your energy partner®
OPPD
Omaha Public Power District

444 South 16th Street Mall
Omaha NE 68102-2247

March 28, 2003
LIC-03-0040

U. S. Nuclear Regulatory Commission
ATTN.: Document Control Desk
Washington, DC 20555

Reference: Docket No. 50-285

SUBJECT: 2002 Annual Financial Report

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the Omaha Public Power District's 2002 Annual Report.

If you should have any questions, please contact Dr. Richard Jaworski at (402) 533-6833. No commitments are made to the NRC in this letter.

Sincerely,

R. T. Ridenoure
Division Manager
Nuclear Operations

RTR/rrl

Enclosure: Omaha Public Power District's 2002 Annual Report.

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

M004

2002 ANNUAL REPORT

To the Public
for Which We Stand

your energy partner®

OPPD

Omaha Public Power District

C01

OPPD 2002 Annual Report

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

Trustee
Bank One Trust Company,
National Association
Chicago, Illinois

Paying Agents
Bank One Trust Company,
National Association
Chicago, Illinois
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, Meusey, Olson, Boyer &
Bloch, P.C.
Omaha, Nebraska

OPPD Corporate Officers

Geoffrey C. Hall
Chairman of the Board

Anne L. McGuire
Vice Chair of the Board

Del D. Weber
Treasurer

Kirk E. Brumbaugh
Secretary

Fred M. Petersen
President,
Chief Executive Officer

Charles N. Eldred
Vice President,
Chief Financial Officer
Assistant Treasurer
Assistant Secretary

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

Charles P. Moriarty
Senior Financial Officer
Assistant Treasurer
Assistant Secretary

COVER:
As a public utility, our customers are our owners, and we like taking good care of them. On the cover, apprentice line technician Tony Crooks, left, and line technicians Tim Potts, center, and Mark Gorseth are among those who ensure customers have electricity when they need it.

To the Public
for Which We Stand

A United State

Nebraska is unique in that it remains wholly served by public power utilities, as it has for more than 70 years.

During the first part of the 20th century, little had been done to bring electricity to rural areas. The state's irrigation needs were not being met, and survival of Nebraska's agricultural economy was at stake. In 1933, these and other concerns prompted the Nebraska Legislature to pass the "Enabling Act," which permitted the formation of separate or combined public power districts and public irrigation districts as state political subdivisions. As rural electrification progressed, urban dwellers began to take notice of the benefits of public power. In 1946, some area business leaders succeeded in establishing the Omaha Public Power District with the express purpose of promoting highly reliable, affordable service in their community.

As a political subdivision of the state of Nebraska, OPPD's policies and rates are set by its eight-member Board of Directors, elected by the people in the areas served. This type of governance allows for public awareness of the utility's operations since every Nebraskan is a stakeholder in the state's public power system.

Public power has brought benefits to customers in the entire state: low-cost electricity, reliable service and safe operations. Public power gives Nebraskans local control. Instead of paying dividends to stockholders, OPPD and other public power utilities return profits to customer-owners in the form of low rates and system improvements.

Contents

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Chairman and CEO Message

Board Chairman Geoffrey Hall, left, and President and CEO Fred Petersen; Fort Calhoun Nuclear Station in the background.

The year 2002 turned out to be a good year for Omaha Public Power District and its customer-owners. We remained committed to our mission of providing low-cost, reliable electricity and local control to our customers. We are proud to be located in Nebraska, the nation's only all-public power state.

Due to diligent planning and cost-control efforts, OPPD has successfully held the line on rates for more than a decade. As a result, OPPD's electricity prices are consistently below the national average. These efforts also explain why OPPD maintains strong ratings with the bond-rating agencies — AA from Standard & Poor's Corporation and Aa2 from Moody's Investor Services in 2002. These ratings are based on OPPD's overall financial condition.

In 2002, retail sales totaled \$468,411,000, an increase of \$5,392,000 over 2001, and off-system sales reached \$73,256,000. OPPD's net income was \$80,621,000, an increase of \$10,754,000; operating revenues totaled \$553,024,000, a decrease of \$15,771,000; and operation and maintenance expenses amounted to \$347,121,000, down \$6,646,000 from 2001.

While retaining our focus on value and integrity in our financial dealings, we also continued to focus on achieving excellence in other areas of our operations. For the second consecutive year, J.D. Power and Associates ranked OPPD highest in customer satisfaction among the utilities in its class. The award is based on customer replies to survey questions related to price and value, billing and payment, power quality and reliability, customer service and the utility's image. This was again a high mark for all of our employees who work hard to serve our customers. Rather than rest on these laurels, we will continue our efforts to serve our customers well.

To remain a reliable, low-cost energy provider, we must stay ahead of the growing demand for electricity. OPPD made significant progress in 2002 toward completion of two natural gas-fueled turbines in the south area of its service territory. These peaking units, scheduled for operation in June 2003, will add 320 megawatts to OPPD's generating capacity. Plans were also initiated for construction of a new coal-fired generating plant. Construction of the unit — which will generate up to 600 megawatts — should begin in 2005, with completion scheduled for 2009.

In addition, OPPD made significant progress on the renewal of the operating license for Fort Calhoun Station. License renewal would allow us to operate the nuclear plant until 2033 — 20 years beyond its present license-expiration date of 2013. We submitted the application to the Nuclear Regulatory Commission in January 2002, and NRC personnel have since conducted extensive reviews, audits and inspections. Although additional reviews and inspections are scheduled, no obstacles have been identified.

While planning to meet future power needs, OPPD has continued to operate its existing generating stations well, thanks to good maintenance and highly capable personnel. Nebraska City Station, our largest coal-fired plant, was cited as the third lowest-cost steam-generating electricity plant in the United States by POWER magazine. The ranking was based on that plant's average production costs as compared with other coal-fired plants with at least 300 megawatts of generating capacity. The magazine also ranked North Omaha Station among the top third for low-

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cost electricity production, and ranked Fort Calhoun Station nationally among the nuclear power plants with the lowest non-fuel operation and maintenance costs.

OPPD power plants and transmission and distribution systems were strongly tested last summer and performed well. OPPD met record customer demand of 2,037 megawatts on July 19, 2002. And, OPPD continued to meet customer requirements while complying with environmental and regulatory standards.

We realize that the electric industry continues to change in many ways that were unimaginable in the past. At OPPD, we view this change as a great opportunity, and we will continue to seek new technologies and business opportunities that benefit our customer-owners.

For example, in the evolving field of distributed generation, we installed a 60-kilowatt microturbine at our office in Blair, Nebraska, working in collaboration with the Electric Power Research Institute. Over the past several years, OPPD has been testing various technologies in this growing field, including a 4.8-kilowatt photovoltaic system at one of our major service centers and a 200-kilowatt fuel cell at Omaha's world-famous Henry Doorly Zoo. We don't know to what extent and into which market segments distributed generation will come to fruition, but we will be prepared, and we will understand how these technologies work with our systems.

In 2002, OPPD expanded its Green Power Program after placing a landfill-gas generating plant into service. This unit is the largest single generator of renewable energy in the state of Nebraska. It had produced almost 20 million kilowatt-hours of energy by the end of 2002, while operating at higher than 98 percent of capacity. The Environmental Protection Agency recognized OPPD as an "Energy Partner of the Year" for its renewable energy efforts related to the new Elk City Station.

In addition, our joint venture with Valmont Industries into wind power completed its initial phase. We partnered with this international company to test a unique tower design intended to make wind power more affordable. As a result of this partnership, the tower design has advanced from a prototype to a construction-grade model. OPPD's objective is to provide additional renewable energy to our customers in a way that is increasingly efficient and economical. We will continue to further explore, develop and make use of renewable technologies as their feasibility increases.

While working to develop new energy resources, we also continue to encourage customers to use existing energy resources wisely. OPPD presented its 2002 J.M. Harding Award of Excellence to Creighton University for its commitment to smart energy use. OPPD has presented the award to a large customer annually since 1984. The university implemented numerous energy-saving projects, including installation of an energy-monitoring system that measures energy consumption in 28 of its buildings. Over time, the system is expected to yield a 15-percent reduction in Creighton's energy consumption.

Whether our employees are helping customers find ways to maximize energy efficiency or helping the utility do the same, we are committed to ensuring that our workforce is well-trained and diverse. Our Diversity Advisory Council continued to foster an environment of inclusion, knowledge and understanding, in which employees learn to value diversity and respect the differences and similarities that enrich OPPD and the customers we serve.

OPPD enjoys these successes because of excellent employees who focus on delivering the benefits of public power to customer-owners. It is with these dedicated employees, our well-maintained equipment, a solid balance sheet and a strong Board of Directors that we stand ready for the challenges that lie ahead of us as we continue our commitment to the public ... for which we stand.

Fred Petersen

Fred M. Petersen
President and Chief Executive Officer

Geoffrey C. Hall

Geoffrey C. Hall
Chairman of the Board

Operations Review

Electricity provides comfort and a lifestyle with more options than ever before. Ruth and Tom Jamieson look for the perfect light fixture for their home.

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To the Public for Which We Stand

Omaha Public Power District has an obligation and a commitment to the 693,000 people it serves in southeast Nebraska – to provide electricity and electric-related services in a manner that exceeds their expectations.

OPPD has worked toward that goal for more than 56 years as a business-managed, publicly owned utility. Across its 5,000-square-mile service territory, the utility serves a diverse base of customers – from homeowners and shopkeepers, to cattle farmers and Fortune 500 businesses.

Everything OPPD does – planning, generating, distributing, maintaining, investing and spending – is done with the customer in mind. And, it is done with integrity.

OPPD is deeply rooted in the communities it serves. Based in Omaha, Nebraska, the utility has always focused on being an energy partner with its customers, and that focus is reflected in its work culture. Account executives, electrical service designers, customer service representatives and other field personnel work closely with customers to understand their obvious and not-so-obvious requirements. Employees learn about customers' businesses. They ask about – and anticipate – customers' needs. As a result, the utility has developed numerous

For the second year in a row, OPPD has received an award for highest customer satisfaction with residential electric service.

J.D. Power and Associates 2001-2002 Electric Utility Residential Customer Satisfaction Studies SM. 2002 Study based on a total of 22,936 consumer responses. The top 18 medium electric companies were ranked in the study. www.jdpower.com.

It takes many entities to bring development projects to life. Electrical service designer John Mullen, left, distribution design engineer Joel Haskins, second from left, and working line crew leader Pat Callahan, second from right, pose with other workers at a downtown Omaha job site.

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To the Public for Which We Stand

products and services to help customers. In addition, the majority of the 2,400 employees reside within the 13-county service area, which means they're working hard for their friends, neighbors and families, giving employees more reason to succeed and take pride in their work. OPPD employees recognize that reliable, affordable power is essential to providing a high quality of life and a successful business climate, and they work hard to deliver that power.

To help spread the message that southeast Nebraska is a good place to live and work, OPPD has built an effective partnership with the state of Nebraska, as well as with the Omaha Chamber of Commerce and other area development groups. These pooled resources help give businesses that are considering expansion or relocation a more complete picture of the benefits of the area. Among the utility's most attractive selling points are its low-cost electricity and reliable service.

The utility's forestry efforts are exemplary, as well. For the third consecutive year, OPPD has earned national recognition as a Tree Line USA

OPPD electrical service designer Deb Jensen, left, helps customer Connie Jacobsen with a residential project.

