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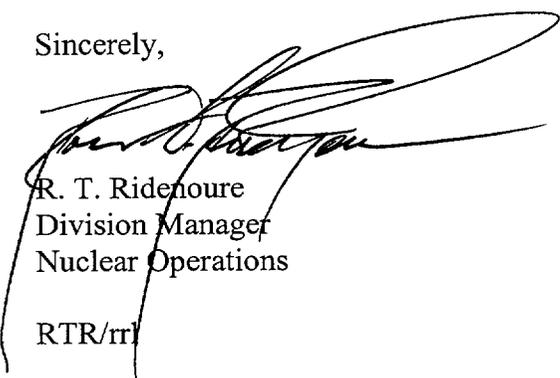
Reference: Docket No. 50-285

**SUBJECT: 2001 Annual Financial Report**

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the Omaha Public Power District's 2001 Annual Financial Report.

If you should have any questions, please contact me.

Sincerely,



R. T. Ridenoure  
Division Manager  
Nuclear Operations

RTR/rrf

Enclosure

c: E. W. Merschoff, NRC Regional Administrator, Region IV  
A. B. Wang, NRC Project Manager  
W. C. Walker, NRC Senior Resident Inspector  
Winston & Strawn

*Mook*

# Service is Golden

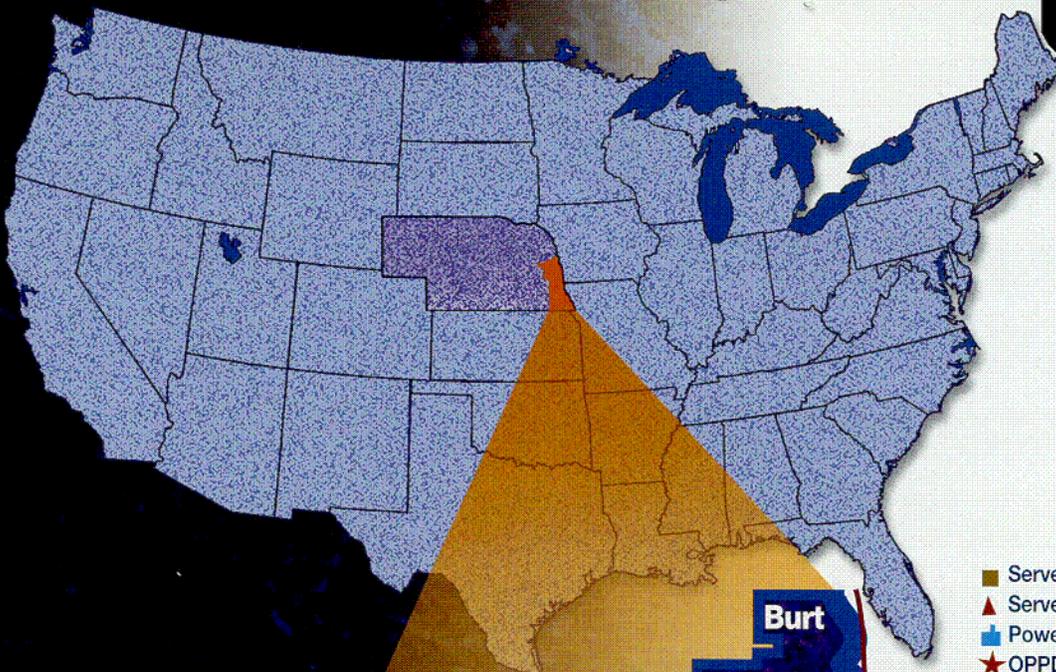


*Omaha Public Power District*  
2001 Annual Report

OPPD

## Mission

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



- Served at Retail
- ▲ Served at Wholesale
- Power Station
- ★ OPPD Headquarters



## Service Area

OPPD is a publicly owned, business-managed electric utility that serves more customers than any other electric utility in the state of Nebraska. OPPD serves 683,000 people in all or part of 13 counties in eastern Nebraska, an area that totals 5,000 square miles.

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

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# Highlights

## Operating Revenues

Operating revenues for 2001 were \$568,889,000, an increase of \$1,155,000, or 0.2%, from 2000 operating revenues of \$567,734,000.

## Operation and Maintenance Expenses

Operation and maintenance expenses for 2001 were \$354,004,000, an increase of \$8,451,000, or 2.4%, from 2000 operation and maintenance expenses of \$345,553,000.

## Net Operating Revenues

Net operating revenues, before depreciation and decommissioning, were \$196,651,000, a decrease of \$7,885,000, or 3.9%, from 2000 net operating revenues of \$204,536,000.

## Net Earnings Reinvested in the Business

Net earnings reinvested in the business totalled \$69,867,000, a decrease of \$983,000, or 1.4%, from 2000 net earnings reinvested in the business of \$70,850,000.

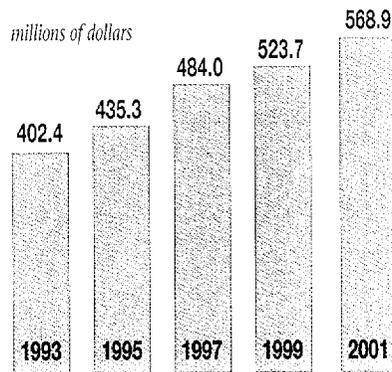


About one-third of the utility's generation comes from Fort Calhoun Nuclear Station.

## General Business Sales

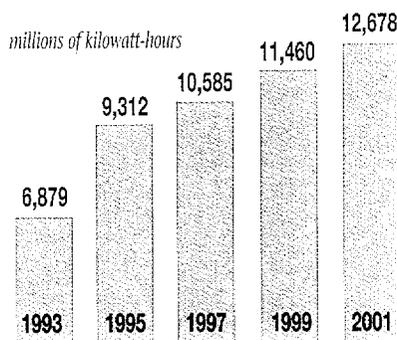
General business sales to District customers were 8,725,085,000 kilowatt-hours in 2001, an increase of 324,988,000, or 3.9%, from 2000 sales of 8,400,097,000 kilowatt-hours.

## 2001 - 2000 Comparisons



### OPERATING REVENUES (thousands)

Classification	2001	Percent of Total	2000	Percent of Increase (Decrease)
Residential .....	\$202,984	35.7	\$196,923	3.1
General Service - Small .....	176,145	31.0	166,441	5.8
General Service - Large .....	76,197	13.4	75,976	0.3
Government and Municipal .....	12,589	2.2	12,270	2.6
Off-System Sales .....	91,045	16.0	110,300	(17.5)
Accrued Unbilled Revenues .....	104	-	2,541	(95.9)
Provision for Rate Stabilization .....	(5,000)	(0.9)	(11,500)	(56.5)
Total Electric Revenues .....	554,064	97.4	552,951	0.2
Other Electric Revenues .....	14,825	2.6	14,783	0.3
Total Operating Revenues .....	\$568,889	100.0	\$567,734	0.2



### KILOWATT-HOUR SALES (thousands)

Classification	2001	Percent of Total	2000	Percent of Increase (Decrease)
Residential .....	3,065,377	24.2	2,880,289	6.4
General Service - Small .....	3,279,890	25.8	3,097,835	5.9
General Service - Large .....	2,302,311	18.2	2,287,966	0.6
Government and Municipal .....	82,775	0.7	81,268	1.9
Off-System Sales .....	3,952,632	31.1	4,208,943	(6.1)
Accrued Unbilled Kilowatt-Hours .....	(5,268)	-	52,739	(110.0)
Total Energy Sales .....	12,677,717	100.0	12,609,040	0.5



### Number of Customers

The District served 301,892 customers at December 31, 2001, an increase of 5,690, or 1.9%, from December 31, 2000.

### Average Residential Use

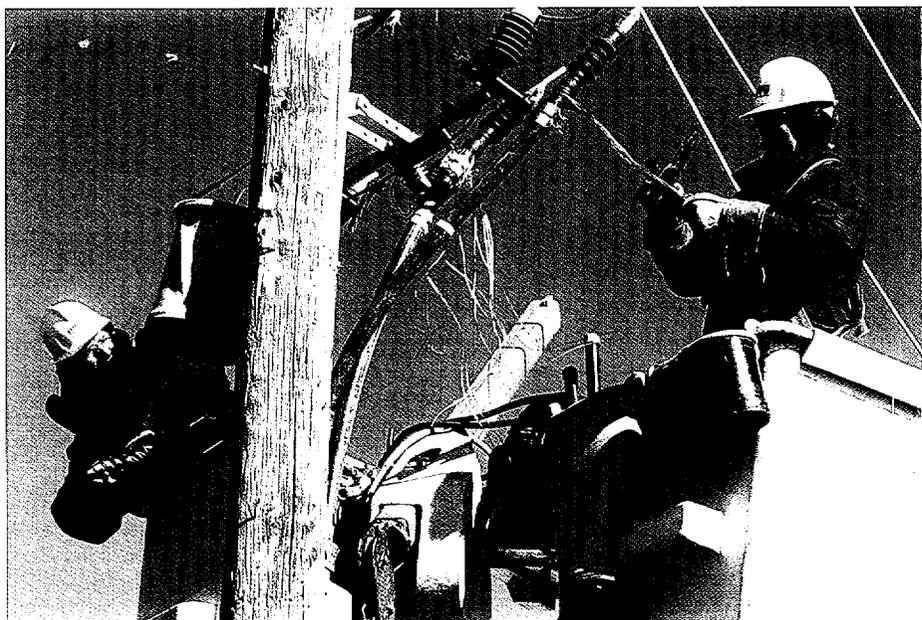
Average annual use per residential customer in 2001 was 11,732 kilowatt-hours, an increase of 505, or 4.5%, from the 2000 average of 11,227 kilowatt-hours.

### Average Residential Cost

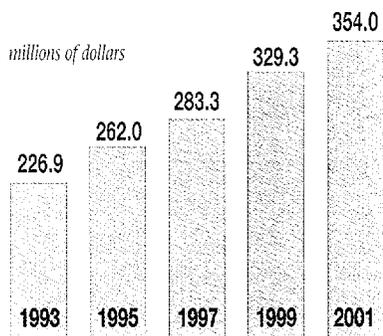
The District's residential customers paid an average of 6.62¢ per kilowatt-hour during 2001, which is well below the national average.

### 2001 Construction Expenditures

Expansion and improvement of system facilities during 2001 required construction expenditures of \$177,707,000.

