choice that was made that shapes our existence and our future was that of the Nebraska Legislature in 1937. It was in this era, when federal and state governments were applying rigid government regulation to the electric monopolies, that our legislature chose to have electric service provided through publicly owned, locally controlled power districts and municipalities. This unique approach avoided the monopoly pricing abuses experienced previously.

In 1995, NPPD set specific strategies to prepare for competition at the retail customer level. All of the measures that have been taken since that time focused on gaining customer loyalty, improving our business efficiency and decreasing costs in all elements of NPPD's operation to enhance our already-competitive price position.

A significant strategy in our Road Less Traveled is found in NPPD's service territory. We operate in small cities, towns and rural Nebraska, not in large metropolitan areas, and our commitment is to serve customers even though some may live at the "end of the line." This hometown commitment demonstrates NPPD's ethos of "an obligation to serve" within our service territory, compared to many would-be competitor, investor-owned utilities that look for "opportunities to serve" to enhance their profits and follow the path of increasing shareholder value. We believe that in the long run, our chosen path will positively distinguish NPPD when, and if, retail competition arrives in Nebraska.

Homer, Humbolt, Inman, Kearney, Lewellen, Lewiston, Lisco, Long Pine, Loup City, Lynch, Madrid, McCook, McGrew, Meadow Grove, Melbeta, Merriman, Milford,

We're moving in many new directions. In 2000, we built and opened a new customer call center that showcases our commitment to new technologies and the best customer service possible. At the touch of a keyboard, NPPD representatives can bring a customer's bill online, check specific information and respond immediately to a request.

We are retrofitting our coal plants with a filtration technology to capture large particulate emissions. These state-of-the-art baghouses replace our former electrostatic precipitators, and improve our ability to operate with few interruptions. By increasing the availability of these units, the need to purchase power outside our system decreases, resulting in savings and lower costs for our customers.

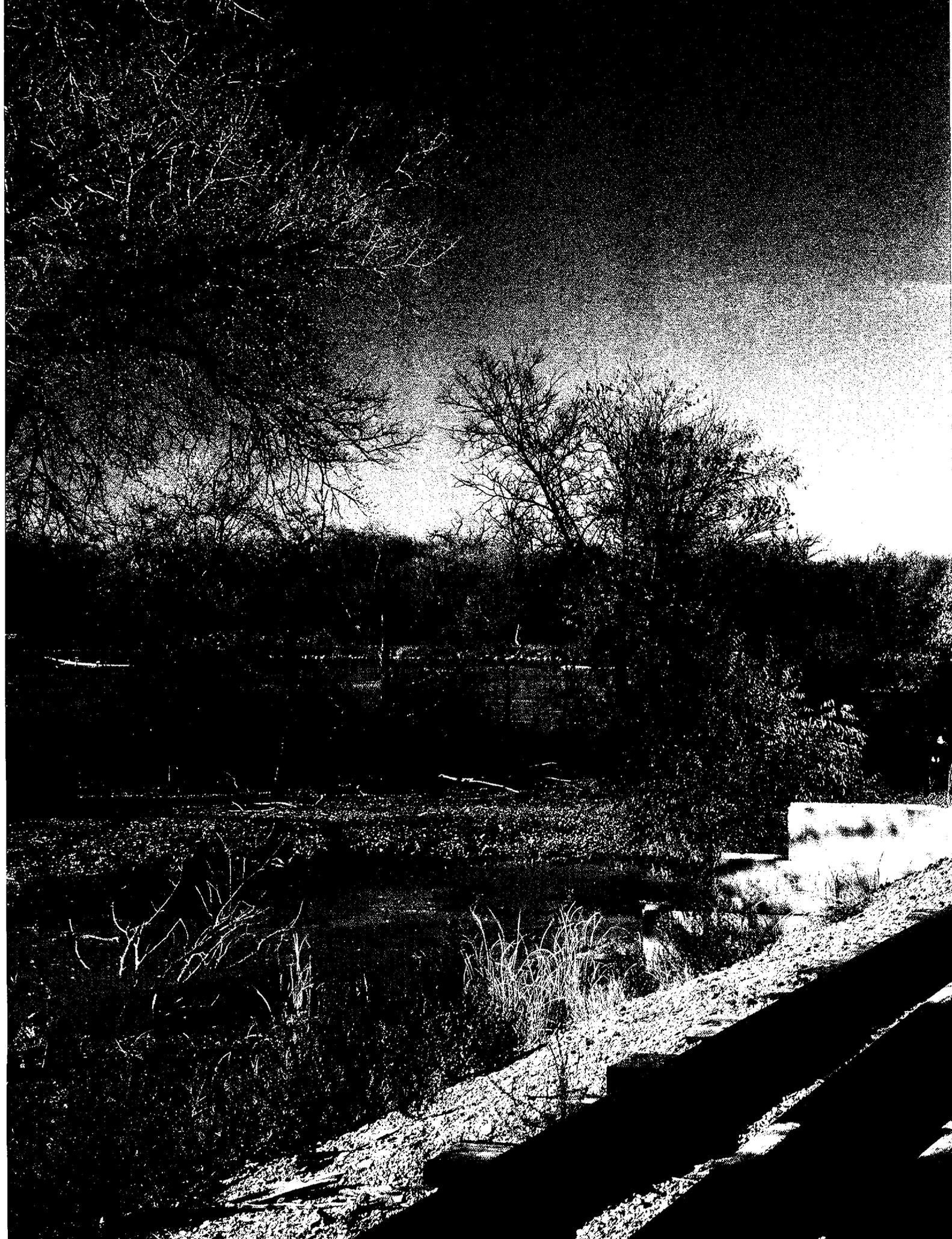
NPPD's relationship with our wholesale distribution "partners" is another unique and critical factor in our success. We've recently completed and approved a new power contract that adds flexibility and long-term price stability to our wholesale power sales. We are also giving wholesale partners the option of signing 15- or 20-year contracts.

Our Board of Directors has set a policy of meeting the increased demand for electricity through our own diverse mix of generation facilities with only nominal dependence upon the wholesale power market when our generators are out of service for maintenance and repair. Federal deregulation is bringing about great pressure to incorporate transmission systems into regional organizations. We are working to bring NPPD into a regional network that continues to focus on reliability and a robust regional wholesale power market.

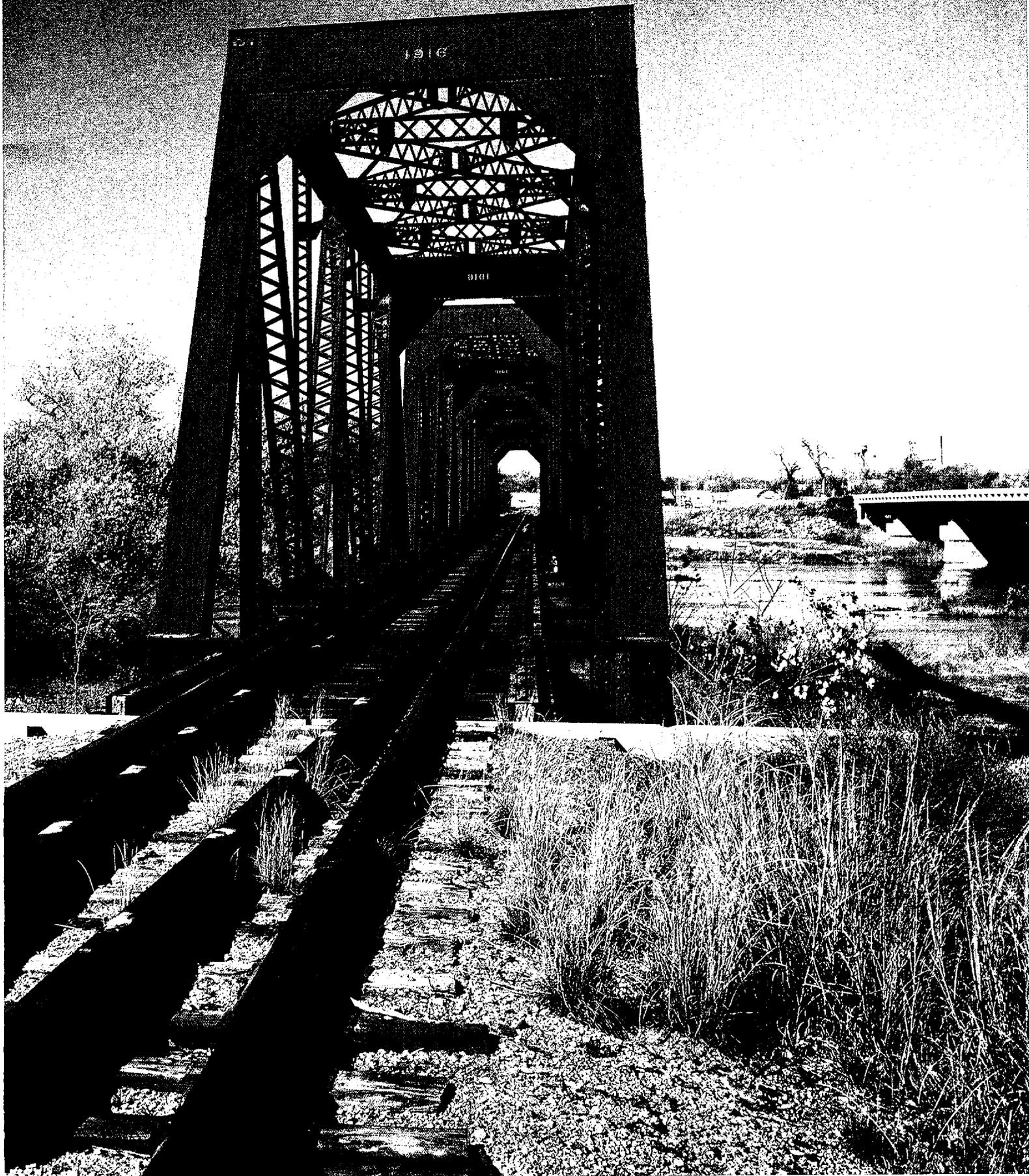
We are exploring new technologies and operation methods to improve our efficiency. We will continue to improve our customer responsiveness, and discover new paths to generating resources. All of these steps move us in a direction that will best serve the needs of all our customers.