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When Gary Van Osdel remodeled his basement in 2002, he crafted a spot where he could use his power tools. Above, Gary helps Cub Scouts Anthony Marinella, left, and Brendan Sweeney work on Pinewood Derby cars.

Utility. The Tree Line USA program is sponsored by the National Arbor Day Foundation in cooperation with the National Association of State Foresters. The foundation gives the honor to utilities that provide a quality tree-care program, annual worker training in tree-care practices, and a public tree-planting education program. OPPD is involved in many other activities designed to preserve and enhance the environment.

We are committed to taking care of our facilities, equipment and customers. OPPD has three major power plants: the coal-fired North Omaha and Nebraska City stations and the nuclear-fueled Fort Calhoun Station. In addition, the utility has several peaking plants that provide electricity during the summer months, when demand is at its highest. From the generating units, the power is transported to customers over more than 13,700 miles of electric line. OPPD services its equipment – and thus its customers – from five major service centers and several smaller offices strategically located across its territory.

In June, employees successfully completed a refueling outage at Fort Calhoun Station in the shortest time ever. Planning, efficiency and teamwork contributed to the successful effort, which was accomplished under budget. Later in the year, Fort Calhoun Station drew excellent reviews for its operating performance from the Institute of Nuclear Power Operations (INPO).

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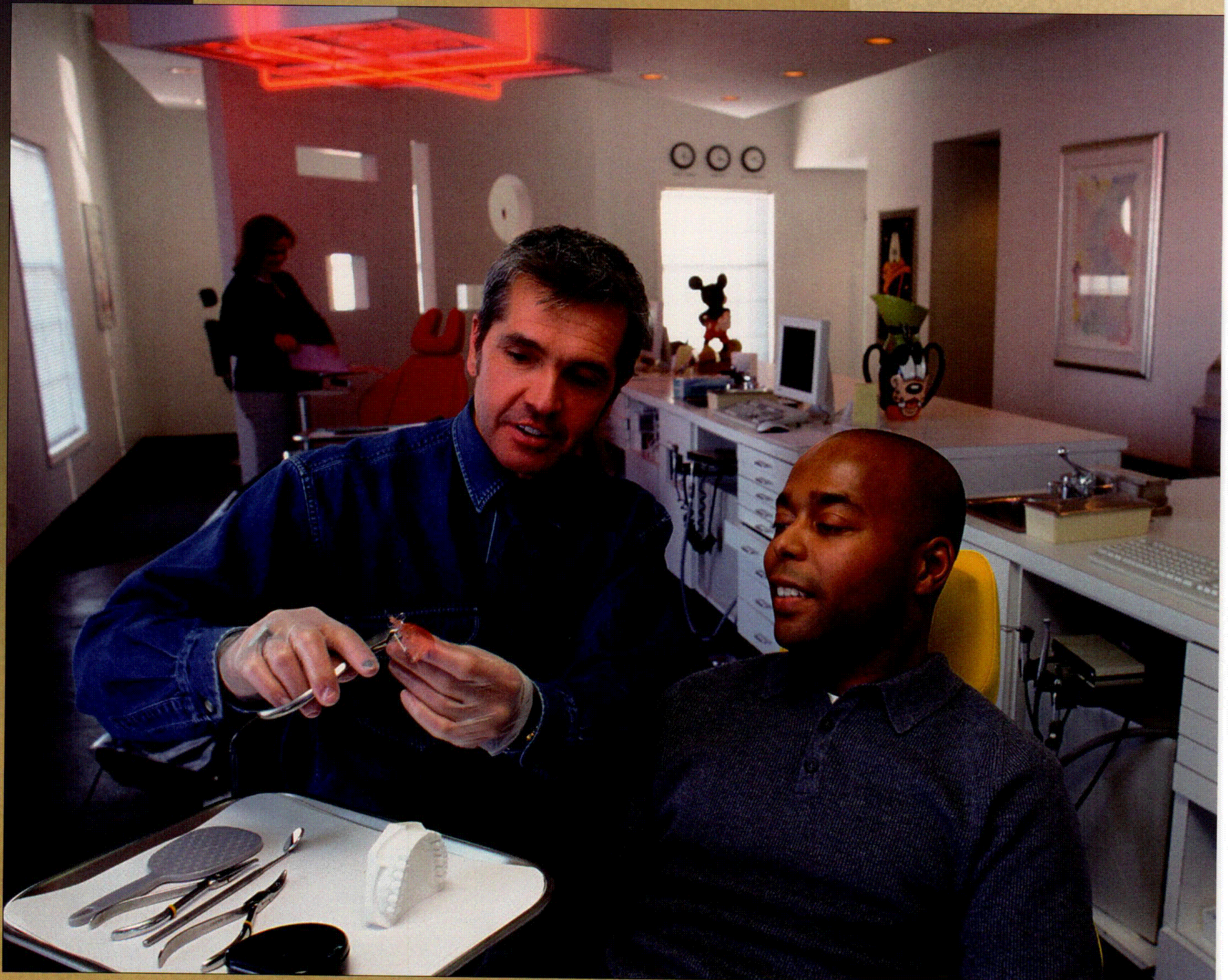
To the Public for Which We Stand

INPO conducted an evaluation of the plant's operating and safety systems from September through December 2002. Among the many positive areas cited in INPO's assessment report were a strong operational focus, strong engineering support, the plant's excellent materiel condition, high reliability and a strong sense of ownership and pride by plant staff.

OPPD keeps its coal-fired plants in top shape, also. At North Omaha Station, the utility upgraded controls on units 1-4 and updated related control rooms. It also overhauled the unit 2 turbine. At Nebraska City Station, new low-pressure turbines increased efficiency by 4 percent, resulting in an increased output capacity of 646 megawatts, all without any increase in fuel consumption or air emissions.

The utility historically has had effective maintenance programs for its generating, transmission and distribution equipment. These programs have always included security measures to ensure safety. The utility, though, has taken many steps to enhance the overall security of its facilities, computing systems,



Electricity not only adds to our comfort, it also helps make major medical and technological advances possible. Medical professionals rely on electricity to treat their patients. Here, orthodontist Clark Stevens consults with Michael Leary.

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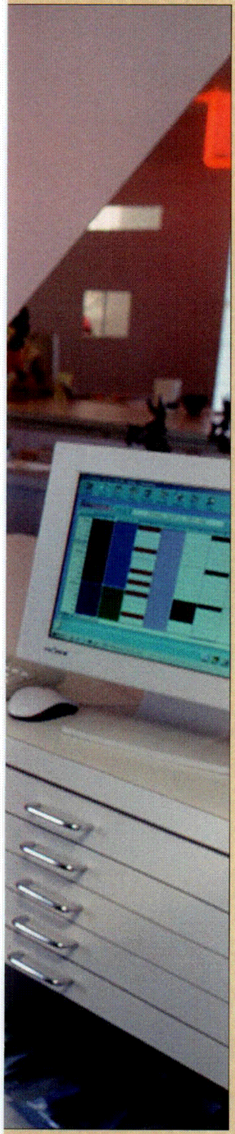
customer information and other key areas of operations. A team of employees formed after the events of September 11, 2001, monitors the electronic and physical security of OPPD's facilities and systems on an ongoing basis. These maintenance and security efforts help ensure that power will be readily available to customers.

The utility works hard to provide value for its customer-owners, offering a number of products, services and programs for residential, small business and large commercial and industrial customers. These range from efforts to help customers maximize energy efficiency and protect the quality of their power, to improving lighting systems and providing training to heating, ventilating and air conditioning technicians. This past fall, OPPD expanded its website to add more business services, such as electronic bill payment. The website contains other interactive features that enable customers to report outages, report streetlight problems, and open, close or transfer a service account.



In addition, the utility is doing a good job keeping promises it made with its Service Guarantee Program. OPPD guarantees it will keep all customer appointments, will meet commitments to connect electric service, will give advance notification of planned service interruptions, and will respect customers' property. When the utility fails to meet any of these commitments, it pays $100 to the customer. The program has resulted in improved attention to internal processes aimed at delivering quality customer service.

OPPD is planning for the future. Whether it will be used to run equipment in a large business, heat an elementary school, power neonatal unit incubators, cool the frozen food at the grocery store, light a photographer's studio, mist foliage in a greenhouse or run a dishwasher in a home, customers expect electricity to be there when they need it. That's the bottom line for the utility business, and OPPD does what it must to provide affordable, reliable electricity to customers.

As part of a mutual aid agreement, OPPD sent 76 employees and 27 contractors to Kansas City and southeastern Kansas to help restore power to almost 300,000 customers after a harsh January storm.

A critical element of the utility's success in doing this is found in its detailed planning for the future. OPPD's Integrated Resource Plan consolidates much of the utility's planning into a roadmap for the future. This roadmap combines key forecasts of future customer needs with an analysis of the most cost-effective and dependable options available to meet those needs. As a result of this process, OPPD knows what it must do to meet the needs of customers years from now, and plans accordingly.

The work the utility is doing reflects today's commitment to providing tomorrow's customers with reliable service at an affordable cost. It is a commitment that OPPD has always taken seriously, and always will. Working for the public – this is OPPD's pledge. ■

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Public power is an American tradition that works for local communities and consumers across the country. The purpose of public power is to provide excellent, efficient service to its customer-owners. Unlike private power companies, public power utilities do not have to serve stockholders as well as customers. OPPD's hometown advantages - low rates, commitment to local communities, public accountability, local decision making and strong customer service - have made OPPD a community success. OPPD has always been dedicated to providing reliable, dependable and affordable energy to its customers. By operating efficient power plants, controlling costs and effective financial planning, OPPD will continue to provide superior customer satisfaction for many years to come.

The following unaudited Management's Discussion and Analysis should be read in conjunction with the financial statements and related notes beginning on page 22 and contains forward-looking statements based largely on OPPD's current plans.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following table summarizes OPPD's financial position at December 31, 2002 and 2001 (in thousands).

Condensed Balance Sheets	2002	2001
Current Assets	$ 200,445	$ 208,050
Capital Assets	1,816,950	1,657,549
Other Long-Term Assets	454,296	394,147
Total Assets	$2,471,691	$2,259,746
Current Liabilities	$ 175,869	$ 165,891
Long-Term Liabilities	1,062,566	941,220
Total Liabilities	1,238,435	1,107,111
Equity	1,233,256	1,152,635
Total Liabilities and Equity	$2,471,691	$2,259,746

The following table summarizes OPPD's strong operating results (in thousands).

Operating Results	2002	2001	2000
Operating Revenues	$ 553,024	$ 568,795	$ 567,189
Operating Expenses	(444,774)	(475,144)	(469,940)
Operating Income	108,250	93,651	97,249
Other Income	12,380	15,956	17,059
Interest Expense	(40,009)	(39,740)	(43,458)
Net Income	$ 80,621	$ 69,867	$ 70,850

Operating Revenues

2002 Compared to 2001

Total operating revenues were $553,024,000 for the year ended December 31, 2002, a decrease of $15,771,000 or 2.8% from 2001 operating revenues of $568,795,000.