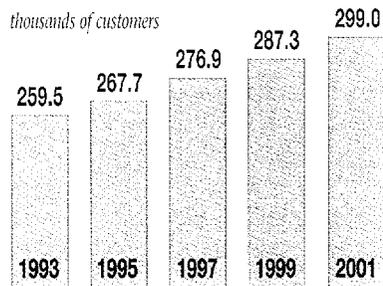


OPPD's dedicated field personnel, such as Apprentice Line Technician Phil Rohan, left, and Line Technician Gary Wohlman, work hard to keep the transmission and distribution systems in good shape.



### OPERATION AND MAINTENANCE EXPENSES (thousands)

Classification	2001	Percent of Total	2000	Percent of Increase (Decrease)
Generating Expense .....	\$161,767	45.7	\$169,600	(4.6)
Purchased and Interchanged Power	41,682	11.8	46,137	(9.7)
Transmission and Distribution .....	28,455	8.0	26,773	6.3
Customer Accounts .....	18,775	5.3	12,150	54.5
Customer Service and Information	9,537	2.7	10,168	(6.2)
Administrative and General .....	38,791	11.0	37,638	3.1
Maintenance .....	54,997	15.5	43,087	27.6
<b>Total Operation and Maintenance Expenses .....</b>	<b>\$354,004</b>	<b>100.0</b>	<b>\$345,553</b>	<b>2.4</b>



### AVERAGE NUMBER OF CUSTOMERS\*

Classification	2001	Percent of Total	2000	Percent of Increase (Decrease)
Residential .....	261,286	87.4	256,541	1.8
General Service - Small .....	37,008	12.4	36,088	2.5
General Service - Large .....	116	-	110	5.5
Other .....	604	0.2	592	2.0
<b>Average Customers .....</b>	<b>299,014</b>	<b>100.0</b>	<b>293,331</b>	<b>1.9</b>

\*Average Total Twelve Months Ended December

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# Service is Golden



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**COVER:** Holding the coveted J.D. Power and Associates award are employees, front from the left, Angie Garfield, Rod Rogers, Rieko Ikeda-Hayes; middle, Dave Dammann, Kevin Bomer, Gary Huliska; back, Valerie Gould, Lori McEvoy, Rodney Frazier-Haynes, Pat Thompson and Shawn Dungan.

## Chairman and President Message

The year 2001 began with the West Coast struggling to provide electricity to its customers. It ended with Texas vowing to make deregulation work and the collapse of the energy giant Enron. It was a turbulent year for the energy industry and a challenging one. In the midst of it all, though, public power remained strong and reliable, and Omaha Public Power District once again used its solid position to the benefit of its customer-owners.

Last year marked the ninth consecutive year without a general rate increase for OPPD customers. The year 2002 began just as 2001 ended. OPPD announced that rates would once again remain constant, rounding out a full decade of stable electric rates. Our average residential cost per kilowatt-hour fell to 6.62 cents from 6.84 cents in 2000, while our number of customers increased to more

than 300,000. Our overall financial position remained strong, thanks to increased cost-control efforts, increased revenue from products and services, and \$91 million in off-system sales – the second-highest annual amount ever. OPPD also reduced bond indebtedness by \$60 million last year, which helped us maintain high bond ratings – AA from Standard & Poor's Corp. and Aa2 from Moody's Investor Services.

Among other financial highlights, we had general business sales of more than 8.7 billion kilowatt-hours, up 3.9 percent from 2000; operating revenues increased to \$568,889,000; operation and maintenance expenses were \$354,004,000; and OPPD had strong net earnings reinvested in the business of \$69,867,000.

With a watchful eye on events across the nation, we continued to focus on deregulation and how it may affect our utility and its customers. We continued to prepare for change as we began working with five other utilities to set up an independent transmission company to broaden our market reach and enhance our system reliability, thereby building strong grid connections and adding value for our customers.

We successfully minimized counterparty financial risks, thanks to the diligence of our trading and risk-management teams. Because of their efforts, when Enron defaulted on its obligations, we were largely unaffected.

We remained focused on quality customer service and satisfaction. This was evidenced by our receiving the highest ranking in the Midwest and the nation among electric utilities for overall customer satisfaction by J.D. Power and Associates, which conducted the 2001 Electric Utility Residential Customer Satisfaction Study<sup>SM</sup>. Results were based on 25,500 telephone interviews with residential customers of the 71 largest electric utilities nationwide during March, April and May of 2001. The respondents collectively represent more than 82 million households. The study focused on billing and payment, power quality and reliability, customer service and the image of the utility.

We feel good about this recognition, and we remain committed to providing excellent customer service as a way of doing business.

The ability to provide quality customer service starts with the ability to provide reliable electric service. That comes with keeping our facilities in good condition and expanding and modifying them as needed. For example, last year we installed a new coal-handling system at our North Omaha Station, one of our base-load stations, completing one of the largest upgrades in that plant's history. Thanks to this new system, we have increased efficiency in coal loading and



Geoffrey C. Hall, Chairman of the Board, left, and Fred M. Petersen, President and Chief Executive Officer

processing systems, and we can now unload trains more quickly. The result is improved overall generating efficiency and a lower cost-per-megawatt-hour for our customers.

Another coal-fired plant, Nebraska City Station, has always performed well, and last year was no exception. This plant set a net generation record of more than 4.6 million kilowatt-hours and ran an impressive 238 continuous days, a record for the plant. In addition, generation costs below \$10 per megawatt-hour qualify the plant as one of the 10 lowest-cost power producers in the country.

We always try to learn from the past, monitor the present and plan for the future, and we continued that planning in 2001. After extensive evaluation, we submitted our proposal to the Nuclear Regulatory Commission to extend the operating license for our nuclear power plant, Fort Calhoun Station, in order to make its generation available to our future customers. All areas of operations were thoroughly reviewed, safety being the single most important aspect of the review. We concluded Fort Calhoun Station can operate safely for an additional 20 years beyond the current license expiration date of 2013, until 2033. Our analysis also concluded that renewing the license is the best financial alternative for meeting future power needs. At an estimated cost of \$13 million, this license-renewal strategy will help address volatility in fuel prices and will allow us to avoid major capital investments associated with replacement-power options.

We also started construction on our newest power plant, which will consist of two natural gas-powered turbines that will provide 320 megawatts of electricity in times of high demand.

We demonstrated our commitment to the environment by launching our Green Power Program late last year. In December, we began operation of a wind turbine, and we're planning to begin operation of a methane gas plant in April. Both projects are part of our overall effort to offer renewable energy options to our customers.

Last year was a trying year for some public power providers. But we were prepared, and OPPD performed well. With all the changes in our industry, we know that to remain financially strong, we have to prioritize and manage costs. We expect our financial position to remain strong, even with the challenges our industry will face. We have done, and will continue to do, the planning and implementation needed to operate efficiently in an increasingly competitive and demanding business climate.

With all that happened in the electric utility industry last year, it paled in comparison to the tragic events of September 11. Never before have we been so proud to be associated with OPPD as we were then. On that day of uncertainty, our dedicated employees stayed on the job, ensuring that our customers' needs were met. Later, employees donated money to help the relief effort, and some left to serve in the armed forces and fight for our country. It is the great spirit, commitment, professionalism and patriotism of all our employees that make OPPD the outstanding utility it is today. It is these same employees who will guide us through another successful year of delivering the benefits of public power – low rates, reliable power and service that is truly golden.



Fred M. Petersen  
President and Chief Executive Officer



Geoffrey C. Hall  
Chairman of the Board

## Board of Directors



**Geoffrey C. Hall**  
Chairman of the Board  
Attorney at Law



**Anne L. McGuire**  
Vice Chair of the Board  
Nurse Educator



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



**Kirk E. Brumbaugh**  
Secretary  
Senior Partner and Principal,  
Brumbaugh & Quandahl Law Firm



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



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



**John K. Green**  
Board Member  
Attorney at Law



**Frederick J. Ulrich**  
Board Member  
Farmer, Cattle Feeder

## Senior Management



**Fred M. Petersen**  
President,  
Chief Executive Officer



**Charles N. Eldred**  
Vice President,  
Chief Financial Officer



**Timothy J. Burke**  
Vice President



**W. Gary Gates**  
Vice President



**Adrian J. Minks**  
Vice President



**Roger L. Sorenson**  
Vice President



**Dale F. Widoe**  
Vice President

# Service i

## **Omaha Public Power District Committed to Providing Low Rates, Reliable Power, Exceptional Customer Service**

OPPD's goal is to remain the region's preferred electricity provider, and employees implemented numerous projects and programs during 2001 designed to give the utility a competitive edge in a changing industry. Enhanced customer-service initiatives and expanded products and services were key objectives. So, too, were improved operations and maintenance, continued strong financial management and a renewed commitment to the environment and to the communities the utility serves.

OPPD launched one of its boldest programs ever in August 2001, with the intent of assuring customers that the utility stands behind its commitment to customer service – with a guarantee.

The Service Guarantee Program pledges that OPPD employees will keep all appointments scheduled with customers. If an OPPD representative does not keep a scheduled appointment, whether it's with a residential or commercial customer, OPPD will credit the customer's account for \$100. OPPD also guarantees that it

will connect customers' power on time, as promised. In addition, OPPD guarantees that it will provide commercial customers with at least 12 hours' notice of planned service interruptions.

# S Golden



Ever-respectful of customers' property, OPPD also will issue a \$100 credit to customers who are not compensated on the spot for any damage done to their property during a service call. Customers appreciate that immediate response. As one customer who received such a reimbursement wrote to OPPD: "We wish to thank you for your exemplary commitment to customer service, honesty and integrity."

For years, OPPD has provided dependable customer service, but the utility also has worked hard to build customer relationships at every level. For example, last year, more than 447,500 customer calls came in to OPPD's call center, where the emphasis is placed on the quality of service, rather than the quantity of calls a representative can answer.

"Every call allows us the opportunity to learn more about what our customers want and expect from us," said Vice President Tim Burke. "Building these relationships is the right thing to do, and it makes good business sense."

In addition, an enhanced alert program keeps OPPD account executives abreast of any service interruption that impacts their accounts. Thanks to a collaborative effort

OPPD coal plants produce electricity using low-sulfur coal because of its environmental compatibility and low cost. At Nebraska City Station, Yard Equipment Operator Brad Rader maintains the stockpile of coal, which contains approximately 450,000 tons – a 45-day supply.

between several departments, account executives are now contacted immediately with outage information whenever one of their accounts is affected by a trouble call.