Wayne E. Boyd, Chairman of the Board

William R. Mayben, Chief Executive Officer



PUBLIC POWER TIES NEBRASKA TOGETHER
A HALF-MILE SOUTH
OF ST. PAUL.



Minatare, Murray, Mynard, Nehawka, Norfolk, Northport, Oakdale, Oakland, Ogallala, O'Neill, Osceola, Oshkosh, Pawnee City, Pine Ridge, Plattsmouth, Pleasant Dale,

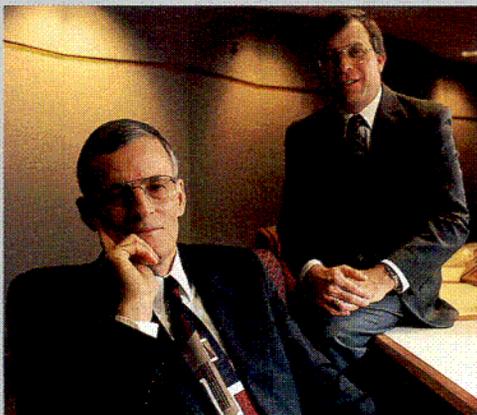
The effects of deregulation and retail competition in the electric utility industry filled page after page of newspapers throughout the country during the last year. These accounts detailed increased prices, volatile price changes in the wholesale market and problems with supply, among others.

The road signs on the electric utility highway pointed west towards deregulation and retail competition in California, with warning signs posted along the way. Nebraska and NPPD moved down a less-traveled, but well thought out path. Early in the year 2000, Governor Mike Johanns signed a bill that established certain conditions that must exist before Nebraska's retail, electric market can deregulate. In short, as long as the wholesale price of electricity provided by the electric utilities

in Nebraska remains below that of the regional average, Nebraska will be less likely to move towards retail competition. We are keenly aware that it's up to us to keep our rates low, and service and power quality high.

Nebraska's legislature sets the framework for NPPD's success. The unique feature of Nebraska's electric utility system is that no utilities in the state generate profits for shareholders. No other state in the country is entirely served by public power.

Despite clear directions and a strong infrastructure, we still encountered some potholes during 2000 that are being fixed to ensure smoother driving in the years ahead. NPPD's generating facilities produced 14.22 million megawatt hours (MWH) of electricity during 2000, approximately 12 percent less than 1999, when a record 16.12 million MWH were generated. Plant outages for



Wholesale partners Bob White, Loup PPD Manager, and Bruce Pontow, Nebraska Electric G&T, Inc. General Manager, helped map out new 15- and 20-year power contracts.

CO2

Ravenna, Rushville, Scottsbluff, Shelby, Shelton, Shubert, St. Mary, Steinauer, Stella, Sterling, Sutherland, Table Rock, Tekamah, Terrytown, Tilden, Union, Venango,

repairs contributed to these lower figures. Meanwhile, our 4,262-mile, high-voltage transmission line system carried 27.01 million MWH of electricity in 2000, just short of the all-time high of 27.23 million MWH set in 1999. NPPD's transmission system achieved an availability average of 98.44 percent during 2000, above regional averages.

We experienced higher costs and less revenue than forecast due to a mild spring and fall, a dry summer, plant operating restrictions, high prices of purchased power in the wholesale market and high natural gas prices. Although energy sales for the year were close to budget, the combination of these factors resulted in the approval of a rate adjustment for 2001, referred to as a Production Cost Adjustment (PCA), of \$20 million.

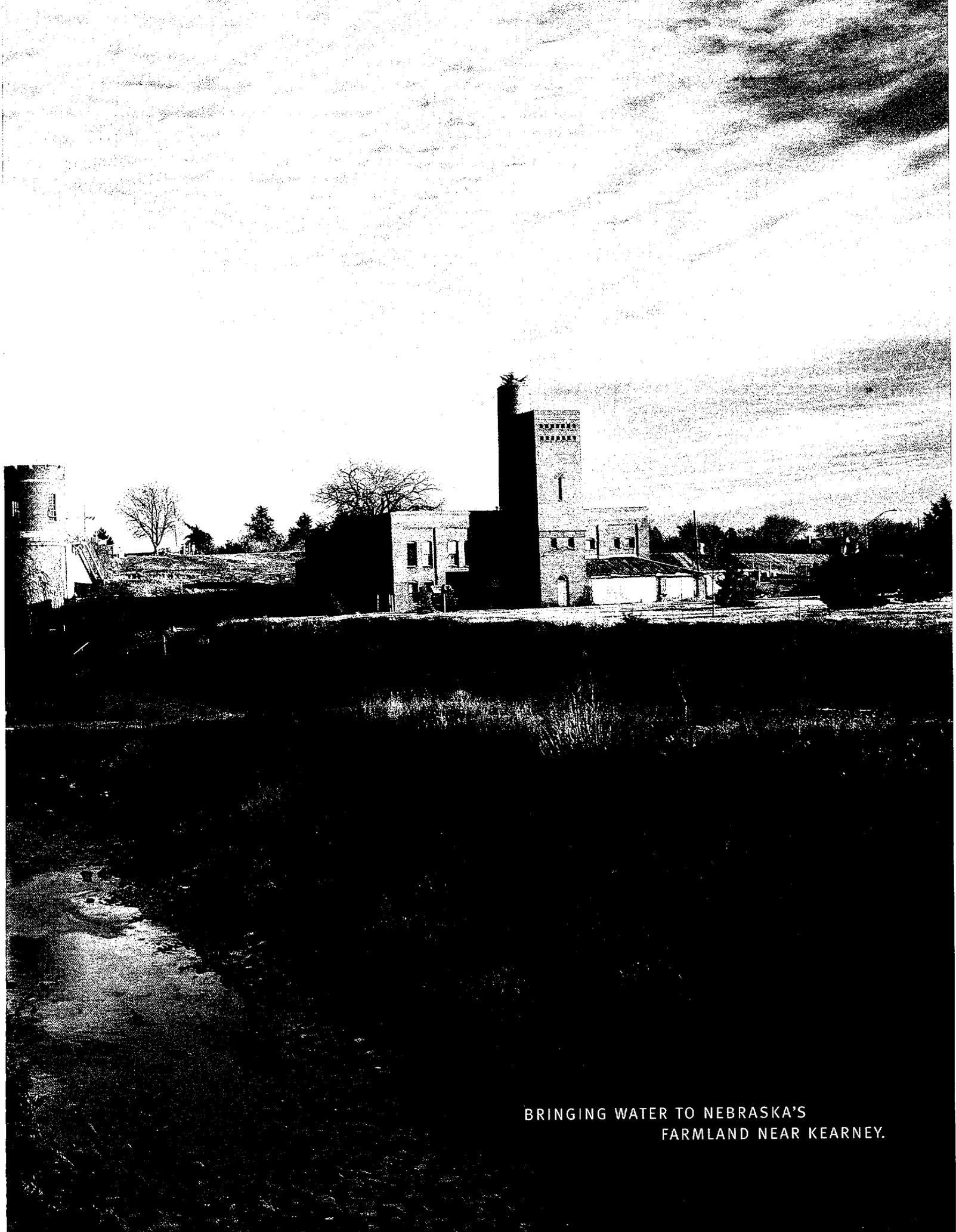
Another area where we're addressing financial conditions is in our new wholesale power contracts. They provide for the creation of a "Rate Stabilization Account." In years when we have surplus net revenues, we will be able to retain them in the account to offset those years in which we may have deficits. In addition, we plan to make fundamental changes in our wholesale rate structure to more efficiently provide price signals, when market conditions change, that better reflect the cost of supplying energy. We are also taking additional efforts to involve our wholesale partners in our forecasts.

Our unique public power relationship with our wholesale partners separates us from private utilities through a mutual commitment to the communities we serve.

For example, NPPD and our wholesale partners are working on new 15- and 20-year power contracts that will be offered in 2001. These contracts offer additional options and flexibility. The long-term stable nature of the contracts mutually benefits NPPD and our wholesale partners by creating better opportunities to serve end-use customers. The long-term contracts also facilitate better planning.