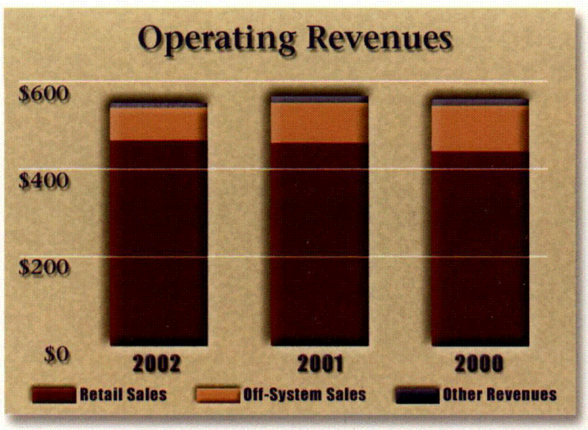
- Reductions from retail sales for rate stabilization were $10,500,000 and $5,000,000 for 2002 and 2001, respectively.
- Prior to the reduction for rate stabilization, revenues from retail sales were $478,911,000 for 2002, an increase of $10,892,000 or 2.3% over 2001 revenues of $468,019,000. The increase in revenues was due to a 0.5% increase in energy sales to retail customers and more energy sold at summer rates.
- Revenues from off-system sales were $73,256,000 for 2002, a decrease of $17,789,000 or 19.5% from 2001 revenues of $91,045,000. Revenues for 2002 were down from 2001 due to a combination of lower energy prices and lower sales volume.

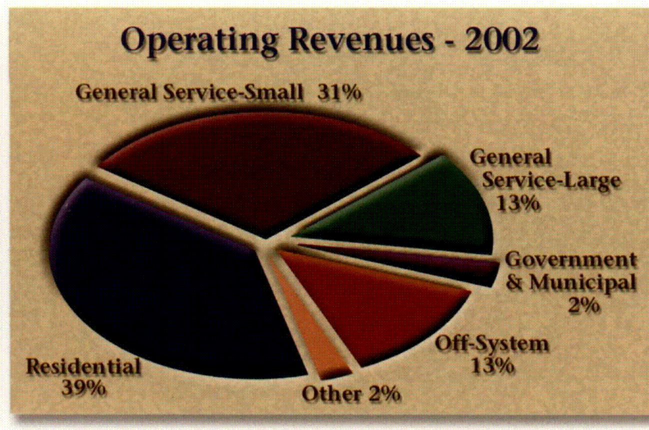
2001 Compared to 2000

Total operating revenues were $568,795,000 for the year ended December 31, 2001, an increase of $1,606,000 or 0.3% over 2000 operating revenues of $567,189,000.

- Reductions from retail sales for rate stabilization were $5,000,000 and $11,500,000 for 2001 and 2000, respectively.
- Prior to the reduction for rate stabilization, revenues from retail sales were $468,019,000 for 2001, an increase of $13,868,000 or 3.1% over 2000 revenues of $454,151,000. The increase in revenues was primarily due to a 3.9% increase in energy sales to retail customers.
- Revenues from off-system sales were $91,045,000 for 2001, a decrease of $19,255,000 or 17.5% from 2000 record revenues of $110,300,000. Off-system sales revenues were down due to a combination of lower energy prices and lower sales volume.

The chart, below left, illustrates the mix of OPPD's operating revenues (in millions). The chart, below right, illustrates the percentage share of revenues by customer class for 2002. Other revenues include connection charges, customers' forfeited discounts, rent from electric property and transmission wheeling fees.





Energy Sales

2002 Compared to 2001

Total energy sales were 12,385,527 megawatt-hours (MWH) for the year ended December 31, 2002, a decrease of 292,190 MWH or 2.3% from 2001 energy sales of 12,677,717 MWH.

- Energy sales to retail customers were 8,772,187 MWH for 2002, an increase of 47,102 MWH or 0.5% over 2001 retail energy sales of 8,725,085 MWH. Retail sales have shown steady increases over the years due to OPPD's increasing customer base.
- Off-system energy sales were 3,613,340 MWH for 2002, a decrease of 339,292 MWH or 8.6% from 2001 off-system energy sales of 3,952,632 MWH. The decrease in off-system energy sales was primarily due to additional generation resources in the marketplace, scheduled maintenance of OPPD's generating facilities and higher retail sales.

2001 Compared to 2000

Total energy sales were 12,677,717 MWH for the year ended December 31, 2001, an increase of 68,677 MWH or 0.5% over 2000 energy sales of 12,609,040 MWH.

- Energy sales to retail customers were 8,725,085 MWH for 2001, an increase of 324,988 MWH or 3.9% over 2000 retail energy sales of 8,400,097 MWH. Retail sales have shown steady increases over the years due to OPPD's increasing customer base.
- Off-system energy sales were 3,952,632 MWH for 2001, a decrease of 256,311 MWH or 6.1% from 2000 off-system energy sales of 4,208,943 MWH. Off-system energy sales decreased due to additional generation resources in the marketplace and higher retail sales.

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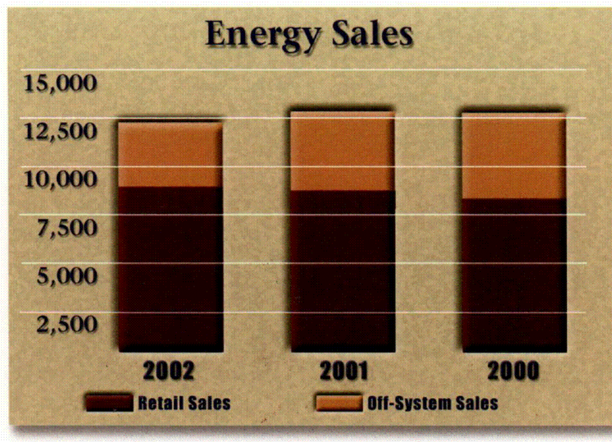
The following table shows energy sales by customer class (in MWH).

Energy Sales	2002	2001	2000
Residential	3,151,895	3,065,377	2,880,289
General Service – Small	3,272,028	3,279,890	3,097,835
General Service – Large	2,290,368	2,302,311	2,287,966
Government and Municipal	81,593	82,775	81,268
Unbilled Energy Sales	(23,697)	(5,268)	52,739
Total Retail Sales	8,772,187	8,725,085	8,400,097
Off-System Sales	3,613,340	3,952,632	4,208,943
Total Energy Sales	12,385,527	12,677,717	12,609,040

The chart, shown at right, illustrates the mix of retail and off-system energy sales (in MWH).



Operating Expenses

2002 Compared to 2001

Total operating expenses were $444,774,000 for the year ended December 31, 2002, a decrease of $30,370,000 or 6.4% from 2001 operating expenses of $475,144,000.

- Depreciation expense was $20,462,000 or 20.6% lower than in 2001 due to the change in the depreciable life estimates of the Fort Calhoun Station as a result of application for license renewal with the Nuclear Regulatory Commission.
- Production expenses were $8,625,000 or 9.6% lower than in 2001 due to increased charges to construction programs in 2002.
- Decommissioning expense was $3,581,000 lower than 2001 expense. Based on current cost estimates, inflation rates and fund earnings projections, no funding was necessary for decommissioning expense for the year 2002.
- Administrative and general expenses were $9,341,000 or 24.1% higher than in 2001 primarily due to increased costs for the retirement plan, supplemental retirement savings plan and health insurance.

2001 Compared to 2000

Total operating expenses were $475,144,000 for the year ended December 31, 2001, an increase of $5,204,000 or 1.1% over 2000 operating expenses of $469,940,000.

- Maintenance expenses were $11,910,000 or 27.6% more than in 2000 due to the completion of several transmission and production maintenance projects in 2001.
- Customer accounts expenses were $6,601,000 or 54.3% more than in 2000 due to the amortization of costs related to the new customer information system and an increase in uncollectible accounts expense.
- Production expenses were $3,593,000 or 4.2% more than in 2000 primarily due to expenses incurred related to the application for license renewal at the Fort Calhoun Station.
- Fuel expense was $12,178,000 or 13.7% less in 2001 primarily due to a write-off of deferred expenditures in 2000 for costs incurred for the disposal of spent nuclear fuel.
- Decommissioning expense was $5,342,000 or 59.9% lower than 2000 expense because funding was decreased based on an analysis of current cost estimates, inflation rates and fund earnings projections.

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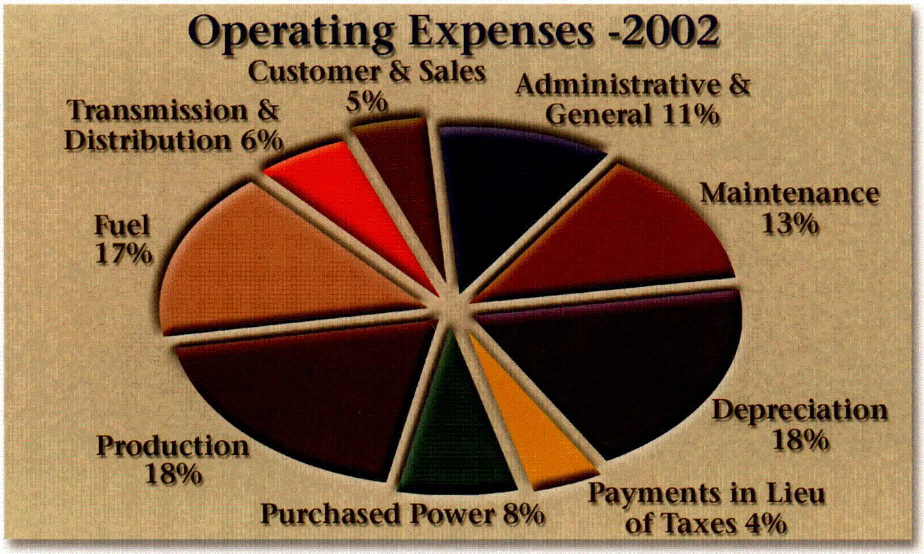
The following chart illustrates the percentage share of operating expenses for 2002 by functional expense classification.



Interest Expense

Total interest expense was $40,009,000 for the year ended December 31, 2002, an increase of $269,000 or 0.7% over 2001 interest expense of $39,740,000, due to an increase in long-term debt.

Total interest expense was $39,740,000 for the year ended December 31, 2001, a decrease of $3,718,000 or 8.6% from 2000 interest expense of $43,458,000, due to a decrease in long-term debt and lower interest rates.

Products and Services

OPPD offers a variety of products and services, which provide value both to the customer and OPPD. These offerings include such products as Performance Contracting, Energy Information Systems, Power Quality, Ground Source Heat Pumps, and Residential and Commercial Surge Protection.

- Net income from products and services was $342,000 for the year ended December 31, 2002, a decrease of $923,000 from 2001 net income of $1,265,000. This decrease is primarily due to a reduction in revenues earned from marketing contract activities.
- Net income from products and services was $1,265,000 for the year ended December 31, 2001, an increase of $928,000 over 2000 net income of $337,000. This increase is primarily due to revenues earned from marketing contract activities.

Number of Customers

OPPD has a stable customer base which continues to grow at a steady rate.

- OPPD served an average of 305,036 customers for the year ended December 31, 2002, an increase of 6,022 customers or 2.0% over the average number of customers for 2001 of 299,014.
- OPPD served an average of 299,014 customers for the year ended December 31, 2001, an increase of 5,683 customers or 1.9% over the average number of customers for 2000 of 293,331.