"This allows us to be proactive in our outage management," said Vice President Adrian Minks. "Once an account executive is alerted, he or she provides ongoing updates to the customer. The goal is to keep customers informed of the situation and the impact it may have on their businesses. It gives customers an added sense of security."

## Efforts Ensure Reliability, Availability

To ensure the reliability and availability of its power supply, OPPD continued its aggressive and effective maintenance programs for its extensive infrastructure of power lines and generating plants. OPPD expanded its low-altitude aerial line-inspection program last year from the transmission system to rural distribution overhead facilities. These inspections give OPPD a better look at its widespread facilities and allow the utility to better implement preventive and corrective actions.

In addition to routine maintenance, line crews tackled major repair jobs following several Nebraska storms. For example, a series of June 2001 storms took down a critical transmission line and flooded adjacent fields with up to 18 inches of water. Crews launched an intense four-day repair effort to return the line to service – just one more example of the dedication and determination that the utility's Electric Operations personnel display time and time again.

As electronic devices increase in use, the need for power-quality solutions becomes more important. Problems ranging from those affecting individual residences to entire distribution circuits fall under the umbrella of power quality. OPPD plays a proactive role in helping companies and homeowners find solutions to these issues. To address such problems quickly, OPPD has expanded its power-quality efforts with increased coordination among its divisions.

Specialists from across the utility help analyze

each case and offer corrective measures. In addition to improved power quality,



*At right, OPPD Account Executive Mark Purnell, left, discusses energy issues with Lennis Pederson of Creighton University.*

*Pictured above, OPPD was the Highest in Customer Satisfaction With Residential Electric Service in the Midwestern United States. J.D. Power and Associates 2001 Electric Utility Residential Customer Satisfaction Study<sup>SM</sup>. Study based on a total of 25,500 consumer responses. In the Midwestern region, the top 20 largest electric companies were ranked in the study.*



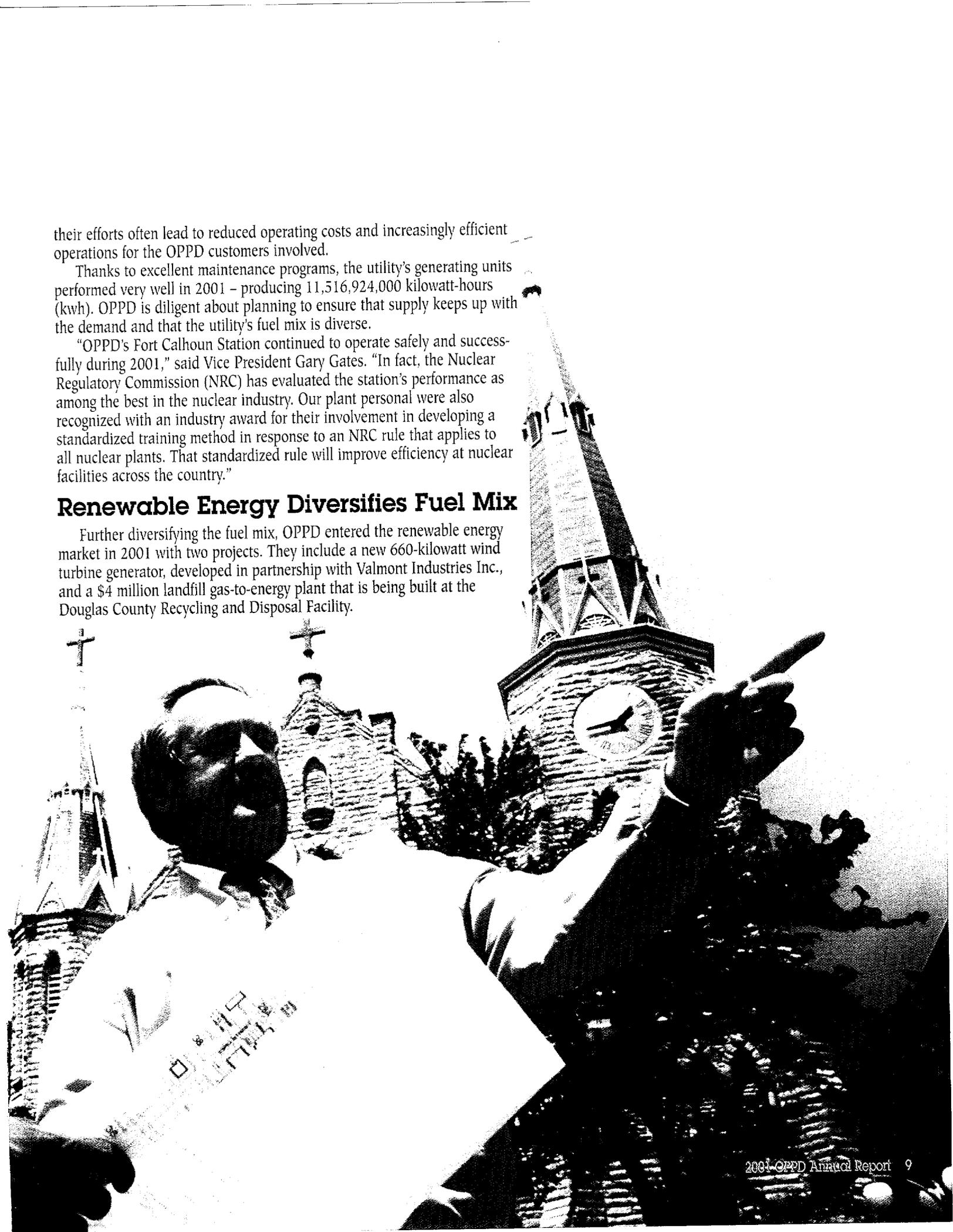
their efforts often lead to reduced operating costs and increasingly efficient operations for the OPPD customers involved.

Thanks to excellent maintenance programs, the utility's generating units performed very well in 2001 – producing 11,516,924,000 kilowatt-hours (kwh). OPPD is diligent about planning to ensure that supply keeps up with the demand and that the utility's fuel mix is diverse.

“OPPD's Fort Calhoun Station continued to operate safely and successfully during 2001,” said Vice President Gary Gates. “In fact, the Nuclear Regulatory Commission (NRC) has evaluated the station's performance as among the best in the nuclear industry. Our plant personal were also recognized with an industry award for their involvement in developing a standardized training method in response to an NRC rule that applies to all nuclear plants. That standardized rule will improve efficiency at nuclear facilities across the country.”

## Renewable Energy Diversifies Fuel Mix

Further diversifying the fuel mix, OPPD entered the renewable energy market in 2001 with two projects. They include a new 660-kilowatt wind turbine generator, developed in partnership with Valmont Industries Inc., and a \$4 million landfill gas-to-energy plant that is being built at the Douglas County Recycling and Disposal Facility.



"OPPD always has been proactive in protecting the environment – burning cleaner fuels, using modern technology to increase the efficiency of our operations and conducting an excellent recycling program," said Vice President Dale Wideo. "To the list, OPPD now adds the harnessing of wind power and landfill gases in a Green Energy Program that will, once it's fully developed, produce more renewable energy than all other utilities in Nebraska combined."

The wind-turbine project utilizes a specialized tower and lift prototype – developed by Valmont and designed especially for utility-sized applications – intended to help make wind power more economical. The turbine is expected to produce 1.7 million kwh of electricity annually, enough to power approximately 150 homes.

The landfill gas plant will turn waste into watts. Methane and other gases that are produced as waste decays will be captured and used as fuel to power four 800-kilowatt internal combustion engine/generator sets, which produce electricity. The landfill gas plant is expected to produce 25.3 million kwh of "green power" per year, or enough electricity for more than 2,000 homes. Over time, the landfill size and landfill gas supply will increase, thus increasing the potential generating capacity at the plant.

The renewable energy will complement the energy from the three base-load power plants and the peaking units that have served the utility so well for years. In addition, OPPD is building two more combustion turbines that will add 320 megawatts of generating capacity by 2003. The natural gas-fueled turbines will serve as peaking units, supplying electricity primarily during hot summer days when demand is at its highest.

## Customers Invest in Ownership

OPPD has found a way to make another connection with its customer-owners and all Nebraskans by making tax-exempt bonds more available to them. Last year, OPPD issued \$25 million of small-denomination "minibonds" that sold out quickly.

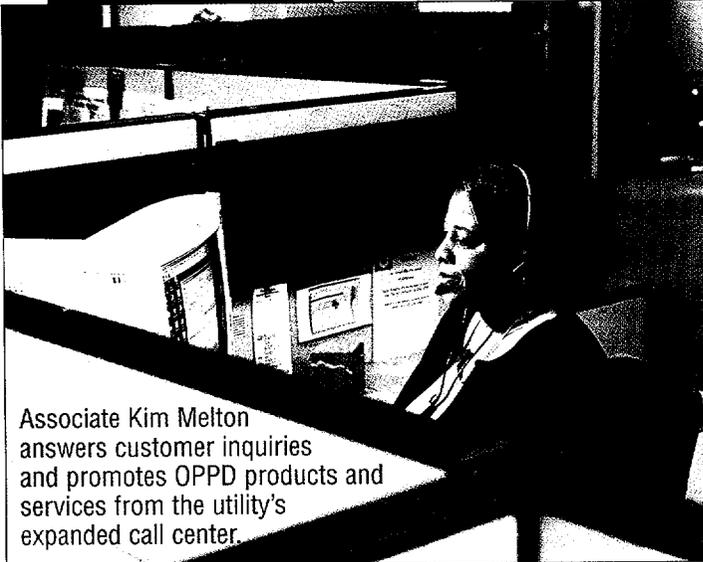
The minibonds carry the same tax advantages as other OPPD revenue bonds that are issued in larger denominations, but they're more attractive to smaller investors because they are sold in \$200 and \$500 denominations. Interest earned on the minibonds is exempt from both Nebraska state and federal income taxes.

"There was significant demand and interest by our customer-owners to invest in their local utility system," said Vice President and Chief Financial Officer Chuck Eldred. "This is like issuing public power equity with a dividend payoff. The success of the program indicates our investors believe in OPPD and public power, and they recognize a good investment opportunity with a financially strong company."

