Omaha Public Power District

444 South 16th Street Mall
Omaha NE 68102-2247

April 11, 2004
LIC-05-0034

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

Reference: Docket No. 50-285

SUBJECT: 2004 Annual Financial Report

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the Omaha Public Power District's 2004 Annual Report.

If you should have any questions, please contact Tom Matthews at (402) 533-6938. No commitments are made to the NRC in this letter.

Sincerely,

J. B. Herman
Manager - Nuclear Licensing

JBH/mle

Enclosure: Omaha Public Power District's 2004 Annual Report.

c: B. S. Mallett, NRC Regional Administrator, Region IV
A. B. Wang, NRC Project Manager
J. D. Hanna, NRC Senior Resident Inspector

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OPPD... Ahead of the Curve

your energy partner®

Omaha Public Power District

2004 ANNUAL REPORT

Ahead of the Curve

Omaha Public Power District is not a typical power company. It's not even a typical *public* power company. OPPD is one of the top-performing utilities in the nation and a leader in the public power sector. The company demonstrates its strength in areas that matter most to customers: low rates, reliable power, exceptional customer service, community contribution and environmental stewardship. In each of these areas, you'll find OPPD out front. *Ahead of the curve.*

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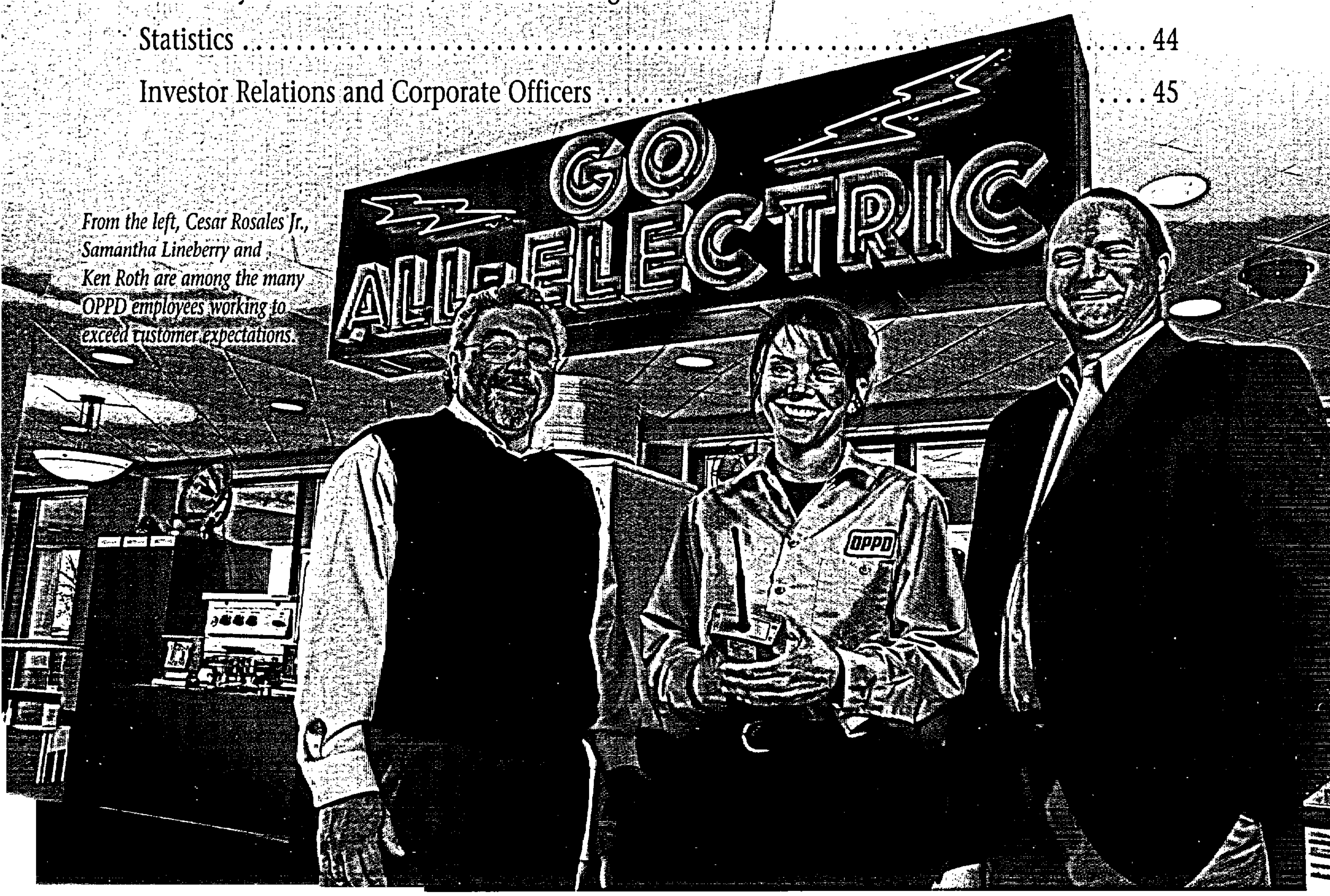