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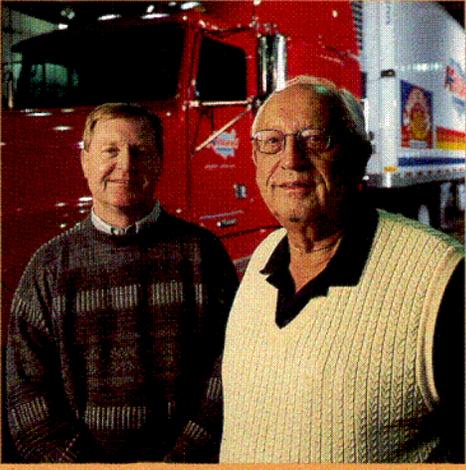


BRINGING WATER TO NEBRASKA'S
FARMLAND NEAR KEARNEY.

Verdon, Whiteclay, Whitney, Winebago, York, Arapahoe, Battle Creek, Beatrice, Bradshaw, Brainard, Burt County PPD, Butler PPD, Cedar-Knox PPD, Central City,

For example, the towns of Neligh and Deshler both signed long-term wholesale power contracts with NPPD during 2000. These wholesale contracts provide protection against the volatile spot wholesale market.

As part of our long-term strategy to ensure we maintain sufficient generation to meet the demands of growing power use in Nebraska, three of four major NPPD coal-burning generating units underwent major improvements in 2000, with the last unit to be completed in the spring of 2001. In order to improve the availability and reliability of our major generating units and to improve emission control, baghouses were installed on both Sheldon Station units—in December 1999 and February



Russ McKillip, NPPD, works with customer Virgil Froehlich, Affiliated Foods Midwest President and Chief Executive Officer, in Norfolk.

2000. At Gerald Gentleman Station (GGS), Unit 1 was retrofitted with baghouses and back online in December 2000, while Unit 2 is slated to be taken offline and retrofitted by late spring of 2001. This state-of-the-art baghouse technology, which removes particulate matter from the stack emissions, replaces the electrostatic precipitators installed during original construction.

Improving technology, reduced emissions and plant reliability are the fundamentals applied to NPPD's coal-burning plants. These principles also underscore plans implemented in 2000 to prepare our nuclear plant—Cooper Nuclear Station-(CNS)—for improved long-term performance, including a six-year strategic plan, with performance indicators to monitor progress. CNS also moved actively to meet the Institute of Nuclear Power Operations (INPO) Academy training requirements.

C04

Chester, Cornhusker PPD, Cozad, Cuming County PPD, Custer PPD, Davenport, David City, Dawson PPD, Deshler, DeWitt, Dorchester, Edgar, Elkhorn RPPD,

Our goal is to continue improving performance at CNS so that plant operation through its licensing period of 2014 is assured. We are exploring a 20-year license extension. The additional 20 years of operation could further ensure rate stability for NPPD.

Long-term operation of the nuclear plant relies heavily on NPPD's ability to operate it efficiently, effectively and safely. To sustain the highest level of safety, optimize reliability, plant performance, efficiency and economy at CNS, NPPD is also exploring the possible formation of a joint nuclear plant operating organization with the Omaha Public Power District. A decision is expected in 2001.

We are also investigating new sources of generation. In planning our long-term energy supply strategy, we're examining market risk, fuel supplies, environmental considerations, load growth, the viability of our current plants, population trends, weather, and other issues to determine our needs, as well as which type of plant would best serve those needs. Recommendations on implementing a strategy will also be made in 2001.

Reliable and inexpensive electricity and good service provide the key ingredients to propel our state economy. Our Economic Development Team, in cooperation with state agencies and our wholesale partners, has encouraged more companies to travel Nebraska's highways. It played a major role in the attraction or expansion of 18 new businesses and 3,600 jobs in 2000, while expanding and diversifying the state's economy, and adding electrical load.



Judy Zimmerer provides friendly, one-stop service from NPPD's new Centralized Customer Care Center.

005

ALWAYS THERE WHEN YOU NEED US.
WINTER EVENING, 7TH & MAIN STREETS,
PLATTSMOUTH.





Fairmont, Friend, Giltner, Gothenburg, Hampton, Hebron, Hemingford, Hildreth, Holdrege, Howard-Greeley RPPD, KBR RPPD, Lexington, Lodgepole, Loup PPD,

NPPD's use of Internet technologies was a key in helping to bring a new manufacturer to the town of Beatrice in 2000. Wesflex, a manufacturer of flexible plastic conduit, needed a new facility east of the Rocky Mountains to be closer to its customers. Wesflex jump-started its site search by going to NPPD's web site at www.nppd.com to look at available land and buildings, business incentives and other Nebraska locational advantages.

Speed was essential in the firm's decision-making process, and NPPD was able to respond quickly due to its experience. The president of Wesflex said it was the combination of NPPD's web site, the Nebraska people and the service that influenced him to expand his company in Nebraska.



Wesflex Pipe Manufacturing President Austin Morris credits NPPD's web site, people and service, plus Linda Christle of Gage County Economic Development, as reasons Wesflex located in Nebraska.

The advantages of putting together a futuristic-looking web site were evident in December when NPPD celebrated placing its 100th community on the Internet. NPPD develops web sites for communities we serve that are designed to showcase the towns' highlights to visitors, and bring businesses and new residents to these communities.

To stay abreast of e-business issues and incorporate electronic commerce into our internal and external activities, NPPD implemented an E-Business initiative in early 2000. One key activity included developing an online purchasing network that NPPD could offer to customers, and this culminated in a business alliance with eScout.

More than 100 Nebraska businesses have joined eScout.com. eScout is an Internet-based business-to-business marketplace created for buying and selling

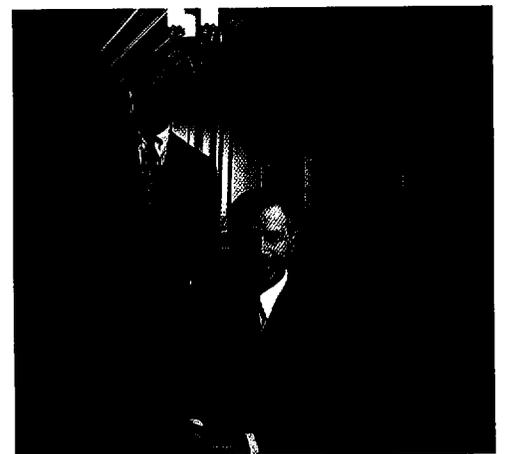
Loup Valleys RPPD, Lyons, Madison, McCook PPD, Minden, Neligh, Nelson, Niobrara Valley EMC, Norris PPD, North Central PPD, North Platte, Northeast NE PPD, Ord,

products and services online. NPPD offers membership in eScout to businesses in our service territory at no charge.

NPPD will offer our customers the ability to view and pay their retail bills via the Internet starting in the second quarter of 2001. This service, along with other features introduced with our new billing system in October 1999, provides a convenient, flexible way for our customers to do business with us.

Our new Centralized Customer Care Center opened in Norfolk, Neb., in June. The Center offers customers the opportunity to pay bills, request service, report outages or ask questions of NPPD representatives. It also features new technology that allows our staff to quickly access billing information and address customer questions and concerns. By centralizing these functions, we increased the efficiency and customer convenience of our retail business.