The following table shows the average number of customers by customer class.

Number of Customers	2002	2001	2000
Residential	266,464	261,286	256,541
General Service – Small	37,807	37,008	36,088
General Service – Large	117	116	110
Government and Municipal	594	555	543
Off-System	54	49	49
Total	305,036	299,014	293,331

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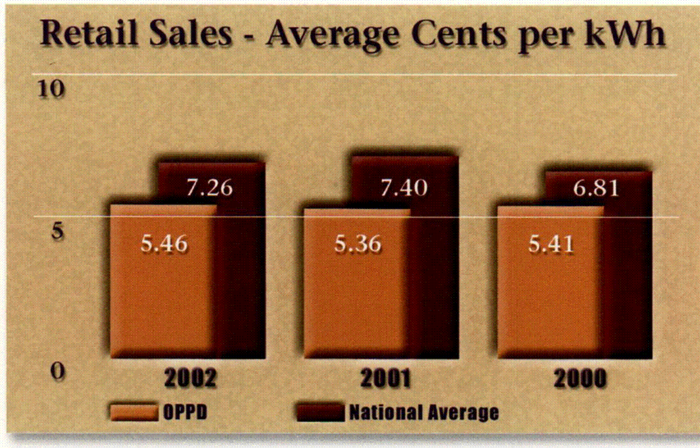
Cents per kWh

2002 was the tenth consecutive year without a general rate increase for OPPD customers, and OPPD's rates remain well below the national average. The average cents per kWh fluctuates between years due to differences in seasonal consumption.

- Residential customers paid an average of 6.80, 6.62 and 6.84 cents per kWh for the years ended December 31, 2002, 2001 and 2000, respectively.
- Retail customers paid an average of 5.46, 5.36 and 5.41 cents per kWh for the years ended December 31, 2002, 2001 and 2000, respectively.

The chart on the right shows the average retail cents per kWh compared to the national average. The cents per kWh for the national average for 2002 and 2001 are based on preliminary year-to-date data as of October 31 of these respective years, according to the Energy Information Administration, U.S. Department of Energy.



CASH AND LIQUIDITY

OPPD has achieved a high degree of liquidity by maintaining strong credit ratings, expanding its Commercial Paper program, implementing cost-containment programs and investing in projects that provide returns in excess of OPPD's weighted average cost of capital.

OPPD relies on bond offerings as a significant source of liquidity for capital requirements not provided by cash from OPPD's operations. OPPD's ability to attract required capital at reasonable terms is important to its overall business plan and will be critical in the years to come to support the significant planned construction program.

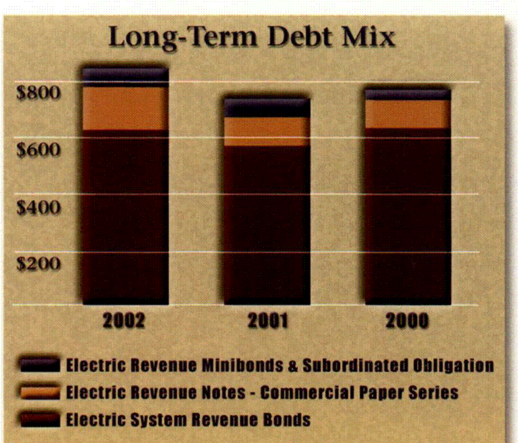
Financing

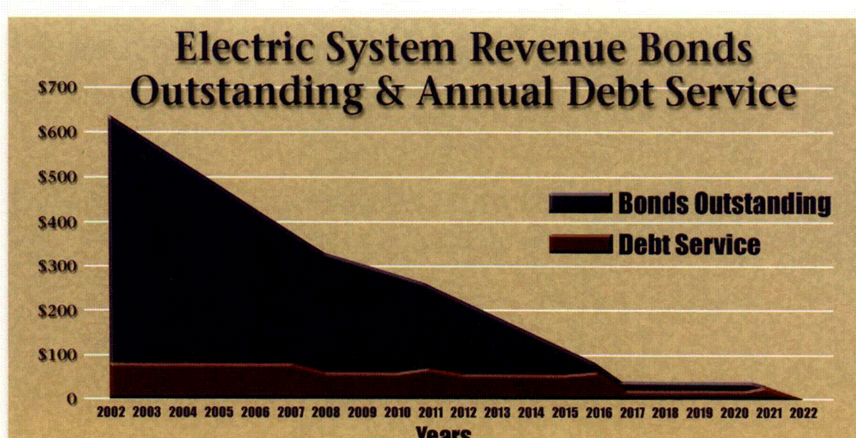
In March 2002, the Commercial Paper program was increased from $100,000,000 to $150,000,000 and is supported by a credit agreement which expires on October 1, 2004.

In June 2002, OPPD issued $80,000,000 of bonds which were sold at interest rates ranging from 3.45% to 5.20%, depending on the term. The proceeds from the sale of the bonds were used for capital expenditures.

In November 2002, OPPD issued $190,000,000 of bonds which were sold at interest rates ranging from 4.25% to 5.00%, depending on the term. The proceeds from the sale were used for the defeasance of OPPD's 1993 Series C 2017 Term Bonds and 1993 Series D 2013 and 2016 Term Bonds. This refunding will result in an overall economic gain of $13,198,000 over the life of the bonds.

The chart, below left, illustrates OPPD's long-term debt mix (in millions). The chart, below right, shows OPPD's declining amount of current indebtedness (in millions) and indicates OPPD has sufficient capacity to issue debt to fund the construction of Unit 2 at the Nebraska City Station and other capital programs.





Ratings

The company's bond ratings affect OPPD's ability to borrow funds at low rates. Both quantitative (financial strength) and qualitative (business or operating characteristics) factors are considered by the bond-rating agencies in establishing a company's credit rating. Standard & Poor's Ratings Group (S&P) and Moody's Investors Service (Moody's), independent bond-rating agencies, rated OPPD's Electric System Revenue Bonds AA and Aa2, respectively, in 2002. These are among the highest ratings given to public power districts and indicate the agencies' assessment of OPPD's ability to pay interest and principal on its debt.

The following ratings at December 31, 2002, are indicative of OPPD's strong financial strength.

	Electric System Revenue Bonds	Minibonds*	Commercial Paper
S&P	AA	AAA	A-1+
Moody's	Aa2	Aaa	P-1

*Payment of the principal of and interest on the Minibonds when due is insured by a financial guaranty bond insurance policy.

Cash Flows

OPPD incurred a net decrease in cash of $18,780,000 for the year ended December 31, 2002, and a net increase in cash of $17,238,000 and $14,270,000 for the years ended December 31, 2001 and 2000, respectively. The following table illustrates the cash flows by activities (in thousands).

Cash Flows	2002	2001	2000
Cash Flows from Operating Activities	$183,361	$239,748	$241,955
Cash Flows from Capital and Financing Activities	(183,128)	(248,956)	(240,055)
Cash Flows from Investing Activities	(19,013)	26,446	12,370
Increase (Decrease) in Cash	$(18,780)	$ 17,238	$ 14,270

Cash flows from operating activities consist of transactions involving changes in current assets, current liabilities and other transactions that affect operating income.

- Cash flows for 2002 decreased $56,387,000 from 2001 primarily due to an increase in cash payments to operations and maintenance suppliers and a decline in cash receipts from off-system customers.
- Cash flows for 2001 decreased $2,207,000 from 2000 due to increases in cash payments to operations and maintenance suppliers and employees for operating activities. These additional cash payments were partially offset by an increase in cash receipts from retail customers.

Cash flows used for capital and related financing activities consist of transactions involving long-term debt and the acquisition and construction of capital assets.

- Cash flows used for 2002 decreased $65,828,000 from 2001 due to the issuance of the 2002 Series A and B Bonds and additional commercial paper. These additional cash receipts were partially offset by an increase in cash expenditures for capital assets.
- Cash flows used for 2001 increased $8,901,000 over 2000 due mainly to an increase in cash expenditures for capital assets. These additional cash expenditures were partially offset by cash receipts from 2001 minibonds financing.

Cash flows from investing activities consist of transactions involving the purchase and maturities of investment securities and interest income.

- Cash flows for 2002 decreased $45,459,000 from 2001 due to purchases of investment securities and a decrease in interest income.
- Cash flows for 2001 increased $14,076,000 over 2000 due to a reduction in the Electric System Revenue Bond Fund.

Debt Service Coverage

OPPD is required by its bond covenants to maintain a debt service coverage of 1.4 times. The following table reflects the calculation of debt service coverage, indicating OPPD's solid ability to make required debt service payments (in thousands).

Debt Service Coverage	2002	2001	2000
Operating revenues	$553,024	$568,795	$567,189
Operation and maintenance expenses	(347,121)	(353,767)	(345,378)
Payments in lieu of taxes	(18,553)	(18,234)	(17,645)
Net operating revenues	187,350	196,794	204,166
Investment income of related reserve fund	1,411	1,673	1,851
Net receipts	$188,761	$198,467	$206,017
Total debt service*	$ 74,688	$ 73,466	$ 92,969
Debt service coverage	2.52	2.70	2.21

*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.

Debt Ratio

The debt ratio is a measure of financial solvency. OPPD's debt ratio was 40.6% and 39.1% as of December 31, 2002 and 2001, respectively. The debt ratio increased slightly from 2001 due to the issuance of additional bonds and commercial paper.

Retirement Plan

Employees contribute 4.0% of their covered pay to OPPD's Retirement Plan (the "Plan"). OPPD is required to contribute the balance of the funds needed in the Plan as determined by the actuary. Due to declining investment returns and increasing liabilities, the funded ratio for the Plan declined to 128.0% as of January 1, 2002, from 138.3% and 143.9%, as of January 1, 2001 and 2000, respectively. In addition, due to experiencing lower returns in recent years, the expected rate of return on assets used in computing the actuarial liability was decreased to 8.75% for 2002 from 9.0% for both 2001 and 2000. The annual required employer contribution to the Plan was $5,625,000 for the year ended December 31, 2002. OPPD was not required to contribute to the Plan for the years ended December 31, 2001 and 2000. OPPD has budgeted $12,900,000 for employer pension contributions for 2003 based in part on a decrease in the expected rate of return on assets to 8 5%.

Risk Management Practices

Since negotiating power marketing and fuel purchase activities are within the normal course of OPPD's business, OPPD is exposed to certain risks associated with these transactions. Risks associated with power marketing and fuel contracting transactions are identified, quantified and managed within a risk management control framework that is consistent with OPPD's overall tolerance for risk. Fuel expense represents a significant portion of OPPD's generation costs and affects its ability to market competitively priced power. A Risk Management Committee is responsible for identifying, measuring and mitigating various risk exposures.

OPPD competes in the wholesale marketplace with other electric utilities and power marketers for off-system sales. To successfully compete, OPPD must be able to offer energy products at competitive prices and obtain transmission services from utility and regional tariffs. Energy prices may fluctuate substantially in a short period of time due to abrupt changes in the demand and supply of electricity. In the energy trading and marketing business, it is anticipated that operations will continue to experience competition and downward pressure on prices. In addition, other risks, such as counter-party credit risks, are monitored closely on an ongoing basis.