From the left, Cesar Rosales Jr., Samantha Lineberry and Ken Roth are among the many OPPD employees working to exceed customer expectations.

Service Area Map

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

Three base-load power plants – North Omaha Station and Nebraska City Station, both coal-fired, and Fort Calhoun Nuclear Station – provide the majority of the power used by the 719,000 people in OPPD's 5,000-square-mile service territory in eastern Nebraska.

OPPD's base-load plants are augmented by three peaking plants and two renewable energy facilities, a landfill-gas plant and a wind turbine facility. A new 663-megawatt coal-fired plant, Nebraska City Station Unit 2, is expected to begin operation in 2009.

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Chair and CEO Message

Life is full of curves. Business is, too. Understanding this and preparing for the inevitable twists and turns associated with providing power to more than 700,000 Nebraskans have been key to OPPD's success for many years. In 2004, OPPD's focus remained on the population and economic growth curves within our territory, the increasing demand curve, the generation required to meet it and the corresponding financial challenges and opportunities.

President and CEO W. Gary Gates and Board Chair Anne McGuire.

Despite uncharacteristically mild summer temperatures, OPPD posted strong 2004 financial results. Off-system sales set a record with annual net revenues of $109.5 million, which contributed to operating revenues of $566.3 million. Electric energy sales for the year totaled 12.7 billion kilowatt-hours.

Cost-control measures that netted millions in savings and the first general rate increase in 12 years were key factors in OPPD receiving bond ratings of AA from Standard & Poor's and Aa2 from Moody's. Despite the rate increase, OPPD's rates once again remained more than 20 percent below the national average.

A company record for caring through United Way donations, a 100-percent score for complying with the critical reliability regulations of the Mid-Continent Area Power Pool, and a fourth consecutive award for highest customer satisfaction with residential electric service from J.D. Power and Associates are a few of the many 2004 accomplishments of which OPPD employees are proud.