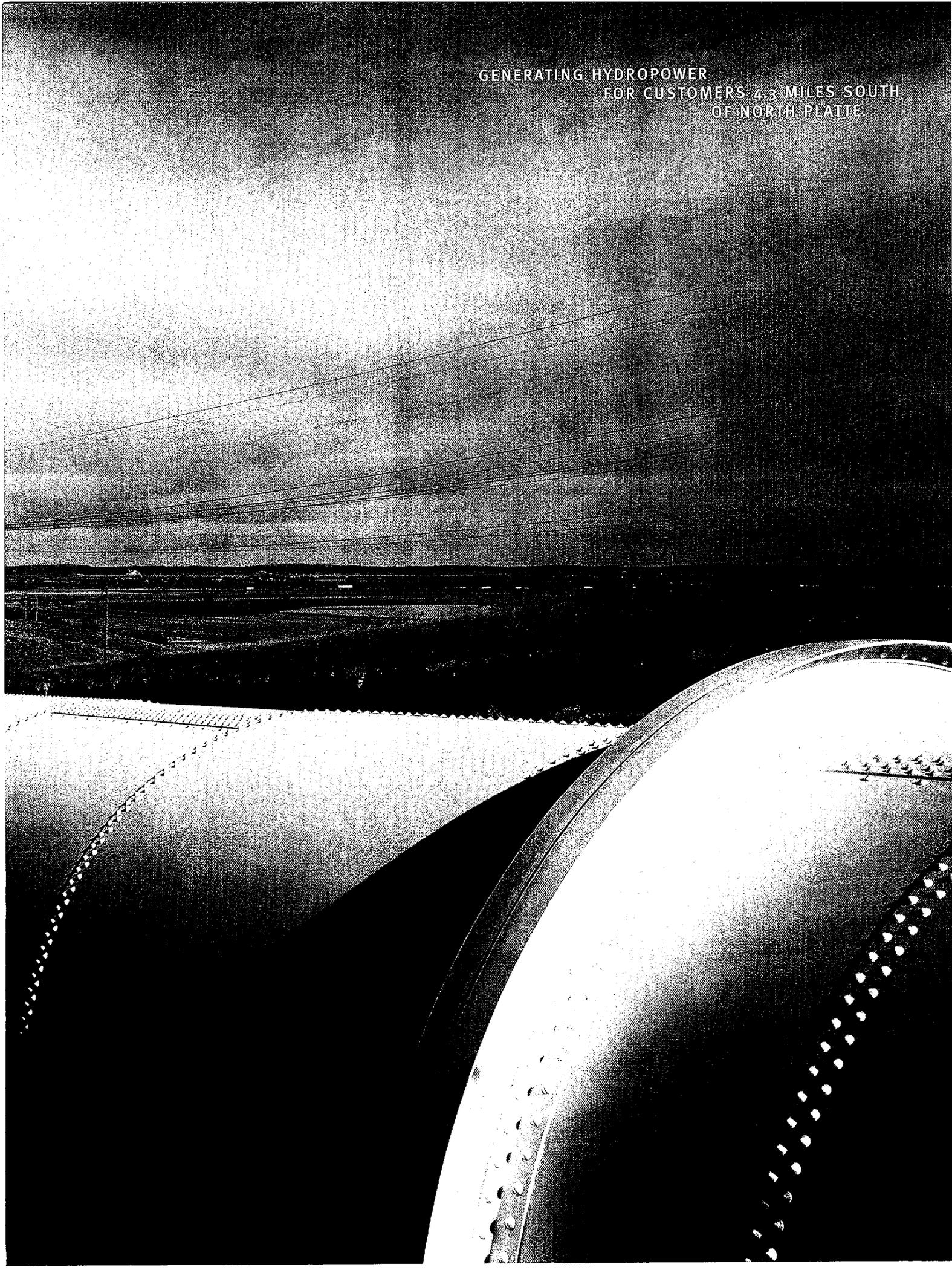
In December, NPPD's Retail Division made the final transfer of customers under the strategy Retail Realignment. This is one of our strategies to strengthen public power in Nebraska. Since the realignment process began in 1999, 126 smaller communities with 26,000 retail customers were transferred to other public power distributors. These partner utilities also took over the operation and maintenance of 159 electrical substations and 1,300 miles of subtransmission lines. NPPD Retail continues to serve 92 communities (including cities, villages and unincorporated areas) with 85,500 customers. The Retail Division also operates and maintains 1,200 miles of subtransmission



Chief Executive Officer Bill Mayben and Nebraska Governor Mike Johanns share the goal of working together to improve Nebraska's environment.



GENERATING HYDROPOWER
FOR CUSTOMERS 43 MILES SOUTH
OF NORTH PLATTE



Perennial PPD, Polk, Polk County RPPD, Prague, Randolph, Scribner, Seward, Seward Co. RPPD, Snyder, South Central PPD, South Sioux City, Southern NE RPPD,

lines, 156 substations and the municipal-owned distribution system in South Sioux City. Realignment allows NPPD and its partner utilities to gain efficiencies, improve overall operations and develop closer working relationships. These strategies better position NPPD and its wholesale partners for the competitive electric utility industry of the future.

Other efforts extended into the sale of products and services, including four new products offered by the Nebraska Energy Services Company. In addition, NPPD facilitated installation of ground source heat pumps in five buildings, while new energy information systems were installed at three businesses. We also have a special program, called Prairie Power™, available for customers to voluntarily invest and fund renewable energy technologies.

In August of 2000, NPPD teamed up with the Nebraska Department of Environmental Quality (NDEQ) and the U.S.



NPPD Retail, along with other members of the Nebraska Energy Service Company, launches new customer products and services such as HOMEGUARD®, a whole-house surge suppression system. Bill Ferguson installs the surge protection to an outside meter.

Environmental Protection Agency (EPA) in separate, unique arrangements. Both efforts demonstrate NPPD's commitment to working with regulators to find distinctive solutions to improving environmental quality while maintaining cost-effective generation of electricity.

The first of these agreements was solidified in a signing ceremony with NPPD, the NDEQ and Nebraska Governor Mike Johanns. The agreement committed the state and NPPD to work cooperatively towards developing a sustainable, healthy environment. Specifically, it focuses on preventing pollution, simplifying permit processes, sharing information and working to develop and expand the use of renewable resources to generate electricity.

Southwest PPD, Stanton County PPD, Summerfield, Superior, Sutton, Twin Valleys PPD, Valentine, Wakefield, Walthill, Wauneta, Wayne, Webber, Wilcox, Wisner, Wymore

The second partnering effort, with the EPA, was designed to reduce emissions of sulfur hexafluoride (SF₆), a greenhouse gas that contributes to global climate change. It is used in electrical transmission and distribution equipment, such as circuit breakers. The partnership helps NPPD become more efficient in business practices and improve environmental quality.

New arrangements with other organizations are not the only way NPPD is driving towards the future. We are also changing how we operate internally. In late 1999, NPPD began implementing an Enterprise Business Solution to instill consistency and efficiency in our business processes and provide a means for promoting and monitoring performance improvements.

Using a software program from SAP, employees now have access to real-time information regarding equipment, inventory and costs, as well as a greater knowledge of when and how to schedule and plan projects and processes among business units. The project carried over to 2000, and will continue in 2001 as the company completes the nuclear portion of the SAP installation and implements the human resources and payroll modules.

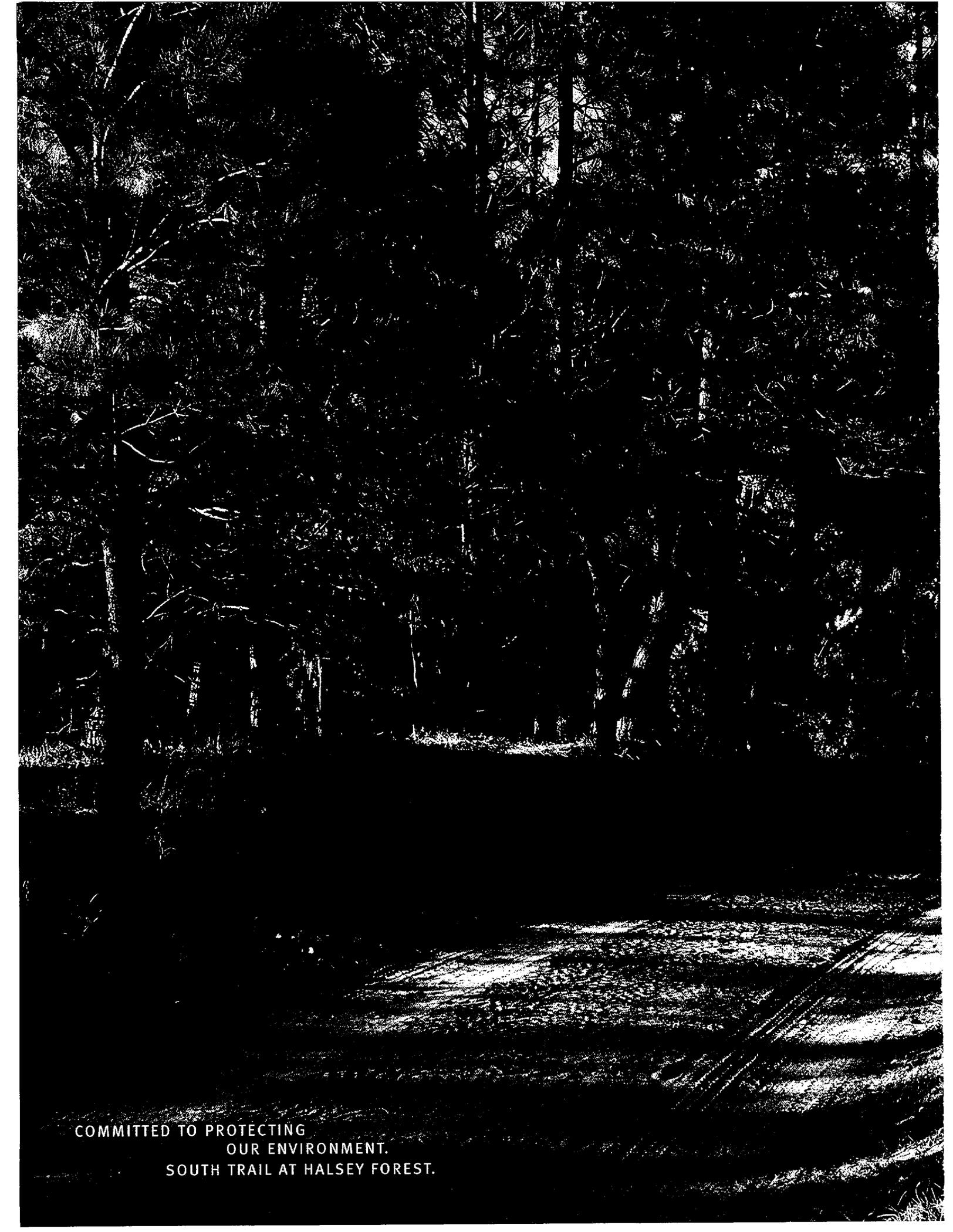
Environmental commitment, economic development, tapping the Internet, new wholesale contracts, power plant improvements and applying new technologies to customer service and internal projects are just some of the ways NPPD approaches our business in new ways.