A Rate Stabilization Reserve was established in 1999 to help OPPD maintain stable customer electric rates. This funded reserve is intended to minimize the impact on rates from significant occurrences such as major storm damage or an unscheduled outage of a generating unit during a period of high replacement power costs. Additions are made to the reserve based upon the achievement of specific financial performance measures. Additions to the reserve were $10,500,000, $5,000,000 and $11,500,000 for the years ended December 31, 2002, 2001 and 2000, respectively. The reserve balance was $32,000,000 and $21,500,000 at December 31, 2002 and 2001, respectively.

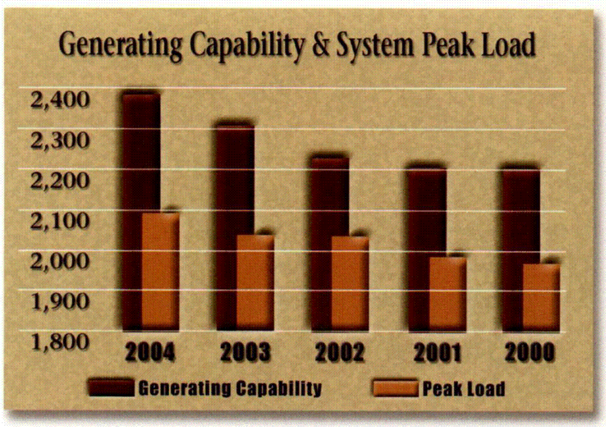
CAPITAL RESOURCES

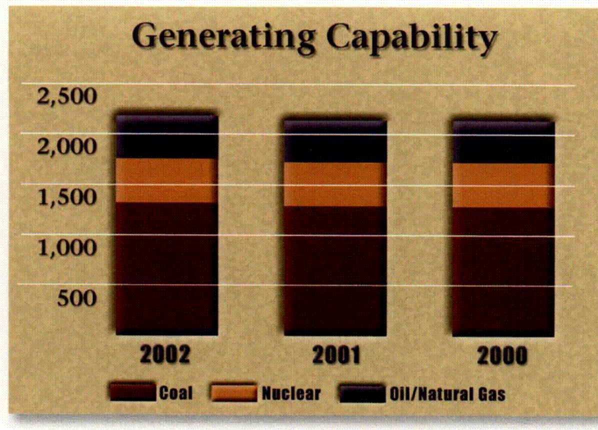
Generating Capability

OPPD owns and operates seven generating stations, six of which have a maximum summer net accredited capability of 2,227,100 kW. The net capability of the Valley Station (wind) is not accredited. OPPD's power requirements are provided from these generating stations, from leased generation and from purchases of power. The table, shown at right, illustrates the diverse fuel mix and maximum summer net accredited capability in kW of OPPD's generating facilities.

	Capability (kW)	% of Total
Coal:		
Nebraska City Station	646,000	29.0
North Omaha Station	662,800	29.8
Subtotal Coal	1,308,800	58.8
Nuclear:		
Fort Calhoun Station	476,000	21.4
Oil/Natural Gas:		
Jones Street Station	118,400	5.3
Sarpy County Station	314,300	14.1
Subtotal Oil/Natural Gas	432,700	19.4
Other:		
Elk City Station (landfill gas)	3,000	0.1
Leased Generation	6,600	0.3
Total	2,227,100	100.0

The chart, below left, illustrates OPPD's generating capability and system peak load for the past three years, along with projections for the next two years (in MW). The chart, below right, represents the diversity of OPPD's generating capability by fuel type (in MW).





Capital Program

OPPD continually evaluates electric system requirements and makes long-range recommendations for capital expenditures necessary to serve the growing load requirements with a reliable and economical power supply. The following table shows OPPD's actual capital program expenditures and nuclear fuel expenditures for the years ended December 31, 2002, 2001 and 2000, and projected expenditures for 2003 and 2004 (in millions). OPPD finances its capital and nuclear fuel programs with revenues from operations, investment income, financing proceeds and cash on hand.

	Projected			Actual	
Capital Program	**2004**	**2003**	**2002**	**2001**	**2000**
Transmission and Distribution Plant	$ 90.3	$ 72.3	$ 83.2	$ 64.2	$ 62.1
General Plant	24.2	17.3	22.1	21.2	19.0
Production Plant	48.2	49.7	58.0	48.7	37.7
Additional Power Supply	42.3	53.1	70.1	38.8	9.4
Total Capital Program	205.0	192.4	233.4	172.9	128.2
Total Nuclear Fuel Program	6.1	21.3	18.3	9.2	18.0
Total	$211.1	$213.7	$251.7	$182.1	$146.2

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Additional power supply expenditures include construction of the Cass County Station and a second coal-fired power plant at the Nebraska City Station and capital projects related to the renewal of the operating license for the Fort Calhoun Station.

- The Cass County Station, located near Murray, Nebraska, is scheduled to be operational in June 2003. The plant will include two combustion turbine units with a total capacity of 320 megawatts. The plant will burn natural gas and will be primarily used for peaking purposes.
- OPPD has plans for the construction of up to a 600-MW coal-fired power plant. The unit will be located at the existing Nebraska City Station site and is expected to be operational in 2009. Plans are for the new unit to have a capacity of at least 300 MW in order to meet forecasted load requirements for OPPD's customers. The Nebraska Power Review Board approved a plant size of up to 600 MW depending on the ability of OPPD to enter into long-term (at least 25 years) participation agreements for the remaining 300 MW of capacity.
- The current operating license for the Fort Calhoun Station expires in 2013. In 2002, OPPD prepared and submitted an application to the Nuclear Regulatory Commission for a twenty-year license renewal. The process is proceeding well, and approval is expected in late 2003.

FACTORS AFFECTING OPPD AND THE ELECTRIC UTILITY INDUSTRY GENERALLY

OPPD and the electric industry in general continue to be affected by a number of factors which could impact the competitiveness and financial condition of all electric utilities.

Central Interstate Low-Level Radioactive Waste Compact

Under the federal Low-Level Radioactive Waste Policy Act, the state of Nebraska joined the states of Arkansas, Kansas, Louisiana and Oklahoma to form the Compact for the purpose of providing a low-level radioactive waste (LLRW) disposal facility for member states. The Compact created the Central Interstate LLRW Commission to carry out the goals of the Compact. In 1998, the site-specific license application to the Nebraska Departments of Environmental Quality and Health was denied. Plaintiffs (including OPPD), which are owners and operators of nuclear power generating units within the Compact region, and which have provided funding for the activities of the Commission, filed suit against the state of Nebraska in federal court. In late 2001, OPPD withdrew from this lawsuit but has continued to monitor recovery of its share of expenses through the Commission's claim. In 2002, a federal district court awarded the Commission $151 million in damages. The state of Nebraska appealed this judgment. OPPD has expended approximately $12.1 million to fund the activities of the Compact and has notified the Commission of its interest in any funds collected by the Commission.

High-Level Nuclear Waste Repository

Under the federal Nuclear Waste Disposal Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. The Department of Energy facility is not expected to be operational until at least 2010. OPPD remains responsible for the safe storage of spent nuclear fuel until the federal government takes delivery. In 1994, OPPD completed a re-rack project at the Fort Calhoun Station that provides adequate capacity for spent fuel storage through at least the year 2005 and is currently investigating alternatives for spent fuel storage beyond 2005.

Competitive Environment in Nebraska

In 1996, the Nebraska Legislature commissioned a three-year study to review Nebraska's electric system to determine whether retail competition would be beneficial for Nebraska ratepayers. The study was created through Legislative Resolution 455 (L.R. 455). The final L.R. 455 report, which was completed in 2000, recommended that deregulation be considered only if a "conditions certain" framework exists. Under this approach, the State would not set a date certain for retail competition to occur in Nebraska.

During the 2000 session, the Nebraska Legislature enacted Legislative Bill 901 (L.B. 901) which implemented the recommendations set out in L.R. 455. L B. 901 directs the preparation of an annual report for the Governor and Legislature which monitors the conditions in the electric industry that may indicate whether retail competition would be beneficial for Nebraska's citizens. These conditions are as follows:

- Whether a viable regional transmission organization and adequate transmission exist in Nebraska or in a region that includes Nebraska.
- Whether a viable wholesale electricity market exists in a region that includes Nebraska.
- To what extent retail rates have been unbundled in Nebraska.
- A comparison of Nebraska's wholesale electricity prices to the prices in the region.
- Any other information the Nebraska Power Review Board believes to be beneficial to the Governor, the Legislature and Nebraska's citizens when considering whether retail electric competition would be beneficial, such as an update on deregulation activities in other states or at the federal level.

None of the aforementioned conditions have been met based on the summary of the findings from the latest annual report published in October 2002.

In December 1999, FERC issued Order 2000 requiring public utilities that own, operate or control interstate transmission facilities to provide open and equal access to their transmission facilities. Although OPPD is not subject to FERC jurisdiction, and therefore not required to comply with FERC Order 2000, OPPD is continuing to evaluate the implications of Order 2000 on its transmission operations, as well as its wholesale energy trading activities.

Critical Accounting Policies

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

These judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment also may have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies has not changed.

The following is a list of accounting policies that are significant to OPPD's financial condition and results of operation, and require management's most difficult, subjective or complex judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions.

Accounting Policies	Judgments/Uncertainties Affecting Application
Regulatory Mechanisms & Cost Recovery – (SFAS No. 71)	• External regulatory requirements • Anticipated future regulatory decisions and their impact
Nuclear Plant Decommissioning	• Costs of future decommissioning • Availability of facilities for waste disposal • Approved methods for waste disposal • Useful life of nuclear power plant
Environmental Issues	• Approved methods for cleanup • Governmental regulations and standards
Retirement Plan	• Changes due to assumptions used in computing the actuarial liability, including expected rate of return on Plan assets
Unbilled Revenue	• Estimates for customer energy use
Uncollectible Receivables	• Economic conditions affecting customers, suppliers and market prices

Summary of the Financial Statements

The financial statements, related notes and management's discussion and analysis provide information about OPPD's financial position and activities. The balance sheets present OPPD's assets, liabilities and equity as of December 31, 2002 and 2001, with current and long-term portions of assets and liabilities separately identified. The Statements of Revenues, Expenses and Changes in Equity present OPPD's operating results and changes in equity for the three years ended December 31, 2002. The Statements of Cash Flows provide information about the flow of cash within OPPD by activities for the three years ended December 31, 2002. The Notes to Financial Statements provide additional detailed information.

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Report of Management

The management of OPPD is responsible for the preparation of the following financial statements and for their integrity and objectivity. These financial statements conform to generally accepted accounting principles and, where required, include amounts which represent management's best judgments and estimates. The Company's management also prepared the other information in this Annual Report and is responsible for its accuracy and consistency with the financial statements.

To fulfill its responsibility, management maintains a strong internal control structure, supported by formal policies and procedures that are communicated throughout OPPD. Management also maintains a staff of internal auditors who evaluate the adequacy of and investigate the adherence to these controls, policies and procedures.

Our independent public accountants have audited the financial statements and have rendered an opinion as to the statements' fairness of presentation, in all material respects, in conformity with generally accepted accounting principles. During the audit, they obtained an understanding of OPPD's internal control structure and performed tests and other procedures to the extent required by generally accepted auditing standards.