## Products Offer Growth Potential

OPPD also generated strong interest among customers for other product and service offerings. For example, several public school systems invested in the benefits of high-efficiency geothermal heat pump technology to both heat and cool their facilities. In addition to its efficiency, the technology offers lower maintenance and operating costs, thereby resulting in lower life-cycle costs of the equipment. The technology also allows schools to benefit from OPPD's low electric rates. With tight budgets, schools can use long-term savings realized from geothermal heat pump installations for educational purposes, and that is a big advantage for them, and for taxpayers.

Nebraska's largest public school system, Omaha Public School (OPS) District, leads the way with such projects. In 1999, Omaha voters passed a \$254 million bond program to build new facilities and renovate many existing OPS schools. Many of the projects already have or will have geothermal heat pump systems installed, according to Mark Warneke, OPS director of building and grounds.



Associate Kim Melton answers customer inquiries and promotes OPPD products and services from the utility's expanded call center.

"We want to save money on utility costs, plus geothermal heat pump systems are a good way to go ecologically," said Mr. Warneke. "In addition, with geothermal, you can hold down building costs, as you don't have to have cooling towers and mechanical areas for large boilers and chillers. You can use that space for classrooms."

To use the earth's abundant free energy, an array of vertical pipe loops is constructed below the ground and connected via horizontal piping to the heating and cooling system inside the building. Schools are an ideal application for geothermal heat pump use. They have diverse energy needs, heating and cooling everything from large common areas to small classrooms. In addition, they have large land areas – playgrounds and ball fields – under which a geothermal loop system can easily be installed. Another advantage for schools is the flexibility of the system, which allows different temperature settings in different parts of the building, and avoids unnecessary heating and cooling of unoccupied areas.

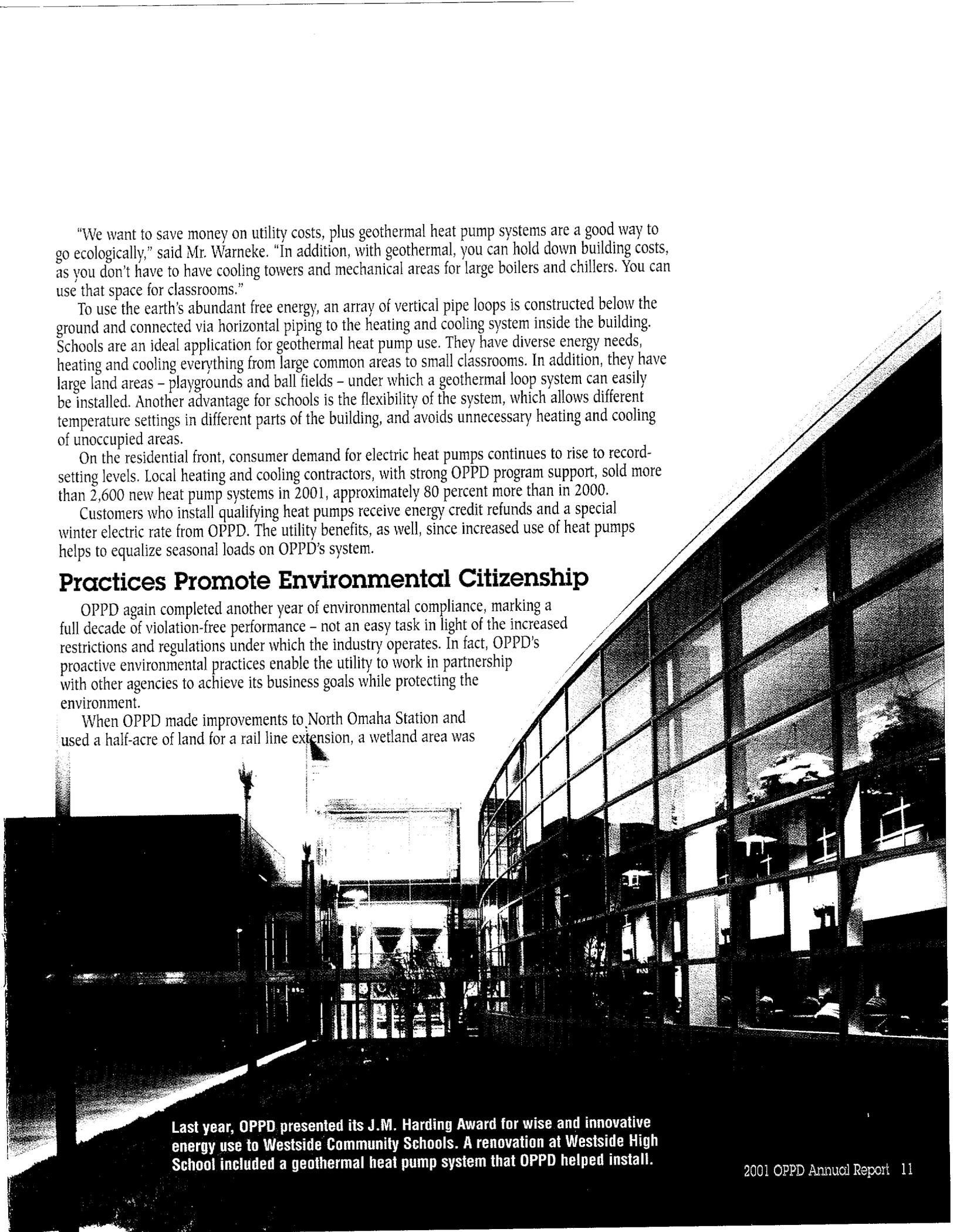
On the residential front, consumer demand for electric heat pumps continues to rise to record-setting levels. Local heating and cooling contractors, with strong OPPD program support, sold more than 2,600 new heat pump systems in 2001, approximately 80 percent more than in 2000.

Customers who install qualifying heat pumps receive energy credit refunds and a special winter electric rate from OPPD. The utility benefits, as well, since increased use of heat pumps helps to equalize seasonal loads on OPPD's system.

## Practices Promote Environmental Citizenship

OPPD again completed another year of environmental compliance, marking a full decade of violation-free performance – not an easy task in light of the increased restrictions and regulations under which the industry operates. In fact, OPPD's proactive environmental practices enable the utility to work in partnership with other agencies to achieve its business goals while protecting the environment.

When OPPD made improvements to North Omaha Station and used a half-acre of land for a rail line extension, a wetland area was



Last year, OPPD presented its J.M. Harding Award for wise and innovative energy use to Westside Community Schools. A renovation at Westside High School included a geothermal heat pump system that OPPD helped install.



Students design and build electric vehicles such as this one in the OPPD Power Drive Program.

displaced. To replace that, OPPD joined in a project to build a wetland area elsewhere about one and a half times the size of the original.

An Omaha engineering firm designed the wetland mitigation project at Neale Woods – a 550-acre nature center, with nine miles of trails that weave through hilltop forests, native prairies and riverside woodlands. Runoff will collect behind a newly constructed dam, causing the soil to be inundated with water for at least 10 days each year, creating soil conditions suitable for wetland plants. OPPD will monitor the wetland to make sure it thrives. The wetland will improve water quality by stopping pollutants from entering water supplies and by controlling flooding, and it also will provide habitat for birds, frogs, turtles, deer, and other wildlife that inhabit Neale Woods.

Another example of the utility's environmental stewardship received national recognition last year when OPPD became the first Nebraska utility to be recognized as a Tree Line USA Utility. The National Arbor Day Foundation, in cooperation with the National Association of State Foresters, recognizes public and private utilities across the nation that demonstrate practices that protect and enhance America's urban forests.

To receive the award, utilities must meet three requirements: quality tree care, annual worker training and tree-planting/public education. The foundation cited OPPD's line-clearance tree-trimming program as a major factor in its selection. Through this program, OPPD spent approximately \$5.5 million in 2001 trimming trees that may potentially interfere with power lines. The goal is to protect public safety and to reduce the potential for power outages, while maintaining the health of the trees. And, since 1990, OPPD has allocated \$50,000 annually to non-profit organizations that have planted more than 90,000 trees and shrubs in southeast Nebraska.

OPPD's involvement in the Nebraska Used Oil Collection & Reuse Program, started by Keep Nebraska Beautiful, further reflects our commitment to environmental stewardship. OPPD serves as a corporate sponsor of the organization, and utility personnel have served on its board of directors and on a task force that developed the county-based used oil-collection concept. The program addresses the concern about large quantities of used oil stored on Nebraska farms by providing an alternative to improper disposal. Each collection site has a 2,000-gallon storage tank, and special trailer-mounted tanks are used to pick up larger quantities of used oil. A Sioux City, Iowa, asphalt company uses the oil to fuel burners that heat asphalt mix.

## Reaching Out to Tomorrow's Customers

While most of OPPD's programs are aimed at adults, the four-year-old Power Drive Program targets high school students. The utility started Power Drive to promote interest in electrotechnology and to give high school students an opportunity to practically apply their studies by designing and

building a one-person electric vehicle, compete with their peers' cars at organized events, and have a lot of fun in the process. Hundreds of students have benefited from their involvement in the program.

Grant Hutchens is one of them. Grant helped design and build his school's car in Power Drive 2000. His efforts helped him win one of two Power Drive Scholarships awarded that year. Now, he is working toward a degree in automotive engineering, participates on Kettering University's Formula SAE racing team and is building his own hobby stock racecar.

"Power Drive allowed me to come up with a few ideas for an electric car," said Mr. Hutchens. "It showed me that I could design a few simple systems, such as the braking system, and it helped develop my interest in design. The scholarship was a big confidence booster."

## Employees Set Golden Standards

Bright. Hardworking. Loyal. Sincere. These words describe the utility's work force, according to Vice President Roger Sorenson.

OPPD strives to be an employer of choice to retain and attract the best, the brightest and the most committed workers, which is important to remaining competitive and to providing quality customer service. The utility works aggressively to ensure that OPPD provides a strong, diverse work force with opportunities for all.

"OPPD consistently has a turnover rate of less than 5 percent, and usually half of that is due to retirements," said Mr. Sorenson. "This speaks highly of the quality of work life that we have at OPPD, with opportunities to develop and progress. It's commonplace to find employees who have been with the company 25, 30, 35 years and more. It's still a place where family-like relationships thrive and teams work together to get things done."