NPPD and public power make the commitment to serve every customer regardless of where they live. This is the heart of NPPD, our commitment to Nebraska and its people. Taking the road less traveled has made all the difference.



Mascot Louie the Lightning Bug travels across the state demonstrating NPPD's dedication to energy education, safety and community involvement.

C07



COMMITTED TO PROTECTING
OUR ENVIRONMENT.
SOUTH TRAIL AT HALSEY FOREST.



2000 STATISTICAL REVIEW

General System and Nuclear Facility Combined

SALES	Average Number of Customers	Electric Energy MWH Sales		Revenues from Electric Sales (ooo's)		Revenue Per KWH
		Amount	%	Amount	%	
Retail:						
Residential	74,153	827,100	6.0	\$ 64,319	12.5	7.78 ¢
Rural & Farm	2,727	55,203	0.4	4,385	0.9	7.94 ¢
Commercial	15,802	859,770	6.2	49,452	9.6	5.75 ¢
Industrial	61	1,121,096	8.1	33,033	6.4	2.95 ¢
Public Lighting	263	21,082	0.2	1,998	0.4	9.48 ¢
Municipal Power	115	34,624	0.3	2,094	0.4	6.05 ¢
Miscellaneous Municipal	2,133	124,166	0.9	5,676	1.1	4.57 ¢
Total Retail Sales	95,254	3,043,041	22.1	160,957	31.3	5.29 ¢
Wholesale:						
48 Municipalities (Total Requirements)		1,662,570	12.0	56,948	11.1	3.43 ¢
21 Municipalities (Interconnections & Partial Requirements)		42,611	0.3	1,427	0.3	3.35 ¢
24 Public Power Districts & Cooperatives (Total Requirements)		5,293,173	38.2	160,354	31.2	3.03 ¢
Total Wholesale Sales (Excluding Nonfirm and Participation Sales)		6,998,354	50.5	218,729	42.6	3.13 ¢
Total Retail and Wholesale Sales (Excluding Nonfirm and Participation Sales)		10,041,395	72.6	379,686	73.9	3.78 ¢
Other Utilities (Firm and Nonfirm)		1,151,863	8.3	27,991	5.4	2.43 ¢
Participation Sales (1)		2,646,470	19.1	69,284	13.5	2.62 ¢
Total Revenues from Electric Energy Sales		13,839,728	100.0	476,961	92.8	3.45 ¢
Other Operating Revenues (Net of Deferred)				36,933	7.2	
Total General System Operating Revenues				\$ 513,894	100.0	

GENERATION	MWH		Production Costs (ooo's)	
	Amount	%	Amount	%
Production:				
General System (Including Interchange)	9,482,527	65.9	\$ 113,887	38.1
Purchased:				
Nuclear Facility (1)	2,369,760	16.4	103,154	34.5
Other	2,542,750	17.7	82,118	27.4
Total Power Purchased	4,912,510	34.1	185,272	61.9
Total Power Produced and Purchased	14,395,037	100.0	\$ 299,159	100.0

(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 2,366,175 MWH from the Nuclear Facility. MidAmerican Energy Company participation is not included in the table.

GENERAL (000's)	2000	1999	1998	1997	1996
Utility Plant (at cost): (1)					
General System	\$2,124,731	\$1,997,949	\$1,939,282	\$1,894,735	1,841,412
Nuclear Facility	782,068	768,818	756,228	743,097	731,381
Total Utility Plant	\$2,906,799	\$2,766,767	\$2,695,510	\$2,637,832	\$2,572,793
Outstanding Debt:					
General System (2)	\$1,254,887	\$1,319,250	\$1,168,092	\$1,177,607	\$1,216,864
Nuclear Facility	103,640	131,935	158,865	184,520	208,985
Total Outstanding Debt	\$1,358,527	\$1,451,185	\$1,326,957	\$1,362,127	\$1,425,849

PRODUCTION PLANT FACILITIES:	Number of Plants (3)	Accredited Capability (MW)	Percent of Total
Steam — Conventional	3	1,709.0	59.4
Steam — Nuclear (4)	1	776.0	27.0
Hydro	9	162.8	5.6
Diesel	12	64.1	2.2
Combustion Turbine	3	166.0	5.8
Total Production Plant Facilities	28	2,877.9	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

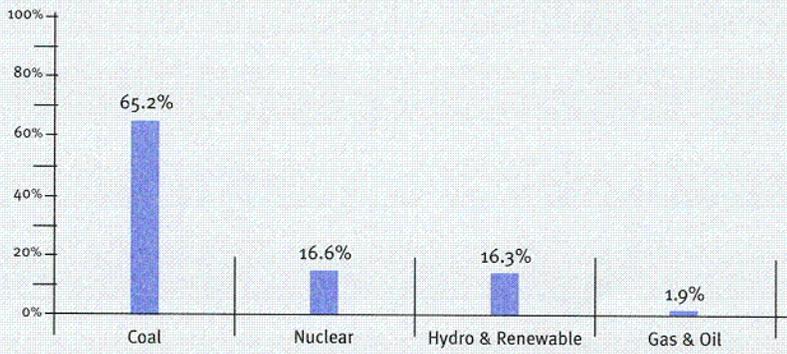
Miles of Transmission Line in Service	5,169
Number of Permanent Employees	2,280
2000 Contractual and Tax Payments (000's):	
Lease Payments to Retail Towns	\$ 15,293
5% Gross Revenue Tax	\$ 5,840
In Lieu of Tax Payments	\$ 213

HOW NPPD'S DOLLAR WORKS FOR ITS CUSTOMERS—2000

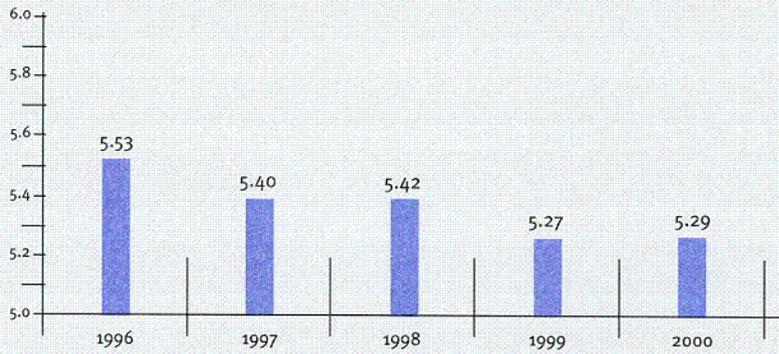


1. Cost of Production—General System	22.2%
2. Cost of Production—Nuclear Facility	20.1%
3. Cost of Other Operation and Maintenance Expenses	17.9%
4. Cost of Purchased Power—other	16.0%
5. Bond Retirements, Construction from Revenues, etc.	13.1%
6. Interest, Other Income Deductions and Taxes	10.7%
(net of interest income and other revenues)	

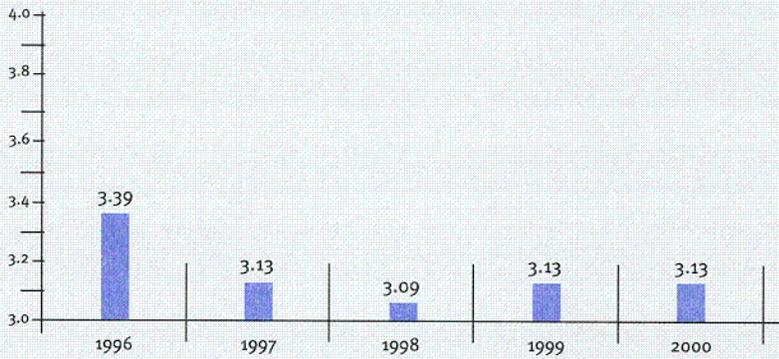
SOURCES OF ENERGY
In 2000



AVERAGE REVENUE PER KWH SOLD
(Retail-All Classes) Cents per KWh

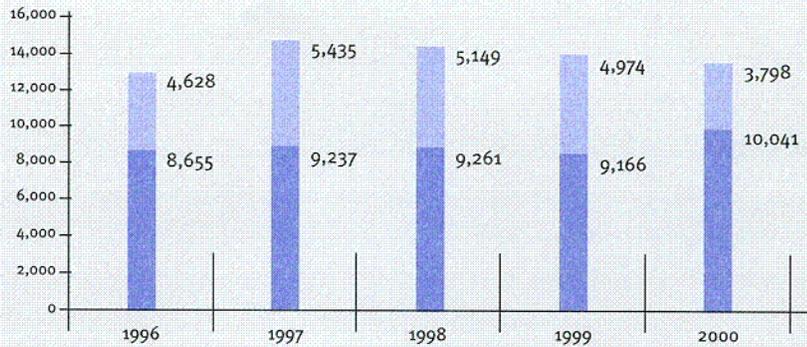


AVERAGE REVENUE PER KWH SOLD
(Firm Wholesale Customers Only) Cents per KWh



GENERAL SYSTEM ENERGY SALES
(Gigawatt Hours)

Additional Energy Sales
Firm 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, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, 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 our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of the calculation of debt service ratios in accordance with the General Revenue Bond Resolution for the years ended December 31, 2000, 1999 and 1998, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is 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 our report dated March 2, 2001 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2000.