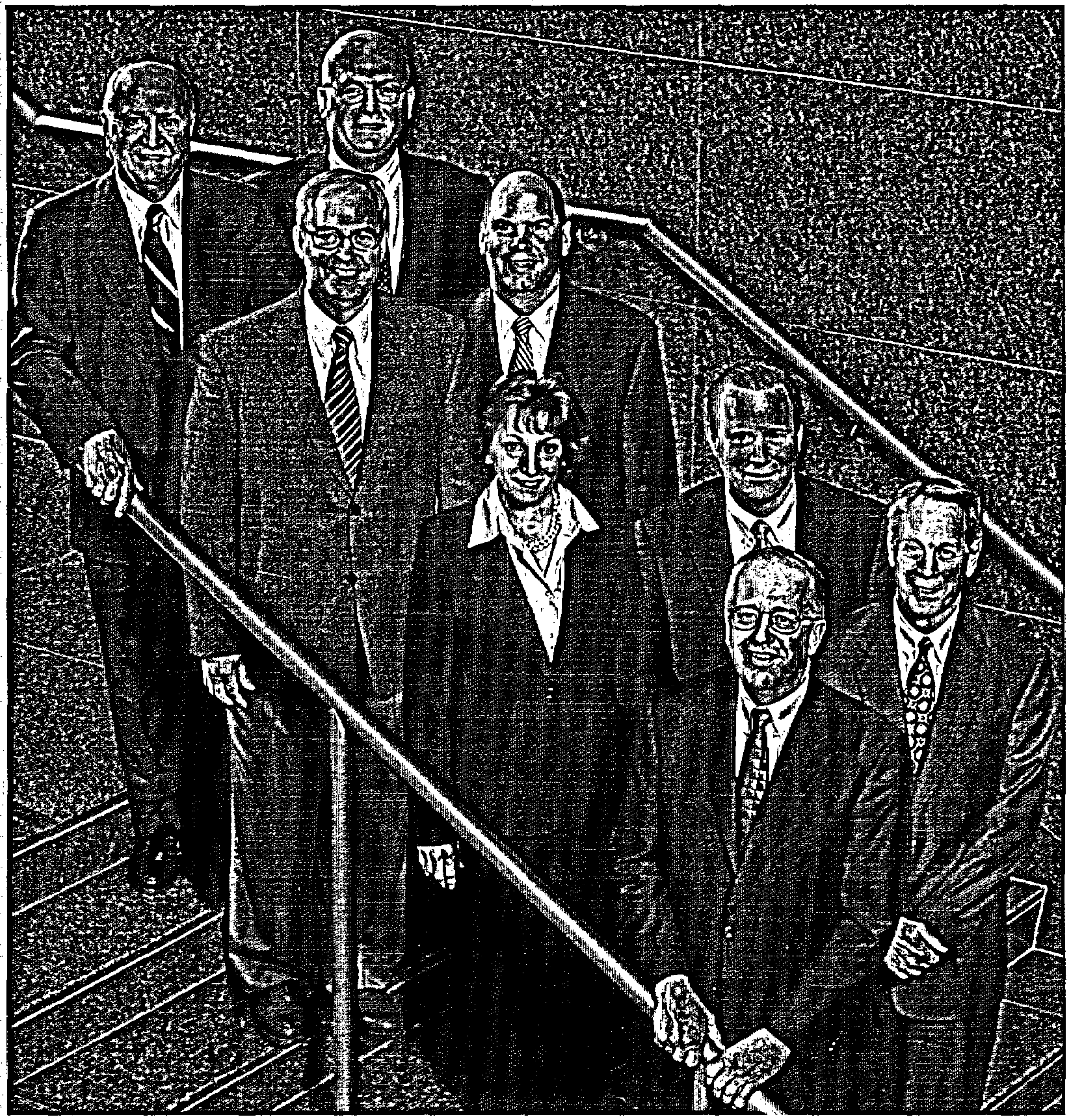
How has OPPD built a tradition of performing ahead of the curve? Much of the credit can be traced to our six core values: *safety*, our main value, *accountability*, *commitment to customers*, *excellence*, *teamwork* and *family orientation*. These values are the foundation on which all business decisions are based and the drivers of our bottom-line success.

Undoubtedly, the coming years will be exciting as OPPD enters a dynamic phase of upgrades and expansion. We do so with confidence and pride. On behalf of OPPD leadership, we thank the tremendous individuals who have worked to bring OPPD to its current position and pledge our commitment to bondholders, customer-owners and coworkers to apply maximum effort to exceed expectations and keep our company *ahead of the curve*.

W. Gary Gates
W. Gary Gates
President and Chief Executive Officer

Anne L. McGuire
Anne L. McGuire
Chair of the Board

Board of Directors



Front, from the left:

Del D. Weber
Vice Chair of the Board
Chancellor Emeritus, University of Nebraska at Omaha