Last year, a personal story unfolded that merits special attention. Employee Ken Spencer gave friend and co-worker Alex Bane the greatest gift of all – the gift of life. After months of seeing his friend's daily agony, Ken couldn't sit and watch any longer. He gave Alex one of his kidneys – and a new lease on life. Inspired by the story, which was featured in OPPD's employee magazine last year, retiree Ken Smith donated a kidney to his friend, Darnell King.

All in all, last year was a tremendous year for the utility. Business was good, productivity increased, operations remained strong, and employees were committed not only to this utility and its customers – but to each other.



Above, Ken Spencer, left, donated a kidney to co-worker Alex Bane.

Below, the rotors of the OPPD wind turbine generator dwarf OPPD's Marty Karel, Bud Eidem and Lee Harrow.



## Financing

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

The District retired \$60,225,000 of revenue bonds in 2001. These retirements bring the total of bonds redeemed and refunded through 2001 to \$2,330,980,000, leaving outstanding bonds of \$577,010,000 at December 31, 2001. During 2001, \$30,016,000 of interest expense was charged to operations on outstanding bonds, representing an average annual rate of 5.2%.

Outstanding commercial paper at December 31, 2001, was \$100,000,000. During 2001, \$2,856,000 of interest expense was charged to operations on outstanding commercial paper, representing an average annual rate of 2.9%. The outstanding subordinated obligation at December 31, 2001, totalled \$3,607,000. During 2001, \$328,000 of interest expense was charged to operations on the outstanding subordinated obligation, representing an average annual rate of 9.0%. In 2001, the District issued an additional \$25,000,000 of Minibonds, leaving outstanding Minibonds at December 31, 2001, of \$58,673,000, including \$5,259,000 of capital appreciation interest accretion. During 2001, \$2,221,000 of interest expense was charged to operations on the outstanding Minibonds, representing an average annual rate of 5.7%.

Gross Electric Plant amounted to \$2,854,767,000, and Nuclear Fuel (at amortized cost) amounted to \$22,032,000 at December 31, 2001. Accumulated earnings reinvested in the business increased \$69,867,000 to a total of \$1,152,635,000 during 2001, while total assets increased \$72,189,000 to a total of \$2,276,556,000. The District's debt ratio was 39.1% at December 31, 2001.



Six OPPD employees are licensed by the state to act as agents for the sale of the Minibonds, a unique feature of the program. Discussing the issue are from the left, Charlie Moriarty, John Thurber, Laura Kapustka and Kris Dungan.

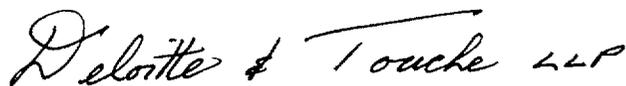
Omaha Public Power District:

We have audited the accompanying balance sheets of the Omaha Public Power District (the "District") as of December 31, 2001 and 2000, and the related statements of net earnings and accumulated earnings reinvested in the business and of cash flows for each of the three years in the period ended December 31, 2001. 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 and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Omaha Public Power District as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



DELOITTE & TOUCHE LLP

Omaha, Nebraska

February 19, 2002

# Omaha Public Power District

## Balance Sheets as of December 31, 2001 and 2000

ASSETS	<u>2001</u>	<u>2000</u>
	(thousands)	
<b>UTILITY PLANT</b> - at cost (Notes 2 and 9).....		
Electric plant (includes construction work in progress of \$233,784,000 and \$163,424,000, respectively) .....	\$2,854,767	\$2,705,165
Less accumulated depreciation .....	<u>1,219,250</u>	<u>1,145,814</u>
Electric plant - net .....	1,635,517	1,559,351
Nuclear fuel - at amortized cost .....	<u>22,032</u>	<u>30,273</u>
Total utility plant - net.....	<u>1,657,549</u>	<u>1,589,624</u>
<b>SPECIAL PURPOSE FUNDS</b> - primarily at fair value (Notes 3 and 4)		
Construction fund.....	71,099	77,498
Electric system revenue bond fund - net of current portion.....	30,860	33,294
Segregated fund - rate stabilization .....	16,500	5,000
Segregated fund - collateralized securities.....	—	6,800
Segregated fund - other .....	17,130	15,925
Decommissioning funds.....	<u>217,983</u>	<u>197,547</u>
Total special purpose funds.....	<u>353,572</u>	<u>336,064</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 4).....	31,597	14,359
Electric system revenue bond fund - current portion .....	50,847	68,817
Accounts receivable - net .....	60,769	61,375
Fossil fuels - at average cost.....	10,757	8,074
Materials and supplies - at average cost.....	47,812	47,323
Sulfur dioxide allowances.....	2,958	3,641
Other.....	<u>3,310</u>	<u>4,000</u>
Total current assets.....	<u>208,050</u>	<u>207,589</u>
<b>DEFERRED CHARGES</b> (Note 5) .....	<u>57,385</u>	<u>71,090</u>
<b>TOTAL</b> .....	<u>\$2,276,556</u>	<u>\$2,204,367</u>

See notes to financial statements

**LIABILITIES**20012000

(thousands)

**LONG-TERM DEBT (Note 2)**

Electric system revenue bonds - net of current portion

Serial bonds, 4.05% to 5.5% due annually from 2002 to 2010.....	\$ 292,215	\$ 334,140
Term bonds, 5.25% to 5.5% due at various dates from 2009 to 2017 .....	<u>242,870</u>	<u>242,870</u>
Total electric system revenue bonds.....	<b>535,085</b>	577,010
Electric revenue notes - commercial paper series.....	<b>100,000</b>	100,000
Electric revenue minibonds.....	<b>58,673</b>	33,063
Subordinated obligation - net of current portion.....	<u>3,450</u>	<u>3,607</u>
Total .....	<b>697,208</b>	713,680
Less unamortized discounts and premiums.....	<u>4,264</u>	<u>4,843</u>
Total long-term debt - net .....	<u><b>692,944</b></u>	<u>708,837</u>

**COMMITMENTS AND CONTINGENCIES (Notes 8, 9 and 10)****LIABILITIES PAYABLE FROM SEGREGATED FUND (Note 3)**30,87225,873**CURRENT LIABILITIES**

Electric system revenue bonds - current portion (Note 2).....	41,925	60,225
Subordinated obligation - current portion (Note 2).....	157	144
Accounts payable.....	<b>62,250</b>	49,412
Accrued payments in lieu of taxes.....	<b>17,183</b>	16,564
Accrued interest.....	<b>13,750</b>	15,095
Accrued payroll.....	<b>13,030</b>	11,973
Accrued production outage costs .....	<b>11,791</b>	11,879
Other .....	<u>5,805</u>	<u>5,001</u>
Total current liabilities.....	<u><b>165,891</b></u>	<u>170,293</u>

**OTHER LIABILITIES**

Decommissioning costs .....	<b>217,983</b>	197,512
Other (Note 8) .....	<u>16,231</u>	<u>19,084</u>
Total other liabilities.....	<u><b>234,214</b></u>	<u>216,596</u>

**ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS**1,152,6351,082,768**TOTAL.....****\$2,276,556****\$2,204,367**

# Statements of Net Earnings and Accumulated Earnings Reinvested in the Business for the Three Years Ended December 31, 2001, 2000 and 1999

	<b>2001</b>	2000 (thousands)	1999
<b>OPERATING REVENUES</b>			
Retail Sales .....	\$ 463,019	\$ 442,651	\$ 435,187
Off-System Sales .....	91,045	110,300	78,741
Other electric revenues .....	14,825	14,783	9,802
Total operating revenues.....	<b>568,889</b>	567,734	523,730
<b>OPERATING EXPENSES</b>			
Operation			
Fuel.....	76,704	88,882	76,666
Other production.....	126,745	126,855	126,798
Transmission.....	4,916	5,152	4,616
Distribution.....	23,539	21,621	19,947
Customer accounts.....	18,775	12,150	11,235
Customer service and information .....	9,537	10,168	10,564
Administrative and general.....	38,791	37,638	32,440
Maintenance .....	54,997	43,087	47,057
Total operation and maintenance.....	<b>354,004</b>	345,553	329,323
Depreciation.....	99,672	98,036	88,813
Decommissioning .....	3,581	8,923	10,682
Payments in lieu of taxes.....	18,234	17,645	16,852
Total operating expenses .....	<b>475,491</b>	470,157	445,670
<b>OPERATING INCOME</b> .....	<b>93,398</b>	97,577	78,060
<b>OTHER INCOME (EXPENSES)</b>			
Interest income - all funds .....	22,031	22,733	19,944
Operating funds - net increase (decrease) in fair value .....	881	1,176	(1,647)
Decommissioning funds - net increase (decrease) in fair value .....	3,473	6,057	(6,731)
Decommissioning interest and change in fair value transfer.....	(16,890)	(18,032)	(1,606)
Allowances for funds used .....	4,674	4,465	5,152
Other - net .....	2,040	332	(305)
Total other income - net.....	16,209	16,731	14,807
<b>EARNINGS BEFORE INTEREST EXPENSE</b> .....	<b>109,607</b>	114,308	92,867
<b>INTEREST EXPENSE</b> .....	39,740	43,458	43,853
<b>NET EARNINGS</b> .....	<b>69,867</b>	70,850	49,014
<b>ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS, BEGINNING OF THE YEAR</b> .....			
	<b>1,082,768</b>	1,011,918	962,904
<b>ACCUMULATED EARNINGS REINVESTED IN THE BUSINESS, END OF THE YEAR</b> .....			
	<b>\$1,152,635</b>	\$1,082,768	\$1,011,918