Omaha, Nebraska
March 2, 2001

PricewaterhouseCoopers LLP

GENERAL SYSTEM

Balance Sheets – December 31, 2000 and 1999 (000's)	2000	1999
ASSETS		
Utility Plant, at Cost	\$ 2,124,731	\$ 1,997,949
Less – Reserve for depreciation	919,682	884,588
	<u>1,205,049</u>	<u>1,113,361</u>
Prepaid Capacity Costs	52,996	55,062
Investment in The Energy Authority	5,175	4,453
Debt Reserve Fund	79,750	77,661
Receivables from Sale of Property	5,273	2,335
Current Assets:		
Cash and investments	109,185	251,600
Receivables	61,112	52,874
Materials and supplies, at average cost	55,222	51,867
Prepayments and other current assets	2,119	3,280
	<u>227,638</u>	<u>359,621</u>
Other Assets:		
Deferred charges	27,820	15,338
Deferred Nuclear Facility billings	6,396	—
Unamortized financing costs	8,510	9,454
Other	259	680
	<u>42,985</u>	<u>25,472</u>
TOTAL ASSETS	\$ 1,618,866	\$ 1,637,965
LIABILITIES AND CAPITAL		
Accumulated Net Revenues	\$ 270,357	\$ 266,888
Long-Term Debt	1,126,447	1,181,535
Commercial Paper Notes	128,440	137,715
	<u>1,254,887</u>	<u>1,319,250</u>
Less – Current maturities of long-term debt	66,796	54,858
	<u>1,188,091</u>	<u>1,264,392</u>
Current Liabilities:		
Current maturities of long-term debt	66,796	54,858
Accounts payable	65,592	29,581
Accrued lease payments	3,324	3,558
Other	24,706	18,581
	<u>160,418</u>	<u>106,578</u>
Unamortized Payment Received for Refinancing Costs	—	107
TOTAL LIABILITIES AND CAPITAL	\$ 1,618,866	\$ 1,637,965

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

Statements of Revenues and Expenses and Accumulated Net Revenues for the year ended December 31, (000's)	2000	1999	1998
Revenues and Expenses:			
Operating Revenues	\$ 513,894	\$ 496,577	\$ 493,999
Operating Expenses:			
Power Purchased –			
Nuclear Facility	103,154	105,061	106,232
Other	82,118	52,248	59,503
Production –			
Fuel	65,335	58,263	59,726
Operation and maintenance	48,552	46,693	49,793
Other operation and maintenance	76,717	70,527	63,860
Lease payments	15,592	15,850	16,331
Depreciation and amortization	63,581	63,615	60,874
Payments in lieu of taxes	5,773	6,102	6,260
Total operating expenses	460,822	418,359	422,579
Net operating revenues	53,072	78,218	71,420
Investment Income and Other Revenues	20,388	16,748	18,105
Net revenues before other deductions	73,460	94,966	89,525
Other Deductions:			
Bond interest	58,767	56,816	56,387
Allowance for funds used during construction	(2,914)	(1,669)	(1,126)
Other interest and deductions	14,138	8,156	5,812
Total other deductions	69,991	63,303	61,073
Net Revenues Before Extraordinary Loss	3,469	31,663	28,452
Extraordinary loss	—	—	33,899
Net Revenues (Loss)	3,469	31,663	(5,447)
Accumulated Net Revenues:			
Beginning balance	266,888	235,225	240,672
Ending balance	\$ 270,357	\$ 266,888	\$ 235,225

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

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Statements of Cash Flows for the year ended December 31, (000's)

	2000	1999	1998
Cash flows provided by operating activities:			
Net operating revenues	\$ 53,072	\$ 78,218	\$ 71,420
Adjustments to reconcile net operating revenues to net cash provided by operating activities:			
Depreciation and amortization	63,581	63,615	60,874
Vehicle depreciation charged to operations and capital	—	133	1,114
Undistributed earnings in equity method investment	(278)	—	—
Increase in deferred charges – Nuclear Facility	(6,396)	—	—
Changes in assets and liabilities:			
Receivables	(7,035)	5,293	(15,697)
Materials and supplies	(3,355)	(12,876)	(1,795)
Prepayments and other current assets	1,161	(2,304)	911
Deferred charges	(12,482)	(21,701)	(7,875)
Other assets	421	348	812
Accounts payable and accrued leased payments	35,777	(5,557)	(2,828)
Other liabilities	6,125	2,793	(1,901)
Net cash flows provided by operating activities	130,591	107,962	105,035
Cash flows used in capital and related financing activities:			
Utility plant additions	(167,125)	(140,390)	(60,503)
Proceeds from sale of plant under realignment	3,415	2,612	—
Other non-operating revenues	260	541	548
Proceeds from repayment of notes receivable for sale of property	2,030	1,071	808
Repayment of long-term debt – principal	(54,858)	(45,078)	(1,116,370)
Repayment of notes payable – principal	(9,275)	(4,140)	—
Payment of interest on long-term debt	(56,007)	(58,579)	(56,792)
Payment of interest on notes payable	(6,888)	(6,019)	(4,625)
Net change in debt reserve fund	(2,696)	22	7,212
Issuance of long-term debt	—	194,505	1,007,375
Issuance of notes payable	—	5,000	73,880
Other	—	(2,137)	(1,187)
Net cash flows used in capital and related financing activities	(291,144)	(52,592)	(149,654)
Cash flows provided by (used in) investing activities:			
Investment in The Energy Authority	(444)	(4,453)	—
Interest from investments	13,946	17,270	16,472
Sale of securities	659,476	622,738	448,405
Purchase of securities	(536,517)	(687,642)	(454,402)
Net cash flows provided by (used in) investing activities	136,461	(52,087)	10,475
Net (decrease) increase in cash	(24,092)	3,283	(34,144)
Cash, beginning of year	27,119	23,836	57,980
Cash, end of year	\$ 3,027	\$ 27,119	\$ 23,836

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

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

	2000	1999	1998
Operating revenues	\$ 513,894	\$ 496,577	\$ 493,999
Operating expenses	(460,822)	(418,359)	(422,579)
Net operating revenues	53,072	78,218	71,420
Interest and other revenues	20,388	16,748	18,105
Interest deductions	(69,991)	(63,303)	(61,073)
Extraordinary loss	—	—	(33,899)
Net revenues	3,469	31,663	(5,447)
Add:			
Interest deductions	69,991	63,303	61,073
Depreciation and amortization	63,581	63,748	61,988
Lease payments	15,592	15,850	16,331
Extraordinary loss	—	—	33,899
	149,164	142,901	173,291
Deduct:			
Amortization of bond premium	2,153	3,045	1,706
Gain on sale of property	236	367	346
Interest on debt service funds used for capitalized interest	479	—	—
Investment income retained in construction funds	6,678	5,036	541
	9,546	8,448	2,593
Net revenues available for debt service under the General Revenue Bond Resolution	\$ 143,087	\$ 166,116	\$ 165,251
Amounts deposited in the General System Debt Service Account:			
Principal	\$ 54,665	\$ 44,890	\$ 44,755
Interest	49,714	50,453	55,073
	\$ 104,379	\$ 95,343	\$ 99,828
Ratio of net revenues available for debt service to debt service deposits	1.37	1.74	1.66

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Notes to Financial Statements

I. 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.

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

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, 2000, 1999 and 1998.

The District has long-term operating lease agreements with 77 municipalities for certain distribution facilities. These lease agreements obligate the District to make lease payments based on gross revenues from the municipalities and pay for normal property additions during the term of the leases. The District has recorded provisions, net of retirements, for amortization of leased plant additions of \$4.6 million in 2000, \$7.2 million in 1999, and \$6.0 million in 1998. These leased plant additions, which are fully reserved, totaled \$88.5 million at December 31, 2000 and \$114.9 million at December 31, 1999.

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. Cash and Investments –

December 31, (000's)	2000	1999
Cash and Investments:		
Debt Service Fund	\$ -	\$ 5,773
Revenue Fund	60,599	67,071
Construction Funds	44,605	151,811
Commercial Paper Fund	3,981	26,945
	<u>109,185</u>	<u>251,600</u>
Debt Reserve Fund	79,750	77,661
Total Cash and Investments	\$188,935	\$329,261

Cash and investments consist of \$106.2 million of investment securities and \$3.0 million of cash deposits at December 31, 2000, and \$224.5 million of investment securities and \$27.1 million of cash deposits at December 31, 1999. The Debt Reserve Fund consists of \$52.4 million of investment securities and \$27.3 million of cash deposits at December 31, 2000 and \$77.6 million of investment securities and \$28,000 of cash deposits at December 31, 1999.

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 Revenues in the Statements of Revenues and Expenses and Accumulated Net Revenues. Investments are recorded at market value as determined by quoted market prices. 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 be reported in Deferred charges until realized.

The approximate market values by investment types are summarized in the following table (000's).