John R. Thompson
Board Member
Land Developer

Anne L. McGuire
Chair of the Board
Nurse Educator

Frederick J. Ulrich
Treasurer
Farmer, Cattle Feeder

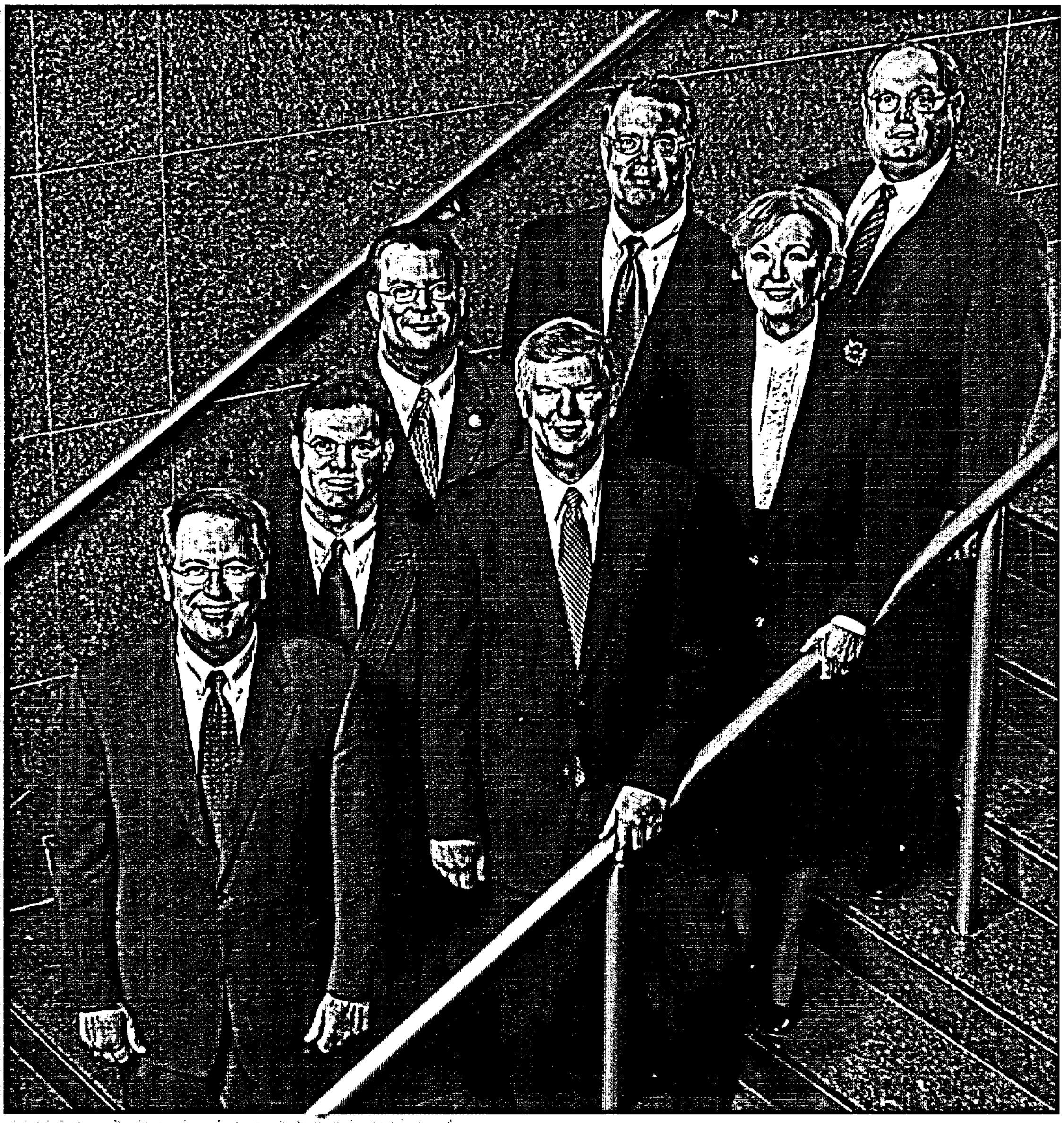
Back, from the left:

John K. Green
Secretary
Attorney at Law

Geoffrey C. Hall
Board Member
Attorney at Law

Michael J. Cavanaugh
Board Member
Police Lieutenant, City of Omaha (Retired)
Real Estate Investor - Manager

N.P. Dodge Jr.
Board Member
President, Chairman of the Board
N.P. Dodge Company



Senior Management

Front, from the left:

Charles N. Eldred
Vice President,
Chief Financial Officer

W. Gary Gates
President,
Chief Executive Officer

Adrian J. Minks
Vice President

Roger L. Sorenson
Vice President

Back, from the left:

Ross T. Ridenoure
Vice President

Timothy J. Burke
Vice President

Dale F. Widoe
Vice President

Ahead of the curve...

OPPD's service territory is a growing, thriving region with a matching thirst for energy. To meet future demand, capital spending will reach a historic high of approximately $1.6 billion during the next five years. Major upcoming capital expenditures include the construction of Nebraska City Station Unit 2, a 663-megawatt coal-fired plant with state-of-the-art multi-pollution control equipment. Major system replacements and upgrades are also planned for Fort Calhoun Station, OPPD's nuclear power plant, which will allow it to provide power to Nebraskans until 2033 and beyond.