See notes to financial statements

# Statements of Cash Flows for the Three Years Ended December 31, 2001, 2000 and 1999

	2001	2000 (thousands)	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income .....	\$ 93,398	\$ 97,577	\$ 78,060
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation .....	99,672	98,036	88,813
Amortization of nuclear fuel .....	13,411	13,908	18,251
Change in other liabilities .....	2,147	12,136	5,063
Other .....	13,103	5,623	6,973
Changes in current assets and liabilities			
Revenue fund - U.S. Government securities .....	—	—	15,508
Accounts receivable .....	606	(16,407)	5,219
Fossil fuels .....	(2,683)	5,897	(4,381)
Materials and supplies .....	(489)	(2,252)	(1,687)
Sulfur dioxide allowances .....	683	671	—
Accounts payable .....	18,408	12,898	(7,815)
Accrued payments in lieu of taxes .....	619	646	30
Accrued payroll .....	1,057	(37)	(697)
Accrued production outage costs .....	(88)	10,635	(2,785)
Other .....	(96)	2,624	(303)
Net cash provided from operating activities .....	239,748	241,955	200,249
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings .....	25,000	—	49,987
Principal reduction of long-term debt .....	(60,605)	(59,274)	(49,711)
Interest paid on long-term debt .....	(37,017)	(41,128)	(39,612)
Acquisition and construction of capital assets .....	(171,181)	(126,498)	(175,515)
Acquisition of nuclear fuel .....	(5,153)	(13,155)	(15,966)
Net cash used for capital and related financing activities .....	(248,956)	(240,055)	(230,817)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of special purpose funds - investment securities .....	(437,964)	(360,330)	(489,682)
Maturities and sales of special purpose funds - investment securities .....	438,492	364,928	507,999
Net change in electric system revenue bond fund - current .....	17,970	(233)	(7,915)
Interest income on investments .....	7,948	8,005	9,621
Net cash provided from investing activities .....	26,446	12,370	20,023
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	17,238	14,270	(10,545)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	14,359	89	10,634
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR .....</b>	<b>\$ 31,597</b>	<b>\$ 14,359</b>	<b>\$ 89</b>
<i>See notes to financial statements</i>			

# Notes to Financial Statements for the Three Years Ended December 31, 2001

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Basis of Accounting** – The financial statements of the District are presented in accordance with generally accepted accounting principles for proprietary funds of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and all applicable pronouncements of the Government Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected not to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

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

If, as a result of changes in regulation or competition, the District's ability to recover these assets and liabilities would not be assured, then pursuant to SFAS No. 101, *Accounting for the Discontinuation of Application of SFAS No. 71* (SFAS No. 101) and SFAS No. 90, *Regulated Enterprises - Accounting for Abandonments and Disallowances of Plant Costs* (SFAS No. 90), the District would be required to write off or write down such regulatory assets and liabilities, unless some form of transition cost recovery continues through established rates. In addition, the District would be required to determine any impairment to the carrying costs of deregulated plant and

inventory assets. Based on an asset evaluation study performed by an independent consulting firm, the District's Board of Directors approved additional depreciation expense of \$15,000,000, \$23,000,000 and \$11,000,000 for the years ended December 31, 2001, 2000 and 1999, respectively, in order to reduce exposure to costs related to potentially stranded assets.

**Revenue Recognition** – Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period. Accounts receivable includes \$22,482,000 and \$22,378,000 in unbilled revenues as of December 31, 2001 and 2000, respectively.

**Cash and Cash Equivalents** – The District considers highly liquid investments of the Revenue Fund purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable** – An estimate is made for the provision for uncollectible accounts based on an analysis of the aging of accounts receivable and historical write-offs net of recoveries. Additional amounts may be included based on the credit risks of significant parties. Accounts receivable is reported net of the provision for uncollectible accounts of \$5,926,000 and \$5,546,000, as of December 31, 2001 and 2000, respectively.

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

Allowances for funds used, approximating the District's current cost of financing electric plant construction and the purchase of nuclear fuel, are capitalized as a component of the cost of the utility plant. These allowances were computed at 4.1%, 3.7% and 4.6% for both construction work in progress and nuclear fuel for the years ended December 31, 2001, 2000 and 1999, respectively.

**Depreciation and Amortization** – Depreciation for most assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. The District performed an asset evaluation which identified potentially stranded generation equipment in a competitive environment. This assessment continues to be refined based on current information and forecasts. Changes have been made in

the method of depreciation for certain assets as a result of this evaluation. Depreciation expense, including additional accelerated depreciation, has averaged approximately 4.0%, 3.9% and 4.0% of depreciable property for the years ended December 31, 2001, 2000 and 1999, respectively. Amortization of nuclear fuel is based upon the cost thereof, which is prorated by fuel assembly in accordance with the thermal energy that each assembly produces.

**Deferred Charges** – Certain costs and charges are deferred and amortized over the period that ratepayers are expected to benefit. Such costs include debt discounts and premiums and other charges related to debt issuances which are amortized ratably over the lives of the issues to which they pertain.

**Nuclear Fuel Disposal Costs** – Permanent disposal of spent nuclear fuel is the responsibility of the Federal Government under an agreement entered into with the United States Department of Energy (DOE). Under the agreement, the District is subject to a fee of one mill per net kilowatt-hour on all nuclear energy generation, which is paid quarterly to the DOE. The spent nuclear fuel disposal costs are included in the District's nuclear fuel amortization and are collected from customers as part of fuel costs. Nuclear fuel disposal costs were \$3,051,000, \$3,484,000 and \$3,941,000 for the years ended December 31, 2001, 2000 and 1999, respectively. The District's contract required the federal government to begin accepting high-level nuclear waste by January 1998; however, the DOE's facility is not expected to be operational until at least 2010. In May 1998, the U.S. Court of Appeals confirmed DOE's statutory obligation to accept spent fuel by 1998, but rejected the request that a move-fuel order be issued. In March 2001, the District along with a number of other utilities filed suit against the DOE in the United States Court of Federal Claims alleging breach of contract.

**Nuclear Decommissioning** – The District's Board of Directors has approved the collection of nuclear decommissioning costs based on an independent engineering study of the costs to decommission the Fort Calhoun Station. The decommissioning estimates accepted by the District's Board of Directors (which exceed the Nuclear Regulatory Commission's minimum funding requirements) totaled \$391,257,000, \$376,903,000 and \$363,953,000 for 2001, 2000 and 1999, respectively.

**Regulatory Liabilities** – The District is regulated by Nebraska State Law and the Nuclear Regulatory Commission (NRC). As a result, the District is subject to the provisions of SFAS No. 71. Under this statement, regulatory liabilities are those liabilities which represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

In 1999, the District established a Rate Stabilization Reserve Account within the segregated fund liabilities to set aside earnings to help maintain stability in the District's long-term rate structure. The District's Board of Directors approved additions to the rate stabilization reserve of \$5,000,000, \$11,500,000 and \$5,000,000 for 2001, 2000 and 1999, respectively. Net regulatory liabilities, excluding potentially stranded assets, reflected in the Balance Sheet were as follows:

	2001	2000
	(thousands)	
Rate stabilization	\$21,500	\$16,500
Other	<u>5,000</u>	<u>5,000</u>
Net Regulatory Liabilities	<u>\$26,500</u>	<u>\$21,500</u>

**Accrued Production Outage Costs** - For major planned production outages, estimated incremental operation and maintenance expenses are accrued prior to the outage. Outages are scheduled to begin at the Nebraska City and Fort Calhoun stations on March 3 and May 5, 2002, respectively.

**Fair Value of Financial Instruments** – Unless otherwise specified, the book value of financial instruments approximates their fair value.

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

**Reclassifications** – Certain amounts in the prior year's financial statements have been reclassified to conform with the 2001 presentation.

# Notes to Financial Statements for the Three Years Ended December 31, 2001

## 2. LONG-TERM DEBT

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

**Electric System Revenue Bonds** – Maturities of Electric System Revenue Bonds outstanding at December 31, 2001, are as follows (in thousands):

2002	\$41,925
2003	\$45,005
2004	\$46,815
2005	\$49,105
2006	\$51,200
2007 and thereafter	\$342,960

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

Additional bonds may not be issued unless estimated net receipts (as defined) for each future year will equal or exceed 1.4 times the debt service on all bonds outstanding, including the additional bonds being issued or to be issued in the case of a power plant (as defined) being financed in increments.

In any three-year period, at least 7-1/2% of general business income (as defined) must be spent for replacements, renewals, or additions to the electric system. Any deficiency is to be spent within two years thereafter for such purposes or, if not so spent, is to be used for bond retirements in advance of maturity.

The average borrowing rates for the years ended December 31, 2001, 2000 and 1999, were 5.2%, 5.1% and 5.1%, respectively. The following Electric System Revenue Bonds, with outstanding principal amounts of \$361,075,000 and \$372,745,000 as of December 31, 2001 and 2000, respectively, have been legally defeased: 1973, 1986 Series A, 1992 Series A, 1992 Series B, and 1993 Series B Term. Such bonds are funded by Government securities deposited by the District in irrevocable escrow accounts. Accordingly, the bonds and the related Government securities escrow accounts have been removed from the District's balance sheets.

**Electric Revenue Notes - Commercial Paper Series** – The District has a Commercial Paper program supported by a credit agreement for \$150,000,000 which expires on October 1, 2004. Outstanding commercial paper at December 31, 2001 and 2000, was \$100,000,000. The average borrowing rates for the years ended December 31, 2001, 2000 and 1999, were 2.9%, 4.1% and 3.3%, respectively.

**Electric Revenue Minibonds** – The minibonds at December 31, 2001 and 2000, consist of current interest-bearing and capital appreciation minibonds, which are payable on a parity with the District's Electric Revenue Notes - Commercial Paper Series, both of which are subordinated to the Electric System Revenue Bonds. The outstanding balances at December 31 were as follows:

	2001	2000
	(thousands)	
<b>Principal</b>		
1992 minibonds, due 2007 (6.0%)	\$ 9,333	\$ 9,382
1993 minibonds, due 2008 (5.35%)	9,439	9,554
1994 minibonds, due 2009 (5.95%)	9,642	9,686
2001 minibonds, due 2021 (5.05%)	<u>25,000</u>	<u>0</u>
Subtotal	53,414	28,622
Accreted interest on capital appreciation minibonds	<u>5,259</u>	<u>4,441</u>
<b>Total</b>	<u>\$58,673</u>	<u>\$33,063</u>

**Subordinated Obligation** – The subordinated obligation is payable in annual installments of \$481,815, including interest at 9%, through 2014.

**Fair Value Disclosure** – The aggregate carrying amount and fair value of the District's long-term debt, including current portion at December 31, were as follows:

2001		2000	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
(thousands)			
<u>\$735,026</u>	<u>\$766,056</u>	<u>\$769,206</u>	<u>\$798,469</u>

The estimated fair value amounts were determined using rates that are currently available for issuance of debt with similar credit ratings and maturities. As market interest rates decline in relation to the issuer's outstanding debt, the fair value of outstanding debt financial instruments with fixed interest rates and maturities will tend to rise. Conversely, as market interest rates increase, the fair value of outstanding debt financial instruments will tend to decline. Fair value will normally approximate carrying amount as the debt financial instrument nears its maturity date. The use of different market assumptions may have an effect on the estimated fair value amount. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that bondholders could realize in a current market exchange.