	2000	1999
Investments:		
Money market funds	\$ 21,537	\$ -
Government securities	43,799	224,481
Repurchase agreement	40,822	-
	<u>\$106,158</u>	<u>\$224,481</u>
Debt Reserve Fund:		
Government securities	<u>\$ 52,404</u>	<u>\$ 77,633</u>

Cash deposits, primarily interest bearing, at December 31, 2000, 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, 2000, were in unregistered U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

D. *Deferred Charges* –

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.

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, 2000, to be reflected in future revenue requirements is approximately \$27.8 million.

E. *Deferred Nuclear Facility Billings* –

The District has deferred \$6.4 million of Nuclear Facility billings as of December 31, 2000, representing charges for certain capital additions. Future allocations of these billings will be to Power Purchased expense.

F. *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.

G. *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 was written off in full in 2000.

H. *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 1D.

I. *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 expense. 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 interest cost of TECP outstanding. For the periods presented herein, the AFUDC rates for

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construction funded by revenue bonds or revenues vary from 4.9% to 6.2%. For construction financed on a short-term basis with TECP, the rate charged was 3.8% in 2000, 3.3% in 1999 and 3.8% in 1998.

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 \$6.7 million in 2000, \$5.0 million in 1999, and \$0.5 million in 1998.

2. PREPAID CAPACITY COSTS:

Prepaid capacity 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 of 40 years. Accumulated amortization was \$29.7 million in 2000, \$27.6 million in 1999 and \$25.5 million in 1998.

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 each of the years 2000, 1999 and 1998 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 members with each member having ownership in the joint venture. TEA has access to over 12,000 megawatts of its members' generation located in Nebraska, Missouri, Florida, Georgia and South Carolina. TEA has also assumed providing procurement services to several of its members, including the District, for natural gas used in the generation of electricity. TEA provides energy products and resource management services to the power industry. As of December 31, 2000, the District had a 21.4% ownership interest.

The table below contains the condensed financial information for TEA as of December 31, 2000 (000's):

<u>Condensed Balance Sheet</u>	
Current Assets	\$125,917
Noncurrent and Restricted Assets	<u>20,869</u>
Total Assets	<u>\$146,786</u>
Current Liabilities	\$112,905
Noncurrent Liabilities	19,051
Members' Capital	<u>14,830</u>
Total Liabilities and Capital	<u>\$146,786</u>
<u>Condensed Statement of Operations</u>	
Revenues	\$394,215
Energy Costs	<u>(269,334)</u>
Gross Margin	124,881
Operating Expenses	<u>(13,045)</u>
Operating Revenues	111,836
Non-Operating Income	<u>909</u>
Net Revenues	<u>\$112,745</u>

In addition to \$3.2 million of contributed capital, the District has committed up to an additional \$24.3 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, 2000, \$60.4 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 2000 and 1999 were 6.5% and 5.3%, respectively. The effective interest rates on outstanding TECP notes for 2000 and 1999 were 4.0% and 3.2%, respectively.

The \$128.4 million of commercial paper notes outstanding at December 31, 2000, 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, 2000 are as follows (000's):

Year	Debt Service Payments	Principal Payments
2001	\$ 119,829	\$ 66,600
2002	118,966	68,965
2003	115,298	68,650
2004	110,949	67,780
2005	104,266	64,595
Thereafter	1,077,674	771,130
Total payments	\$1,646,982	\$1,107,720

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, 2000, is determined using rates currently available to the District. The fair value is estimated to be \$1,114.3 million.

December 31, (000's)		2000	1999
General Revenue Bonds:			
1998 Series A			
Serial Bonds			
2000 – 2016	4.05% - 5.25%	\$ 590,345	\$626,130
Term Bonds			
2017 – 2027	5.00%	13,485	13,485
Capital Appreciation Bonds			
2005	4.65%	19,565	18,686
2006	4.70%	20,148	19,233
2007	4.75%	21,072	20,106
1998 Series B			
Serial Bonds			
2000 – 2017	4.00% - 5.25%	168,515	185,195
Term Bonds			
2018 – 2027	5.00%	83,570	83,570

1999 Series A			
Serial Bonds			
2000 – 2018	4.00% - 5.125%	191,020	193,220
		\$1,107,720	\$1,159,625
Lease Purchase Payables -			
2.00%, due 2000 to 2005		963	1,156
Unamortized Bond Premium		21,579	24,776
Unamortized Bond Discount		(3,815)	(4,022)
Total Long-Term Debt		\$1,126,447	\$1,181,535

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, 2000, there were 2,215 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 District's contribution was \$9.5 million for 2000, \$9.1 million for 1999 and \$8.3 million for 1998.

Plan investments are valued at fair value. Short-term investments are valued 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 valued 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	23.1%
American Express Trust Investment Contracts	20.2%
AXP Growth Fund Y	14.0%
Franklin Small Cap Growth Fund A	13.1%
T. Rowe Price Equity Income Fund	10.7%
PIMCO Total Return Fund	8.1%
Templeton Foreign Fund	5.3%

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

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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 \$4.5 million for 2000, \$3.7 million for 1999, and \$2.9 million for 1998.

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. CAPITAL ADDITIONS:

The General System 2001 construction plan includes authorization for future expenditures of \$38.9 million. These expenditures will be funded from existing bond proceeds, revenues, other available funds, and additional financings as deemed appropriate.

9. COAL SUPPLY AND RAIL TRANSPORTATION CONTRACTS:

The District has two 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. Both 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.

10. 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 have been capitalized and are being amortized over the 40-year life of the license.

11. RETAIL REALIGNMENT:

The District and its wholesale customers completed the process of realigning certain communities served at retail and the associated retail service areas to improve the efficiency of distribution of electricity. The realignment process transferred to certain wholesale customers the right to provide electric service to retail customers of the District. By the close of business for 2000, NPPD had transferred approximately 26,000 retail customers, located in 126 of the 203 communities served at retail by the District through professional retail operation agreements. The District's annual retail revenue (based on 1997 revenue) has decreased by approximately \$30 million dollars. However, approximately \$20 million of the retail revenue decrease will be recovered by NPPD through increased wholesale power sales to the wholesale customers now providing retail service to these customers. In addition to the transfer of retail customers, NPPD also sold approximately 1,300 miles of sub-transmission line and

159 substations to these wholesale customers. Proceeds from the sale of such facilities amounted to approximately \$16 million.

12. 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), and that MEC sustained damages as a result of two outages of CNS in 1993 and 1994-95. 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. The trial court granted partial summary judgment against the District on the issue of liability. On April 24, 1998, a jury returned a verdict in favor of LES. The District filed an appeal in July 1998. The Court of Appeals reversed the trial court's entry of summary judgment, vacated the jury verdict, and remanded the case for a new trial, including on the issue of liability. The matter is presently scheduled for trial commencing May 7, 2001. 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 estimated decommissioning costs 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 denied the District's claims; sought to have the Court declare that MEC has no duty to pay decommissioning costs unless the District ceases taking power from CNS when the Contract expires in 2004; and also asserted 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 since 1984 with no right of refund. MEC appealed that judgment to the Federal Court of Appeals. On December 12, 2000, the Court of Appeals entered its opinion that the Contract language does not obligate MEC to pay decommissioning costs accumulated by the District since 1984 unless the District ceases taking power from CNS when the Contract expires in 2004. The case has been remanded to the lower Court for

resolution of remaining issues, including the terms and conditions under which MEC has paid decommissioning costs since 1984, and whether MEC has a right to restitution of any such payments.

Following the Court of Appeals decision, MEC has notified the District that it will not pay additional decommissioning costs billed by the District. LES has also notified the District that it will not pay additional decommissioning costs billed by the District. The District is considering appropriate steps for MEC's refusal to pay. On February 20, 2001, the District filed suit against LES in Platte County District Court to compel LES to pay all charges billed by the District for the output it receives from CNS, and to submit to arbitration any dispute LES might have concerning its obligation to pay such charges.

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, 2000.

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, 2000 and 1999, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 2000. 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 of America. 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 of America.

In our opinion, the accompanying special-purpose financial statements present fairly, in all material respects, the assets and liabilities of the Nuclear Facility of Nebraska Public Power District as of December 31, 2000 and 1999, and its revenues and costs for each of the three years in the period ended December 31, 2000, on the basis of accounting described in Note 1B.