The Board of Directors pursues its oversight with respect to OPPD's financial statements through the Audit Committee, which is comprised solely of non-management directors. The committee meets periodically with the independent public accountants, internal auditors and management to ensure that all are properly discharging their responsibilities. The committee approves the scope of the annual audit and reviews the recommendations the independent public accountants have for improving the internal control structure. The Board of Directors, on the recommendation of the Audit Committee, engages the independent public accountants who have unrestricted access to the Audit Committee.

Fred Petersen

Fred M. Petersen
President and Chief Executive Officer

C N Eldred

Charles N. Eldred
Vice President and Chief Financial Officer

Independent Auditors' Report

Omaha Public Power District:

We have audited the accompanying balance sheets of the Omaha Public Power District (OPPD) as of December 31, 2002 and 2001, and the related statements of revenues, expenses and changes in equity and of cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of OPPD'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, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, OPPD has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, in 2002.

The Management's Discussion and Analysis on pages 10 through 19 is not a required part of the basic financial statements, but is supplementary information required by GASB. This supplementary information is the responsibility of OPPD's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information, and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2003, on our consideration of OPPD'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

DELOITTE & TOUCHE LLP

Omaha, Nebraska

February 26, 2003

Balance Sheets
as of December 31, 2002 and 2001

ASSETS	2002	2001
	(thousands)	
UTILITY PLANT - at cost (Notes 2 and 10)		
Electric plant	$3,042,528	$2,854,767
Less accumulated depreciation	1,248,773	1,219,250
Electric plant - net	1,793,755	1,635,517
Nuclear fuel - at amortized cost	23,195	22,032
Total utility plant - net	1,816,950	1,657,549
SPECIAL PURPOSE FUNDS - primarily at fair value (Notes 3 and 4)		
Construction fund	101,084	71,099
Electric system revenue bond fund - net of current portion	31,656	30,860
Segregated fund - rate stabilization	21,500	16,500
Segregated fund - other	16,975	17,130
Decommissioning funds	230,347	217,983
Total special purpose funds	401,562	353,572
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	12,817	31,597
Electric system revenue bond fund - current portion	51,874	50,847
Accounts receivable - net	63,491	60,769
Fossil fuels - at average cost	13,803	10,757
Materials and supplies - at average cost	53,010	47,812
Other	5,450	6,268
Total current assets	200,445	208,050
DEFERRED CHARGES (Note 5)	52,734	40,575
TOTAL	$2,471,691	$2,259,746

See notes to financial statements

LIABILITIES

	2002	2001
	(thousands)	
LONG-TERM DEBT (Note 2)		
Electric system revenue bonds - net of current portion		
Serial bonds, 3.45% to 5.5% due annually from 2003 to 2022	$ 517,210	$ 292,215
Term bonds, 5.25% due annually from 2011 to 2017	68,920	242,870
Total electric system revenue bonds	586,130	535,085
Electric revenue notes - commercial paper series	150,000	100,000
Electric revenue minibonds	59,556	58,673
Subordinated obligation - net of currrent portion	3,279	3,450
Total	798,965	697,208
Unamortized discounts and premiums	1,325	(4,264)
Unamortized loss on refunded debt	(22,310)	(16,810)
Total long-term debt - net	777,980	676,134
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)		
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Note 3)	43,195	30,872
CURRENT LIABILITIES		
Electric system revenue bonds - current portion (Note 2)	45,005	41,925
Subordinated obligation - current portion (Note 2)	171	157
Accounts payable	69,875	62,250
Accrued payments in lieu of taxes	17,497	17,183
Accrued interest	12,031	13,750
Accrued payroll	14,653	13,030
Accrued production outage costs	7,146	11,791
Other	9,491	5,805
Total current liabilities	175,869	165,891
OTHER LIABILITIES		
Decommissioning costs	230,347	217,983
Other (Notes 8 and 9)	11,044	16,231
Total other liabilities	241,391	234,214
EQUITY		
Invested in capital assets, net of related debt	1,094,878	1,010,432
Restricted	30,503	29,715
Unrestricted	107,875	112,488
Total equity	1,233,256	1,152,635
TOTAL	$2,471,691	$2,259,746

Statements of Revenues, Expenses and Changes in Equity for the Three Years Ended December 31, 2002

	2002	2001	2000
		(thousands)	
OPERATING REVENUES			
Retail sales	$ 468,411	$ 463,019	$ 442,651
Off-system sales	73,256	91,045	110,300
Other electric revenues	11,357	14,731	14,238
Total operating revenues	553,024	568,795	567,189
OPERATING EXPENSES			
Operation			
Fuel	76,721	76,704	88,882
Purchased power	33,752	37,247	40,950
Production	80,873	89,498	85,905
Transmission	4,208	4,916	5,152
Distribution	21,935	23,539	21,621
Customer accounts	16,103	18,751	12,150
Customer service and information	9,070	9,394	9,993
Administrative and general	48,062	38,721	37,638
Maintenance	56,397	54,997	43,087
Total operation and maintenance	347,121	353,767	345,378
Depreciation	79,100	99,562	97,994
Decommissioning	—	3,581	8,923
Payments in lieu of taxes	18,553	18,234	17,645
Total operating expenses	444,774	475,144	469,940
OPERATING INCOME	108,250	93,651	97,249
OTHER INCOME (EXPENSES)			
Interest income - all funds	17,756	22,031	22,733
Operating funds - net increase in fair value	26	881	1,176
Decommissioning funds - net increase in fair value	50	3,473	6,057
Decommissioning interest and change in fair value transfer	(12,364)	(16,890)	(18,032)
Allowances for funds used	5,806	4,674	4,465
Products and services - net	342	1,265	337
Other - net	764	522	323
Total other income - net	12,380	15,956	17,059
INTEREST EXPENSE	40,009	39,740	43,458
NET INCOME	80,621	69,867	70,850
EQUITY, BEGINNING OF YEAR	1,152,635	1,082,768	1,011,918
EQUITY, END OF YEAR	$1,233,256	$1,152,635	$1,082,768

See notes to financial statements

Statements of Cash Flows for the Three Years Ended December 31, 2002

	2002	2001	2000
		(thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from			
Retail customers	$497,355	$487,114	$474,241
Off-system customers	68,085	92,411	95,021
Cash paid to			
Operations and maintenance suppliers	(238,626)	(191,667)	(179,353)
Off-system suppliers	(28,824)	(34,245)	(37,540)
Cash paid to employees	(96,390)	(92,668)	(84,493)
Cash paid for in lieu of taxes and other taxes	(18,239)	(17,616)	(16,998)
Cash paid for nuclear decommissioning	—	(3,581)	(8,923)
Net cash provided from operating activities	183,361	239,748	241,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term borrowings	146,050	25,000	—
Principal reduction of long-term debt	(43,968)	(60,605)	(59,274)
Interest paid on long-term debt	(39,043)	(37,017)	(41,128)
Acquisition and construction of capital assets	(231,596)	(171,181)	(126,498)
Acquisition of nuclear fuel	(14,571)	(5,153)	(13,155)
Net cash used for capital and related financing activities	(183,128)	(248,956)	(240,055)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of special purpose funds - investment securities	(556,807)	(437,964)	(360,330)
Maturities and sales of special purpose funds - investment securities	533,836	438,492	364,928
Net change in electric system revenue bond fund - current	(1,027)	17,970	(233)
Interest income on investments	4,985	7,948	8,005
Net cash provided from (used for) investing activities	(19,013)	26,446	12,370
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,780)	17,238	14,270
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,597	14,359	89
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,817	$ 31,597	$ 14,359
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Operating income	$108,250	$ 93,651	$ 97,249
Adjustments to reconcile operating income to net cash provided from operating activities			
Depreciation	79,100	99,562	97,994
Amortization of nuclear fuel	13,472	13,411	13,908
Change in other liabilities	6,062	2,147	12,136
Other	(10,881)	12,960	5,993
Changes in current assets and liabilities			
Accounts receivable	(2,722)	606	(16,407)
Fossil fuels	(3,046)	(2,683)	5,897
Materials and supplies	(5,198)	(489)	(2,252)
Accounts payable	(3,088)	18,408	12,898
Accrued payments in lieu of taxes	314	619	646
Accrued payroll	1,623	1,057	(37)
Accrued production outage costs	(4,645)	(88)	10,635
Other	4,120	587	3,295
Net cash provided from operating activities	$183,361	$239,748	$241,955

See notes to financial statements

Notes to Financial Statements for the Three Years Ended December 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – The Omaha Public Power District (OPPD), 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. OPPD 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 OPPD 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 Governmental 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*, OPPD has elected not to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

OPPD 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 or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

If, as a result of changes in regulation or competition, OPPD'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), OPPD 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, OPPD would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets. To reduce exposure to costs related to potentially stranded assets, OPPD's Board of Directors approved additional depreciation expense of $15,000,000 and $23,000,000 for the years ended December 31, 2001 and 2000, respectively, based on an asset evaluation study performed by an independent consulting firm. There was no additional depreciation expense for the year ended December 31, 2002.

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 $21,213,000 and $22,482,000 in unbilled revenues as of December 31, 2002 and 2001, respectively.

Cash and Cash Equivalents – OPPD 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 $6,017,000 and $5,926,000 as of December 31, 2002 and 2001, 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. Electric plant includes construction work in progress of $274,790,000 and $233,784,000 as of December 31, 2002 and 2001, respectively. Electric plant activity for the year ended December 31, 2002, was as follows (in thousands):

	2001	Additions	Retirements	2002
Electric plant	$2,854,767	$237,345	$(49,584)	$3,042,528
Less accumulated depreciation	1,219,250	81,231	51,708	1,248,773
	$1,635,517	$156,114	$ 2,124	$1,793,755

Allowances for funds used, approximating OPPD'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 3.2%, 4.1% and 3.7% for both construction work in progress and nuclear fuel for the years ended December 31, 2002, 2001 and 2000, 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. OPPD 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 were made in the method of depreciation for certain assets as a result of this evaluation. Depreciation expense has averaged approximately 3.0%, 4.0% and 3.9% of depreciable property for the years ended December 31, 2002, 2001 and 2000, respectively. Depreciation expense was lower in 2002 due to the change in the depreciable life estimates of the Fort Calhoun Station as a result of application for license renewal with the Nuclear Regulatory Commission. 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.

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, OPPD 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 OPPD's nuclear fuel amortization and are collected from customers as part of fuel costs. Nuclear fuel disposal costs were $3,629,000, $3,051,000, $3,484,000 for the years ended December 31, 2002, 2001 and 2000, respectively. OPPD'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, OPPD, 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 - OPPD'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 OPPD's Board of Directors (which exceed the Nuclear Regulatory Commission's minimum funding requirements) totaled $400,445,000, $391,257,000 and $376,903,000 for the fiscal years ending June 30, 2003, 2002 and 2001, respectively. Based on cost estimates, inflation rates and fund earnings projections, no funding was necessary for decommissioning for 2002.

Regulatory Assets and Liabilities - OPPD is regulated by Nebraska State Law and the Nuclear Regulatory Commission (NRC). As a result, OPPD is subject to the provisions of SFAS No. 71. Under this statement, regulatory assets are deferred expenses which are expected to be recovered over some future period, and regulatory liabilities are costs recovered (or reductions in earnings) for expenses expected to be incurred in the future.