### 3. SPECIAL PURPOSE FUNDS

Special purpose funds of the District are as follows:

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

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

Segregated Fund - Rate Stabilization is to be used to stabilize rates over future periods through the transfer of funds to operations as necessary. The balance of the Rate Stabilization Fund was \$16,500,000 and \$5,000,000 as of December 31, 2001 and 2000, respectively. In January 2002, \$5,000,000 was funded for the 2001 provision for rate stabilization.

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

	2001	2000
	(thousands)	
Segregated Fund - self-insurance	\$ 7,139	\$ 6,483
Segregated Fund - other	<u>9,991</u>	<u>9,442</u>
Total Segregated Fund - Other	<u>\$17,130</u>	<u>\$15,925</u>

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

The 1990 Plan was established in accordance with NRC regulations, for the purpose of discharging the District's obligation to decommission, as defined by the NRC, the Fort Calhoun Station. The 1992 Plan was established to retain funds in excess of NRC minimum funding requirements based on a 1992 independent engineering study which indicated that decommissioning costs would exceed

the NRC minimum requirements. The balances of the funds at December 31 were as follows:

	2001	2000
	(thousands)	
Decommissioning Trust -1990 Plan	\$166,934	\$154,059
Decommissioning Trust -1992 Plan	<u>51,049</u>	<u>43,488</u>
Total Decommissioning Funds	<u>\$217,983</u>	<u>\$197,547</u>

### 4. DEPOSITS AND INVESTMENTS

**Bank Deposits** - The District's bank deposits at December 31, 2001 and 2000, were entirely insured or collateralized with securities held by the District or by its agent in the District's name.

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

### 5. DEFERRED CHARGES

The composition of deferred charges at December 31 was as follows:

	2001	2000
	(thousands)	
Deferred financing costs	\$32,557	\$35,199
Capitalized software	8,215	16,157
Customer energy conservation programs	10,570	8,627
Other	<u>6,043</u>	<u>11,107</u>
Total	<u>\$57,385</u>	<u>\$71,090</u>

### 6. RETIREMENT PLAN

Substantially all employees are covered by the District's Retirement Plan (the "Plan"). It is a single-employer defined benefit plan which provides retirement and death benefits. Generally, employees at the normal retirement age of 65 are entitled to annual pension benefits equal to 2.25% of their average compensation times years of credited service. The Plan

# Notes to Financial Statements for the Three Years Ended December 31, 2001

was established and may be amended under the direction of the District's Board of Directors, and is administered by the District. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors.

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

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over Funded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Over Funded AAL as a Percentage of Covered Payroll (a-b)/c
	(thousands)				(thousands)	
2001	\$533,668	\$385,747	\$147,921	138.3%	\$121,300	121.9%
2000	\$509,772	\$354,291	\$155,481	143.9%	\$114,099	136.3%
1999	\$475,874	\$330,390	\$145,484	144.0%	109,117	133.3%

Contribution requirements are actuarially determined, using the Attained Age (level percent of pay) Method. Employees contribute 4.0% of their covered pay to the Plan. The District is obligated to contribute the balance of the funds needed on an actuarially-determined basis. For the years ended December 31, 2001, 2000 and 1999, there was no annual pension cost, net pension obligation or District contribution made to the Plan. Plan contributions by District employees for the years ended December 31, 2001, 2000 and 1999, were \$5,063,000, \$4,802,000 and \$4,613,000, respectively.

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

	2001	2000
Discount rate	6.21%	6.31%
Expected rate of return	9.00%	9.00%
Rate of compensation increase	5.20%	5.20%
Cost-of-living adjustment	3.50%	2.50%

Audited financial statements for the Retirement Plan may be reviewed by contacting the Pension Administrator at OPPD's Energy Plaza, Omaha, Nebraska.

## 7. SUPPLEMENTAL RETIREMENT SAVINGS PLAN

The District sponsors a Defined Contribution Supplemental Retirement Savings Plan - 401(k) and a Defined Contribution Supplemental Retirement Savings Plan - 457. Both plans cover all full-time employees, and allow contributions by employees that are partially matched by the District. Each Plan's assets and income are held in an external trust account in the employee's name. The District's matching share of contributions in 2001, 2000 and 1999 were \$5,327,000, \$4,882,000 and \$4,757,000, respectively.

## 8. SELF-INSURANCE HEALTH PROGRAM

The District's Administrative Service Only (ASO) Health Insurance Program is used to account for the health insurance claims of all active and retired employees. With respect to the ASO program, reserves sufficient to satisfy both statutory and District-directed requirements have been established to provide risk protection.

Additionally, private insurance covering claims in excess of 120% of expected levels, as actuarially determined, has been purchased. Actual net claim payments, which did not exceed 120% of the expected claims level during 2001, 2000 and 1999, were \$18,833,000, \$18,008,000 and \$16,081,000, respectively.

## 9. COMMITMENTS

The District's Construction Budget provides for expenditures of approximately \$237,418,000 during 2002 and \$190,334,000 during later years, of which approximately \$43,669,000 was under contract at December 31, 2001.

The District has wholesale power sales commitments which extend through 2003 of \$9,531,000. The District has wholesale power purchase commitments which extend through 2002 of \$4,204,000.

The District has coal supply contracts which extend through 2003 with minimum future payments of \$32,748,000. The District also has coal transportation contracts which extend through 2003 with minimum future payments of \$46,487,000. These contracts are subject to price escalation adjustments.

Contracts are in effect through 2005 with estimated future payments of \$32,719,000 for the conversion and enrichment of nuclear fuel. Additionally, the District has contracts through 2005 for the fabrication of nuclear fuel assemblies with estimated future payments of \$13,250,000.

## 10. CONTINGENCIES

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

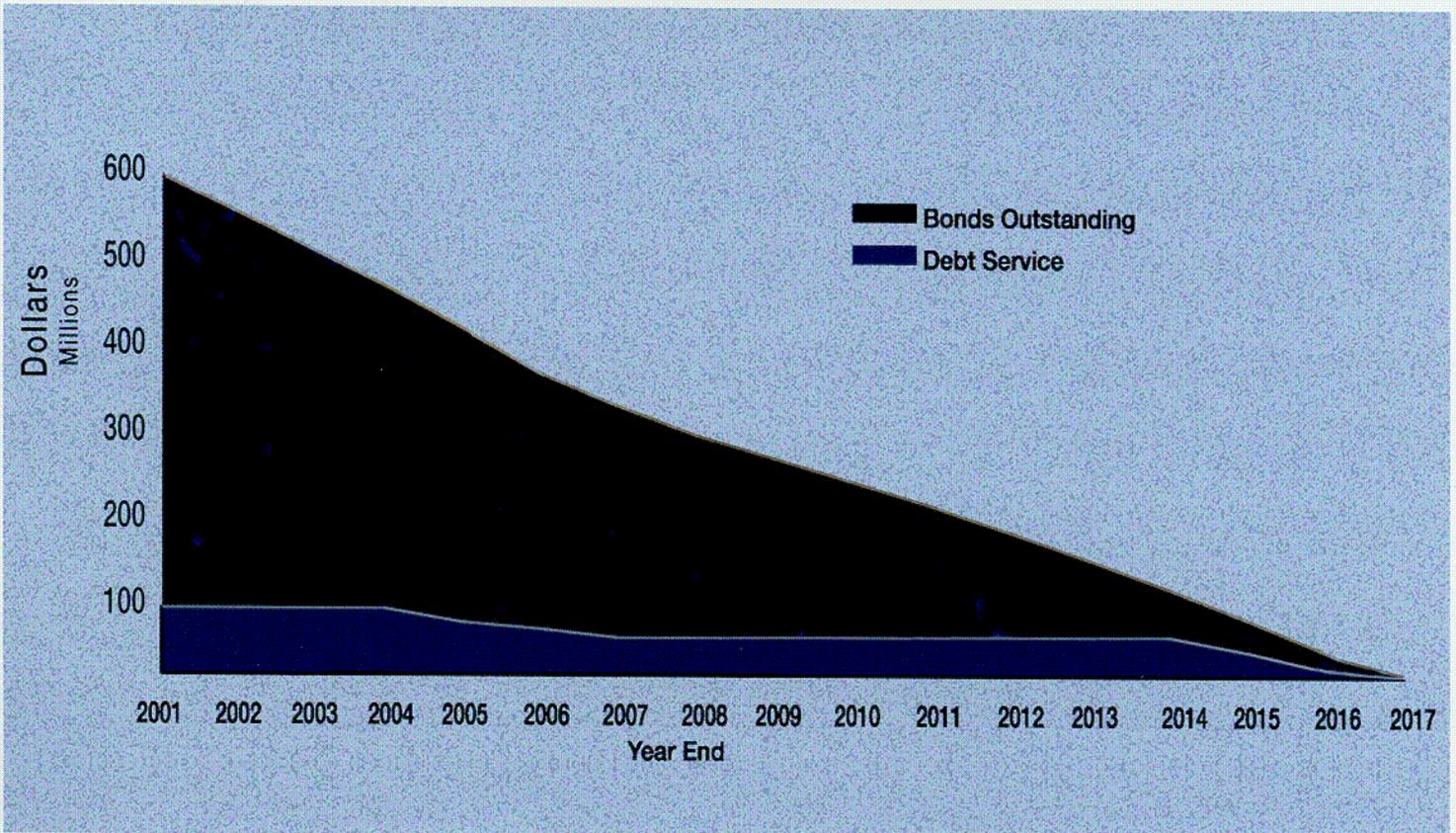
The District is engaged in routine litigation incidental to the conduct of its business and, in the opinion of Management, based upon the advice of its General Counsel, the aggregate amounts recoverable from the District, taking into account estimated amounts provided in the financial statements and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