Omaha, Nebraska
March 2, 2001

PricewaterhouseCoopers LLP

Statements of Assets and Liabilities - December 31, 2000 and 1999
 Prepared Pursuant to Requirements of the Nuclear Facility Revenue
 Bond Resolution (000's)

	2000	1999
ASSETS		
Utility Plant, at Cost	\$ 782,068	\$ 768,818
Less –		
Reserve for depreciation	374,210	345,517
Amounts funded from revenue	374,236	358,867
	33,622	64,434
Nuclear Fuel – Net of Amortization	77,835	95,830
Cash and Investments:		
Debt service fund	8,219	7,684
Debt reserve account	19,832	19,910
Reserve and contingency fund	10,574	9,008
Additions and improvements account	2,445	6,084
General reserve fund	—	2,033
Construction fund	10,083	8,303
Fuel reserve account	82,075	60,396
Operating fund	7,733	9,674
Revenue fund	50	396
Decommissioning fund	14,504	12,186
	155,515	135,674
Accounts Receivable	13,773	5,872
Interest Receivable	2,087	1,226
Deferred Charges	13,705	15,699
External Decommissioning Fund	242,767	207,430
TOTAL ASSETS	\$ 539,304	\$ 526,165
LIABILITIES		
Revenue Bonds:		
1992 Series Serial 2000-2003 5.20% - 5.70%	\$ 75,760	\$ 91,120
1968 Series Term 2000-2002 5.10%	27,880	40,815
	103,640	131,935
Operating Reserves	157,998	151,370
Accounts Payable and Other Accrued Liabilities	21,194	19,731
External Decommissioning Fund	242,767	207,430
Department Of Energy Facilities Decommissioning Assessment	13,705	15,699
TOTAL LIABILITIES	\$ 539,304	\$ 526,165

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

NUCLEAR FACILITY

Statements of Revenues and Costs for the year ended December 31,
Prepared Pursuant to Requirements of the Nuclear Facility
Revenue Bond Resolution (000's)

	2000	1999	1998
Revenues:			
Sales –			
General System	\$ 108,266	\$ 104,056	\$ 105,019
MidAmerican Energy Company	108,245	104,051	105,026
Investment and other income	8,124	7,621	8,442
Total revenues	\$ 224,635	\$ 215,728	\$ 218,487
Costs:			
Operating expenses –			
Production –			
Fuel	\$ 26,223	\$ 38,176	\$ 28,335
Operation and maintenance	104,476	86,840	107,581
Provisions for operating reserves	44,423	38,486	31,788
General and administrative	14,122	16,838	15,392
	189,244	180,340	183,096
Debt service –			
Principal	28,692	27,297	25,995
Interest	6,699	8,091	9,396
Total costs	\$ 224,635	\$ 215,728	\$ 218,487

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

Notes to Financial Statements

I. 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 \$15.1 million in 2000, \$13.7 million in 1999 and \$12.4 million in 1998. Accumulated depreciation through December 31, 2000, would have decreased costs approximately \$45.5 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, nuclear fuel and decommissioning funds 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 2000 and 1999 and \$0.4 million in 1998.

(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, 2000, would have increased by \$1.4 million and Accounts Receivable would have decreased by \$1.4 million as the Nuclear Facility has no equity as stated above. Additionally, the External Decommissioning Fund would have increased by \$7.9 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

NUCLEAR FACILITY

percentage of total energy expected to be produced. Fees for disposal of fuel in the reactor are being provided as part of the fuel cost and collected through revenues of the Nuclear Facility.

D. *Cash and Investments* –

Funds consist of \$147.6 million of investment securities and \$7.9 million of cash deposits at December 31, 2000, and \$124.5 million of investment securities and \$11.2 million of cash deposits at December 31, 1999.

Cash deposits, primarily interest bearing, at December 31, 2000, 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, 2000, 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 were 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. Neither of these premiums is included in the Nuclear Facility's Statements of Revenues and Costs. Had the premiums been included, Production – Operation and maintenance expense would have increased \$2.8 million, \$2.4 million and \$2.7 million in 2000, 1999 and 1998, respectively.

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, 2000, is determined using rates currently available to the District. The fair value is estimated to be \$105.7 million.

The debt service accruals of the Nuclear Facility Revenue Bonds are \$35.4 million for the years 2001 and 2002 and \$35.5 million for 2003. Principal payment accruals, as a component of debt service accruals, are \$30.2 million, \$31.8 million and \$33.6 million for each of the years 2001 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 2000 dollars, is approximately \$386.2 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 2000 dollars, to be approximately \$554.6 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 the current operating license. 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 2001 construction plan includes authorization for future expenditures of \$12.8 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. GE has advised that they have submitted a request to the NRC for a facility license extension. 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 precicensing 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 precicensing 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 6 remaining years is approximately \$13.7 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 \$13.7 million as of December 31, 2000 and \$15.7 million as of December 31, 1999.

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, 2000.

BOARD OF DIRECTORS



FIRST ROW, left to right: Wayne E. Boyd, Chairman; Bruce W. Gustafson, First Vice Chairman; Doralene Weed, Second Vice Chairman; Darrell J. Nelson, Secretary. **SECOND ROW**: Warren R. Cook; Ralph E. Holzfaster; Ralph D. Johnson. **THIRD ROW**: Larry G. Kuncl; Dennis L. Rasmussen; Les S. Taylor; Gary G. Thompson.

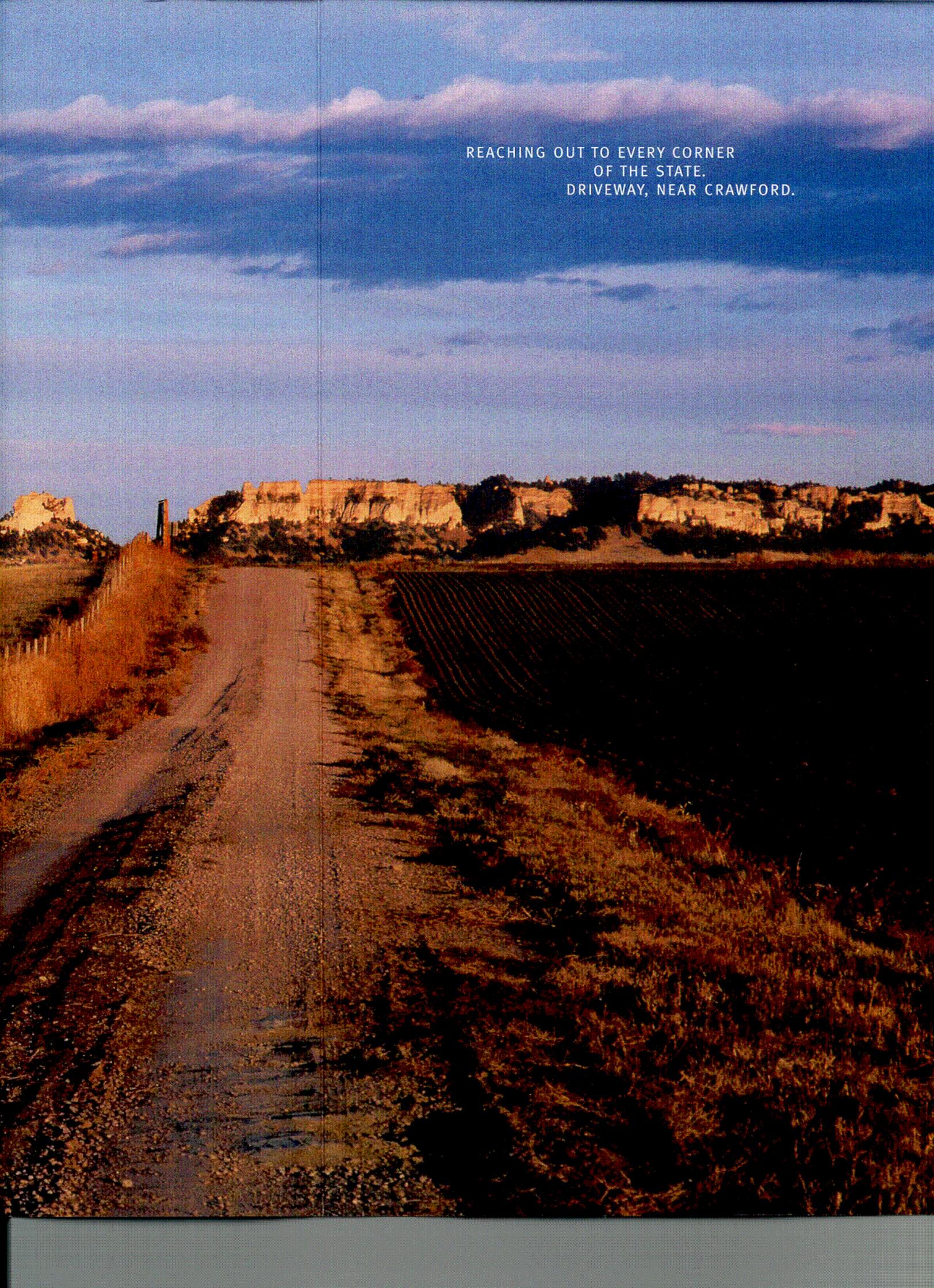
EXECUTIVE TEAM



FIRST ROW, left to right: Bill Mayben, President & CEO; Guy Horn, Senior VP Energy Supply; Dennis Grennan, Senior VP Customer Service; John McPhail, General Counsel. **SECOND ROW**: Ron Asche, VP Business Support Services; Beth Boesch, VP Marketing & Communications; Bill Fehrman, VP Fossil Energy. **THIRD ROW**: John McClure, VP Government Affairs & Strategic Planning; Bill Podraza, VP Human Resources; Pat Pope, VP Transmission Services; Dave Rich, VP Wholesale Power Sales. **FOURTH ROW**: Marv Rief, VP Retail; John Swailes, VP Nuclear.



REACHING OUT TO EVERY CORNER
OF THE STATE.
DRIVEWAY, NEAR CRAWFORD.



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 eleven 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.



Nebraska Public Power District

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