Regulatory assets, which are included in deferred charges (Note 5), consist of deferred expenditures for customer energy conservation programs and unamortized loss on extinguished debt. The balance of deferred expenditures for customer energy conservation programs was $12,827,000 and $10,570,000 as of December 31, 2002 and 2001, respectively. The balance of unamortized loss on extinguished debt was $13,643,000 and $14,657,000 as of December 31, 2002 and 2001, respectively.

Regulatory liabilities consist of reserves for uncollectible accounts from off-system sales and rate stabilization. The rate stabilization reserve was established to help maintain stability in OPPD's long-term rate structure. The balance of the reserve for uncollectible accounts from off-system sales was $5,000,000 as of December 31, 2002 and 2001. The balance of the rate stabilization reserve was $32,000,000 and $21,500,000 as of December 31, 2002 and 2001, respectively.

Accrued Production Outage Costs - For major planned production outages, estimated incremental operation and maintenance expenses are accrued prior to the outage. The next major planned production outage is scheduled to begin in September 2003 at the Fort Calhoun Station.

Natural Gas Contracts - Natural gas is one of the fuels used by OPPD in the generation of electricity. During 2001 and 2000, OPPD entered into futures contracts for the purpose of hedging natural gas prices. These transactions were hedges of anticipated acquisitions of natural gas and any gain or loss on these contracts was offset against the cost of natural gas. As a result of these hedging contracts, OPPD incurred additional fuel expense of $375,000 and a net reduction in fuel expense of $77,000 for the years ended December 31, 2001 and 2000, respectively. OPPD did not enter into any natural gas hedging contracts during 2002.

Notes to Financial Statements for the Three Years Ended December 31, 2002

Fair Value of Financial Instruments – Unless otherwise specified, the carrying amount 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.

Recent Accounting Pronouncements – In 2002, OPPD implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which establishes new financial reporting requirements for state and local governments, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which modifies, establishes and rescinds certain financial statement disclosure requirements. Significant changes to OPPD's financial statements, as a result of these accounting pronouncements, include the addition of a Management's Discussion and Analysis section to introduce the basic financial statements and provide an analytical overview of OPPD's financial activities, the presentation of the Statements of Cash Flows using the direct method, and additional disclosures in the Notes to Financial Statements.

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on net income.

2. LONG-TERM DEBT

OPPD utilizes proceeds of debt issues primarily in financing its construction program. Long-term debt activity, including the current portion, for the year ended December 31, 2002, was as follows (in thousands):

	2001	Additions	Reductions	2002
Electric system revenue bonds	$577,010	$270,000	$(215,875)	$631,135
Electric revenue notes - commercial paper series	100,000	50,000	—	150,000
Electric revenue minibonds	58,673	1,092	(209)	59,556
Subordinated obligation	3,607	—	(157)	3,450
Total	$739,290	$321,092	$(216,241)	$844,141

Electric System Revenue Bonds – Electric System Revenue Bonds payments are as follows (in thousands):

	Principal	Interest
2003	$ 45,005	$ 27,462
2004	46,815	27,442
2005	49,105	25,122
2006	51,200	22,656
2007	50,140	20,165
2008-2012	172,710	72,454
2013-2017	186,160	30,635
2018-2022	30,000	7,020
Total	$631,135	$232,956

OPPD'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 were 4.9%, 5.2% and 5.1% for the years ended December 31, 2002, 2001 and 2000, respectively. The 1993 Series C 2017 Term Bonds and the 1993 Series D 2013 and 2016 Term Bonds were refunded with proceeds from the 2002 Series B Bonds. The advance refunding reduced total debt service payments over the next 15 years by $18,813,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $13,198,000. The following Electric System Revenue Bonds, with outstanding principal amounts of $522,660,000 and $361,075,000 as of December 31, 2002 and 2001, respectively, have been legally defeased: 1973, 1986 Series A, 1992 Series A, 1992 Series B, 1993 Series B Term, 1993 Series C 2017 Term and 1993 Series D 2013 and 2016 Term Bonds. Such bonds are funded by Government securities deposited by OPPD in irrevocable escrow accounts. Accordingly, the bonds and the related Government securities escrow accounts have been removed from OPPD's balance sheets.

Electric Revenue Notes - Commercial Paper Series – OPPD has a Commercial Paper program supported by a credit agreement for $150,000,000 which expires on October 1, 2004. OPPD had outstanding commercial paper of $150,000,000 and $100,000,000 as of December 31, 2002 and 2001, respectively. The average borrowing rates were 2.0%, 2.9% and 4.1% for the years ended December 31, 2002, 2001 and 2000, respectively.

Electric Revenue Minibonds – The minibonds consist of current interest-bearing and capital appreciation minibonds, which are payable on a parity with OPPD'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 shown at right (in thousands):

	2002	2001
Principal		
1992 minibonds, due 2007 (6.0%)	$ 9,314	$ 9,333
1993 minibonds, due 2008 (5.35%)	9,377	9,439
1994 minibonds, due 2009 (5.95%)	9,587	9,642
2001 minibonds, due 2021 (5.05%)	24,928	25,000
Subtotal	53,206	53,414
Accreted interest on capital appreciation minibonds	6,350	5,259
Total	$59,556	$58,673

Subordinated Obligation – The subordinated obligation is payable in annual installments of $481,815, including interest at 9.0%, through 2014.

Fair Value Disclosure – The aggregate carrying amount and fair value of OPPD's long-term debt, including current portion at December 31, were as shown at right (in thousands):

2002		2001	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
$845,466	$890,626	$735,026	$766,056

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 OPPD are as follows:

The Construction Fund is to be used for capital improvements, additions and betterments to and extensions of OPPD'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 $21,500,000 and $16,500,000 as of December 31, 2002 and 2001, respectively. In January 2003, $10,500,000 was funded for the 2002 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 OPPD's self-insured health insurance plans (see Notes 8 and 9). The balances of the funds at December 31 were as follows (in thousands):

	2002	2001
Segregated Fund - self-insurance	$ 5,116	$ 7,139
Segregated Fund - other	11,859	9,991
Total	$16,975	$17,130

The Decommissioning Funds are for the cost of decommissioning Fort Calhoun Station when its operating license expires. The Decommissioning Funds are held by outside trustees in compliance with the decommissioning funding plans approved by OPPD's Board of Directors (see Note 1). The 1990 Plan was established in accordance with NRC regulations, for the purpose of discharging OPPD'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 shown at right (in thousands):

	2002	2001
Decommissioning Trust -1990 Plan	$176,650	$166,934
Decommissioning Trust -1992 Plan	53,697	51,049
Total	$230,347	$217,983

4. DEPOSITS AND INVESTMENTS

Bank Deposits - OPPD's bank deposits at December 31, 2002 and 2001, were entirely insured or collateralized with securities held by OPPD or by its agent in OPPD's name.

Investments - OPPD'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 OPPD's agents in OPPD's name in trust in accordance with OPPD's bond covenants and Nebraska state statutes. OPPD 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 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 shown at right (in thousands):

	2002	2001
Deferred financing costs	$15,920	$15,747
Capitalized software	15,350	9,123
Customer energy conservation programs	12,827	10,570
Other	8,637	5,135
Total	$52,734	$40,575

6. RETIREMENT PLAN

Substantially all employees are covered by OPPD'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 was established and may be amended under the direction of OPPD's Board of Directors, and is administered by OPPD. 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)	
2002	$544,184	$425,267	$118,917	128.0%	$126,587	93.9%
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%

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. OPPD is obligated to contribute the balance of the funds needed on an actuarially-determined basis. For the year ended December 31, 2002, the annual pension cost and required contribution by OPPD was $5,625,000. There was no net pension obligation for the year ended December 31, 2002. For the years ended December 31, 2001 and 2000, there was no annual pension cost, net pension obligation or OPPD contribution made to the Plan. Plan contributions by OPPD employees were $5,483,000, $5,063,000 and $4,802,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

The assumptions used in computing the actuarial liability for each year were as shown at right:

	2002	2001	2000
Discount rate	6.85%	6.21%	6.31%
Expected rate of return	8.75%	9.00%	9.00%
Rate of compensation increase	5.20%	5.20%	5.20%
Cost-of-living adjustment	2.00%	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.

OPPD provides for other employee benefit obligations to allow certain current and former employees to retain the benefits to which they would have been entitled under OPPD's Retirement Plan, except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation are not material for the years ended December 31, 2002, 2001 and 2000.

7. SUPPLEMENTAL RETIREMENT SAVINGS PLAN

OPPD 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 OPPD. Each Plan's assets and income are held in an external trust account in the employee's name. OPPD's matching share of contributions was $6,258,000, $5,327,000 and $4,882,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

8. OTHER LIABILITIES

The composition of other liabilities at December 31 was as shown at right (in thousands):

	2002	2001
Nuclear enrichment fee	$ 4,408	$ 5,769
Health insurance reserves	2,961	5,134
Other insurance reserves	1,426	2,489
Deferred revenues	1,778	1,984
Other	471	855
Total	$11,044	$16,231

9. SELF-INSURANCE HEALTH PROGRAM

OPPD's Administrative Services 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 OPPD-directed requirements have been established to provide risk protection (see Note 8).

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 2002, 2001 and 2000, were $23,080,000, $18,833,000 and $18,008,000, respectively.

10. COMMITMENTS

OPPD's Construction Budget provides for expenditures of $192,440,000 during 2003 and $1,395,736,000 for 2004 through 2012, of which approximately $34,054,000 was under contract at December 31, 2002.

OPPD has wholesale power sales commitments which extend through 2010 of $37,180,000. OPPD has wholesale power purchase commitments which extend through 2003 of $106,000.

OPPD has coal supply contracts which extend through 2003 with minimum future payments of $21,660,000. OPPD also has coal transportation contracts which extend through 2003 with minimum future payments of $26,831,770. These contracts are subject to price escalation adjustments. In 1998, OPPD purchased 56.7 miles of rail line running from the Nebraska City Station to Collegeview, Nebraska, located south and east of Lincoln, Nebraska (the "Rail Spur"). The Rail Spur was purchased from Burlington Northern Santa Fe Railroad to provide competitive access to the Nebraska City Station. In order to operate over and maintain the Rail Spur, OPPD has a rail transportation contract with Kyle Railroad and a rail maintenance contract with Kelly Hill Company. Both contracts are expected to be renegotiated upon their expiration at the end of 2003.

Contracts are in effect through 2005 with estimated future payments of $25,040,000 for the purchase, conversion and enrichment of nuclear fuel. Additionally, OPPD has contracts through 2005 for the fabrication of nuclear fuel assemblies with estimated future payments of $6,800,000.

11. CONTINGENCIES

Effective August 20, 1998, the Price-Anderson Act was amended. Under the provisions of the Act, OPPD 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.

OPPD 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 OPPD, taking into account estimated amounts provided in the financial statements and insurance coverage, are not material.