## Net Receipts and Debt Service Coverage for the Five Years Ended December 31, 2001 (Unaudited)

	2001	2000	1999 (thousands)	1998	1997
Operating revenues .....	\$568,889	\$567,734	\$523,730	\$514,950	\$483,953
Operation and maintenance expenses.....	354,004	345,553	329,323	306,864	283,307
Payments in lieu of taxes .....	18,234	17,645	16,852	16,638	16,447
Net operating revenues .....	196,651	204,536	177,555	191,448	184,199
Investment income (1) .....	1,673	1,851	2,098	2,414	2,609
<b>Net receipts .....</b>	<b>\$198,324</b>	<b>\$206,387</b>	<b>\$179,653</b>	<b>\$193,862</b>	<b>\$186,808</b>
Total debt service (2) .....	\$73,466	\$92,969	\$93,434	\$87,697	\$87,437
Debt service coverage .....	2.69	2.21	1.92	2.21	2.13

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

## Electric System Revenue Bonds Outstanding & Annual Debt Service as of December 31, 2001



CO2

# Electric System Revenue Bonds Outstanding

(In thousands) as of December 31, 2001

Maturity Date February 1	1993 ISSUE SERIES A		1993 ISSUE SERIES B		1993 ISSUE SERIES C		1993 ISSUE SERIES D	
	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.	Int. Rate	Amt.
2002	5.00	15,430	4.90	4,700			4.60	5,830
2003	5.10	16,140	5.00	6,340			4.70	6,080
2004	5.25	18,220	5.00	4,670			4.75	6,960
2005	5.30	18,780	5.10	5,710			4.80	7,110
2006	5.40	20,150	5.20	5,710			4.90	7,280
2007	5.50	21,330	5.30	6,230			5.00	10,080
2008			5.40	9,340	5.40	13,230	5.10	11,000
2009					5.40	14,020	5.25*	11,430
2010					5.50	14,860	5.25*	11,970
2011					5.50*	15,750	5.25*	12,590
2012					5.50*	16,700	5.25*	13,270
2013					5.50*	17,700	5.25*	13,990
2014					5.50*	18,770	5.30*	14,730
2015					5.50*	19,890	5.30*	15,520
2016					5.50*	21,080	5.30*	17,120
2017					5.50*	22,360		
<b>Total Outstanding</b>		<b>110,050</b>		<b>42,700</b>		<b>174,360</b>		<b>164,960</b>
<b>Bonds Redeemed to 12/31/01</b>		<b>74,650</b>		<b>121,500</b>				<b>37,440</b>
<b>Original Issue</b>		<b>184,700</b>		<b>164,200</b>		<b>174,360</b>		<b>202,400</b>

**\*Term Bonds**

The 1973 Issue was defeased to maturity with final maturity on February 1, 2003.

The 1992 Series A Issue was advance refunded and was called on February 1, 2002.

The 1986 Series A Issue was defeased to maturity with final maturity on February 1, 2015.

The 1992 Series B Issue was defeased to maturity with final maturity on February 1, 2017.

**1993 ISSUE  
SERIES E**

**1998 ISSUE  
SERIES A**

Int. Rate	Amt.	Int. Rate	Amt.	Total Principal Maturities February 1	Annualized Debt Service
4.30	8,820	4.50	7,145	41,925	72,719
4.40	9,300	4.50	7,145	45,005	72,493
4.50	9,820	4.05	7,145	46,815	72,499
4.50	10,360	4.10	7,145	49,105	72,235
4.60	10,930	4.20	7,130	51,200	57,448

37,640	50,536
33,570	40,954
25,450	40,150
26,830	40,211
28,340	40,311

29,970	40,415
31,690	40,518
33,500	40,615
35,410	41,424
38,200	25,082

22,360	1,966
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49,230	35,710	577,010	749,576
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55,870	14,290	303,750
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105,100	50,000	880,760
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The 1993 Series B Term Bonds were defeased to maturity with final maturity on February 1, 2017.  
The District has expressly and absolutely retained its right to call and redeem these bonds prior to their stated maturity.

# Statistics

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
<b>Total Utility Plant</b> (at year end) (in thousands of dollars) .....	<b>2,876,799</b>	2,735,437	2,621,444	2,455,004	2,360,495	2,309,733	2,235,631	2,188,106	2,113,562	2,050,336
<b>Bonded Indebtedness</b> (at year end) (in thousands of dollars) .....	<b>577,010</b>	637,235	696,040	745,630	813,860	761,020	947,390	974,510	998,060	998,950
<b>Operating Revenues</b> (in thousands of dollars)										
Residential .....	<b>202,984</b>	196,923	188,187	192,481	183,178	170,021	171,687	165,813	160,489	141,992
General Service - Small .....	<b>176,145</b>	166,441	161,901	159,844	157,406	150,388	145,096	147,669	144,312	135,262
General Service - Large .....	<b>76,197</b>	75,976	76,513	79,359	76,806	75,016	73,395	75,483	77,760	75,992
Government and Municipal ..	<b>12,589</b>	12,270	11,936	11,687	11,356	10,937	8,577	10,626	10,505	10,186
Off-System Sales .....	<b>91,045</b>	110,300	78,741	62,550	44,484	39,908	29,170	4,211	3,673	3,046
Accrued Unbilled Revenues ..	<b>104</b>	2,541	1,650	282	1,554	(161)	998	(279)	(283)	1,158
Provision for Rate Stabilization	<b>(5,000)</b>	(11,500)	(5,000)	—	—	—	—	—	—	—
Other Electric Revenues .....	<b>14,825</b>	14,783	9,802	8,747	9,169	7,413	6,424	6,173	5,904	5,477
Total .....	<b>568,889</b>	567,734	523,730	514,950	483,953	453,522	435,347	409,696	402,360	373,113
<b>Operation &amp; Maintenance Expenses</b> (in thousands of dollars) .....	<b>354,004</b>	345,553	329,323	306,864	283,307	278,251	261,981	229,976	226,903	216,041
<b>Payments in Lieu of Taxes</b> (in thousands of dollars) .....	<b>18,234</b>	17,645	16,852	16,638	16,447	15,499	15,263	15,515	15,104	13,924
<b>Net Operating Revenues before Depreciation and Decommissioning</b> (in thousands of dollars) .....	<b>196,651</b>	204,536	177,555	191,448	184,199	159,772	158,103	164,205	160,353	143,148
<b>Net Earnings Reinvested in the Business</b> (in thousands of dollars) .....	<b>69,867</b>	70,850	49,014	63,993	47,152	39,339	47,835	52,115	45,203	30,255
<b>Kilowatt-Hour Sales</b> (in thousands)										
Residential .....	<b>3,065,377</b>	2,880,289	2,718,585	2,796,585	2,688,951	2,577,624	2,571,881	2,467,405	2,361,565	2,139,300
General Service - Small .....	<b>3,279,890</b>	3,097,835	3,014,202	2,971,390	2,894,595	2,787,471	2,657,948	2,580,258	2,434,023	2,355,409
General Service - Large .....	<b>2,302,311</b>	2,287,966	2,304,441	2,443,625	2,323,253	2,305,328	2,124,023	1,930,664	1,853,975	1,858,243
Government and Municipal ..	<b>82,775</b>	81,268	80,868	80,286	79,572	78,710	79,732	80,906	81,081	80,731
Off-System Sales .....	<b>3,952,632</b>	4,208,943	3,318,409	3,105,942	2,544,508	2,492,385	1,855,154	177,489	153,396	138,862
Accrued Unbilled kWh .....	<b>(5,268)</b>	52,739	23,168	9,369	54,222	7,358	23,161	7,707	(4,676)	18,832
Total .....	<b>12,677,717</b>	12,609,040	11,459,673	11,407,197	10,585,101	10,248,876	9,311,899	7,244,429	6,879,364	6,591,377
<b>Number of Customers</b> (average per year)										
Residential .....	<b>261,286</b>	256,541	251,057	245,890	241,626	237,584	233,879	230,391	227,181	224,107
General Service - Small .....	<b>37,008</b>	36,088	35,553	34,932	34,555	33,993	33,137	32,438	31,685	31,259
General Service - Large .....	<b>116</b>	110	105	103	99	99	97	95	94	92
Government and Municipal ..	<b>555</b>	543	560	567	551	555	542	516	503	497
Other Electric Utilities .....	<b>49</b>	49	45	40	36	34	31	7	5	5
Total .....	<b>299,014</b>	293,331	287,320	281,532	276,867	272,265	267,686	263,447	259,468	255,960
<b>Residential Statistics</b> (average)										
kWh/Customer .....	<b>11,732</b>	11,227	10,829	11,373	11,129	10,849	10,997	10,710	10,395	9,546
Dollar Revenue/Customer .....	<b>776.87</b>	767.61	749.58	782.79	758.11	715.62	734.08	719.70	706.43	633.59
Cents/kWh .....	<b>6.62</b>	6.84	6.92	6.88	6.81	6.65	6.76	6.72	6.80	6.64
<b>Generating Capability</b> (at year end) (in kilowatts) .....	<b>2,211,600</b>	2,209,600	2,100,000	2,089,500	2,067,000	2,033,100	1,924,200	1,924,200	1,924,200	1,883,500
<b>System Peak Load</b> (in kilowatts) .....	<b>1,994,100</b>	1,976,900	1,965,600	1,914,000	1,851,800	1,813,900	1,827,900	1,645,900	1,603,100	1,442,000
<b>Net System Requirements</b> (kilowatt-hours in thousands)										
Generated .....	<b>11,516,924</b>	11,760,938	10,724,976	10,679,310	9,698,231	9,260,923	9,073,968	8,876,535	8,846,354	7,653,496
Purchased and Net Interchanged .....	<b>(2,557,704)</b>	(2,833,243)	(2,190,252)	(1,960,844)	(1,281,496)	(1,096,996)	(1,206,817)	(1,418,694)	(1,697,288)	(844,178)
Net .....	<b>8,959,220</b>	8,927,695	8,534,724	8,718,466	8,416,735	8,163,927	7,867,151	7,457,841	7,149,066	6,809,318

Certain amounts have been reclassified to conform with the 2001 presentation.

## **Executive Offices**

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

## **Trustee**

*Bank One Trust Company,  
National Association  
Chicago, Illinois*

## **Paying Agents**

*Bank One Trust Company,  
National Association  
Chicago, Illinois*

*Bank One Trust Company  
National Association  
New York, New York*

*Wells Fargo Bank Nebraska, N.A.  
Omaha, Nebraska*

## **Minibond Administration**

*Omaha Public Power District  
Finance & Capital Management Department*

## **General Counsel**

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

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*Vice Chair of the Board*

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