Electric System Revenue Bonds Outstanding ($ in thousands) as of December 31, 2002

	1993 ISSUE SERIES A		1993 ISSUE SERIES B		1993 ISSUE SERIES C		1993 ISSUE SERIES D	
Maturity Date February 1	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
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		
2010					5.50	14,860		
2011					5.50*	15,750		
2012					5.50*	16,700		
2013					5.50*	17,700		
2014					5.50*	18,770		
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
Total Outstanding		94,620		38,000		111,030		48,510
Bonds Redeemed to 12/31/02		90,080		126,200		63,330		153,890
Original Issue		184,700		164,200		174,360		202,400

*Term Bonds

- The 1973 Issue was defeased to maturity with final maturity on February 1, 2003
- The 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
- The 1993 Series B Term Bonds were defeased to maturity with final maturity on February 1, 2017. OPPD has expressly and absolutely retained its right to call and redeem these bonds prior to their stated maturity

1993 ISSUE SERIES E		1998 ISSUE SERIES A		2002 ISSUE SERIES A		2002 ISSUE SERIES B		Total	
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Principal Maturities February 1	Annualized Debt Service
4.40	9,300	4.50	7,145					45,005	75,411
4.50	9,820	4.05	7,145					46,815	75,417
4.50	10,360	4.10	7,145					49,105	75,153
4.60	10,930	4.20	7,130					51,200	71,825
				3.45	12,500			50,140	68,812
						4.50	16,050	49,620	44,117
						4.50	11,430	25,450	41,993
						4.50	11,970	26,830	42,144
						4.50	12,590	28,340	53,796
				4.30	12,500	4.50	13,270	42,470	43,090
						5.00	13,990	31,690	42,146
						5.00	14,730	33,500	42,287
						4.25	35,410	35,410	43,477
						4.25	38,200	38,200	50,492
				5.00	25,000	4.25	22,360	47,360	5,690
									1,560
									1,560
									1,560
									29,060
				5.20	30,000			30,000	2,630
	40,410		28,565		80,000		190,000	631,135	812,220
	64,690		21,435					519,625	
	105,100		50,000		80,000		190,000	1,150,760	

• The 1993 Series C 2017 Term Bonds were defeased to the call date of February 1, 2003.
• The 1993 Series D 2013 and 2016 Term Bonds were defeased to the call date of February 1, 2003.

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Attorney at Law

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Vice Chair of the Board
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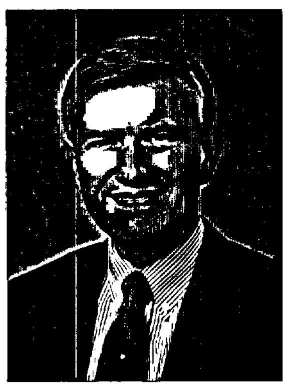
President, Omaha Community Foundation; Chancellor Emeritus University of Nebraska at Omaha



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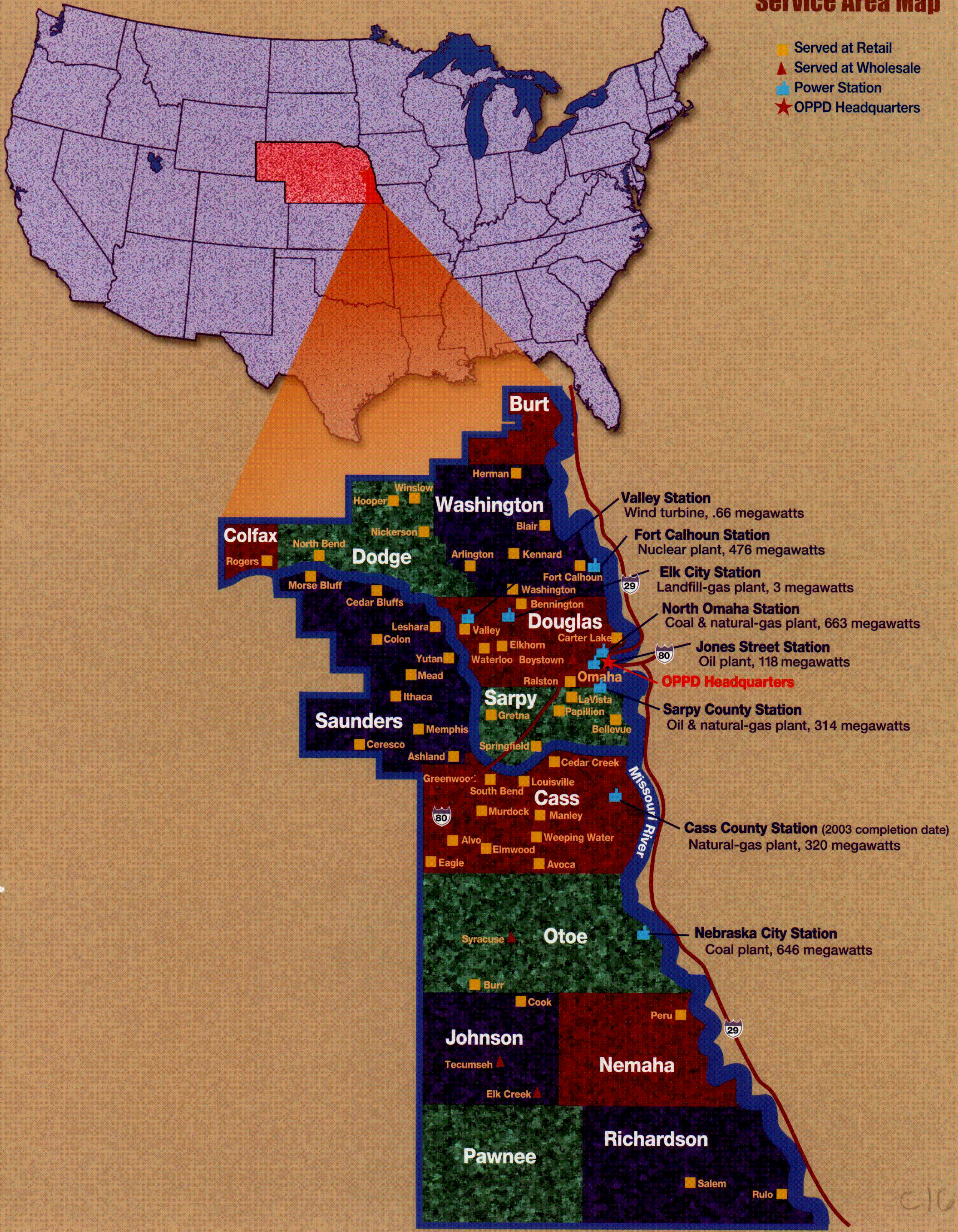
Vice President

Statistics

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Total Utility Plant (at year end) (in thousands of dollars)	3,065,723	2,876,799	2,735,437	2,621,444	2,455,004	2,360,495	2,309,733	2,235,631	2,188,106	2,113,562
Bonded Indebtedness (at year end) (in thousands of dollars)	631,135	577,010	637,235	696,040	745,630	813,860	761,020	947,390	974,510	998,060
Operating Revenues (in thousands of dollars)										
Residential	214,447	202,984	196,923	188,187	192,481	183,178	170,021	171,687	165,813	160,489
General Service - Small	177,063	176,145	166,441	161,901	159,844	157,406	150,388	145,096	147,669	144,312
General Service - Large	75,946	76,197	75,976	76,513	79,359	76,806	75,016	73,395	75,483	77,760
Government and Municipal	12,723	12,589	12,270	11,936	11,687	11,356	10,937	8,577	10,626	10,505
Off-System Sales	73,256	91,045	110,300	78,741	62,550	44,484	39,908	29,170	4,211	3,673
Accrued Unbilled Revenues	(1,268)	104	2,541	1,650	282	1,554	(161)	998	(279)	(283)
Provision for Rate Stabilization	(10,500)	(5,000)	(11,500)	(5,000)	—	—	—	—	—	—
Other Electric Revenues	11,357	14,731	14,238	9,802	8,747	9,169	7,413	6,424	6,173	5,904
Total	553,024	568,795	567,189	523,730	514,950	483,953	453,522	435,347	409,696	402,360
Operation & Maintenance Expenses (in thousands of dollars)	347,121	353,767	345,378	329,323	306,864	283,307	278,251	261,981	229,976	226,903
Payments in Lieu of Taxes (in thousands of dollars)	18,553	18,234	17,645	16,852	16,638	16,447	15,499	15,263	15,515	15,104
Net Operating Revenues before Depreciation and Decommissioning (in thousands of dollars)	187,350	196,794	204,166	177,555	191,448	184,199	159,772	158,103	164,205	160,353
Net Income (in thousands of dollars)	80,621	69,867	70,850	49,014	63,993	47,152	39,339	47,835	52,115	45,203
Kilowatt-Hour Sales (in thousands)										
Residential	3,151,895	3,065,377	2,880,289	2,718,585	2,796,585	2,688,951	2,577,624	2,571,881	2,467,405	2,361,565
General Service - Small	3,272,028	3,279,890	3,097,835	3,014,202	2,971,390	2,894,595	2,787,471	2,657,948	2,580,258	2,434,023
General Service - Large	2,290,368	2,302,311	2,287,966	2,304,441	2,443,625	2,323,253	2,305,328	2,124,023	1,930,664	1,853,975
Government and Municipal	81,593	82,775	81,268	80,868	80,286	79,572	78,710	79,732	80,906	81,081
Off-System Sales	3,613,340	3,952,632	4,208,943	3,318,409	3,105,942	2,544,508	2,492,385	1,855,154	177,489	153,396
Accrued Unbilled kWh	(23,697)	(5,268)	52,739	23,168	9,369	54,222	7,358	23,161	7,707	(4,676)
Total	12,385,527	12,677,717	12,609,040	11,459,673	11,407,197	10,585,101	10,248,876	9,311,899	7,244,429	6,879,364
Number of Customers (average per year)										
Residential	266,464	261,286	256,541	251,057	245,890	241,626	237,584	233,879	230,391	227,181
General Service - Small	37,807	37,008	36,088	35,553	34,932	34,555	33,993	33,137	32,438	31,685
General Service - Large	117	116	110	105	103	99	99	97	95	94
Government and Municipal	594	555	543	560	567	551	555	542	516	503
Other Electric Utilities	54	49	49	45	40	36	34	31	7	5
Total	305,036	299,014	293,331	287,320	281,532	276,867	272,265	267,686	263,447	259,468
Residential Statistics (average)										
kWh/Customer	11,829	11,732	11,227	10,829	11,373	11,129	10,849	10,997	10,710	10,395
Dollar Revenue/Customer	804 79	776 87	767 61	749 58	782 79	758 11	715 62	734 08	719 70	706.43
Cents/kWh	6 80	6 62	6 84	6 92	6 88	6 81	6 65	6 76	6 72	6.80
Generating Capability (at year end) (in kilowatts)	2,227,100	2,211,600	2,209,600	2,100,000	2,089,500	2,067,000	2,033,100	1,924,200	1,924,200	1,924,200
System Peak Load (in kilowatts)	2,037,400	1,994,100	1,976,900	1,965,600	1,914,000	1,851,800	1,813,900	1,827,900	1,645,900	1,603,100
Net System Requirements (kilowatt-hours in thousands)										
Generated	11,428,893	11,516,924	11,760,938	10,724,976	10,679,310	9,698,231	9,260,923	9,073,968	8,876,535	8,846,354
Purchased and Net Interchanged	(2,122,701)	(2,557,704)	(2,833,243)	(2,190,252)	(1,960,844)	(1,281,496)	(1,096,996)	(1,206,817)	(1,418,694)	(1,697,288)
Net	9,306,192	8,959,220	8,927,695	8,534,724	8,718,466	8,416,735	8,163,927	7,867,151	7,457,841	7,149,066

Certain amounts have been reclassified to conform with the 2002 presentation

Service Area Map



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