Besides planning the most prudent ways to fund and finance capital projects, OPPD is pursuing a holistic financial approach that includes company-wide cost-reduction initiatives, as well as capital prioritization and enterprise risk-management programs.

Capital ideas

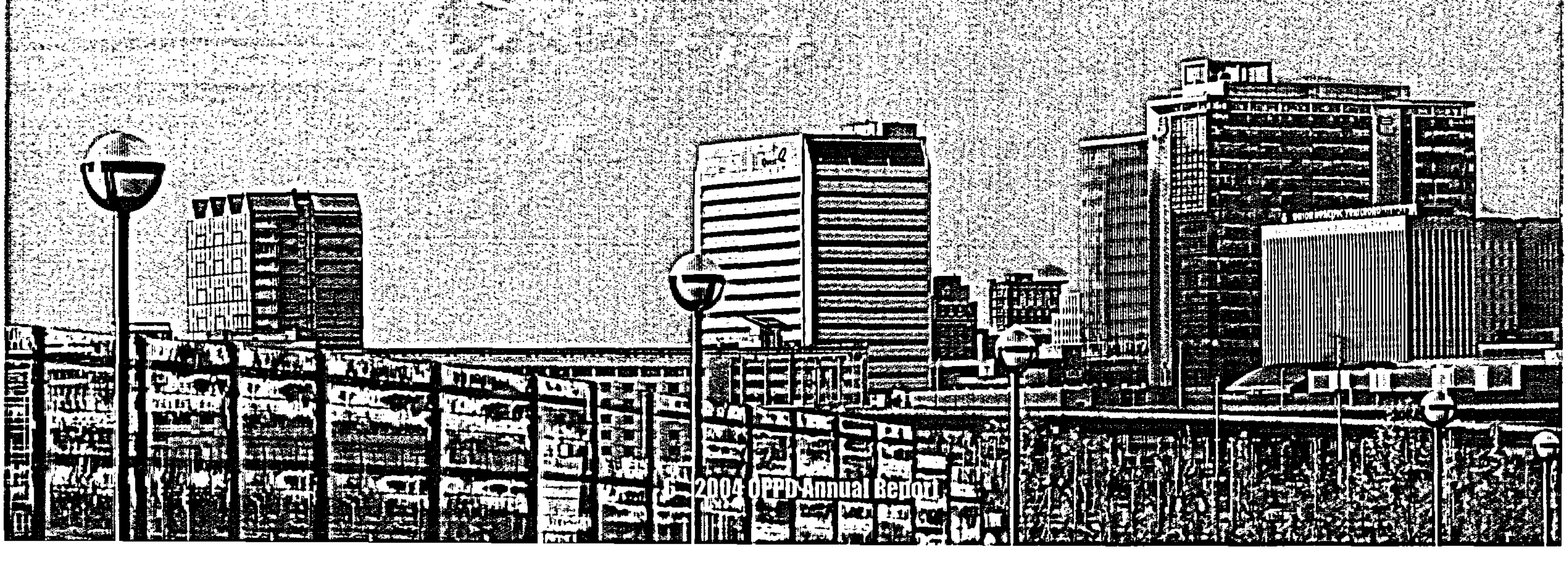
Facing $1.6 billion in additional capital expenditures, the mindset of OPPD's financial team was far from "business as usual" in 2004. Enterprise risk-management personnel identified, quantified and prioritized risks throughout the company on a scale and depth greater than at any time in OPPD's history.

Other team members focused on the prioritization of capital projects. Specific prioritization goals included funding non-power supply capital projects with internally generated funds and ensuring that cost-cutting measures don't negatively impact critical business factors.

OPPD's long-standing record of financial strength served as a reminder to current employees that the keys to long-term financial success are sound financial planning and management.

Growing in sophistication

Glistening riverfront headquarters for the Gallup Organization, a new downtown home for Union Pacific and the sprawling Qwest Center and Arena are a few of the new additions that are making Omaha's metropolitan landscape more metropolitan. Five Fortune 500 companies headquarter within OPPD's service territory and 35 more operate manufacturing plants or service centers here. OPPD is proud to serve their power needs. *Omaha skyline photo by Patrick Drickey/Stonehousegolf.com*



Just as planned

"Our employees are partners in the cost-management process. They understand the bottom line is important because OPPD's financial strength affects our livelihood. They also understand the process includes making tough decisions."

– Vice President and CFO Charles N. Eldred

What's best for the family

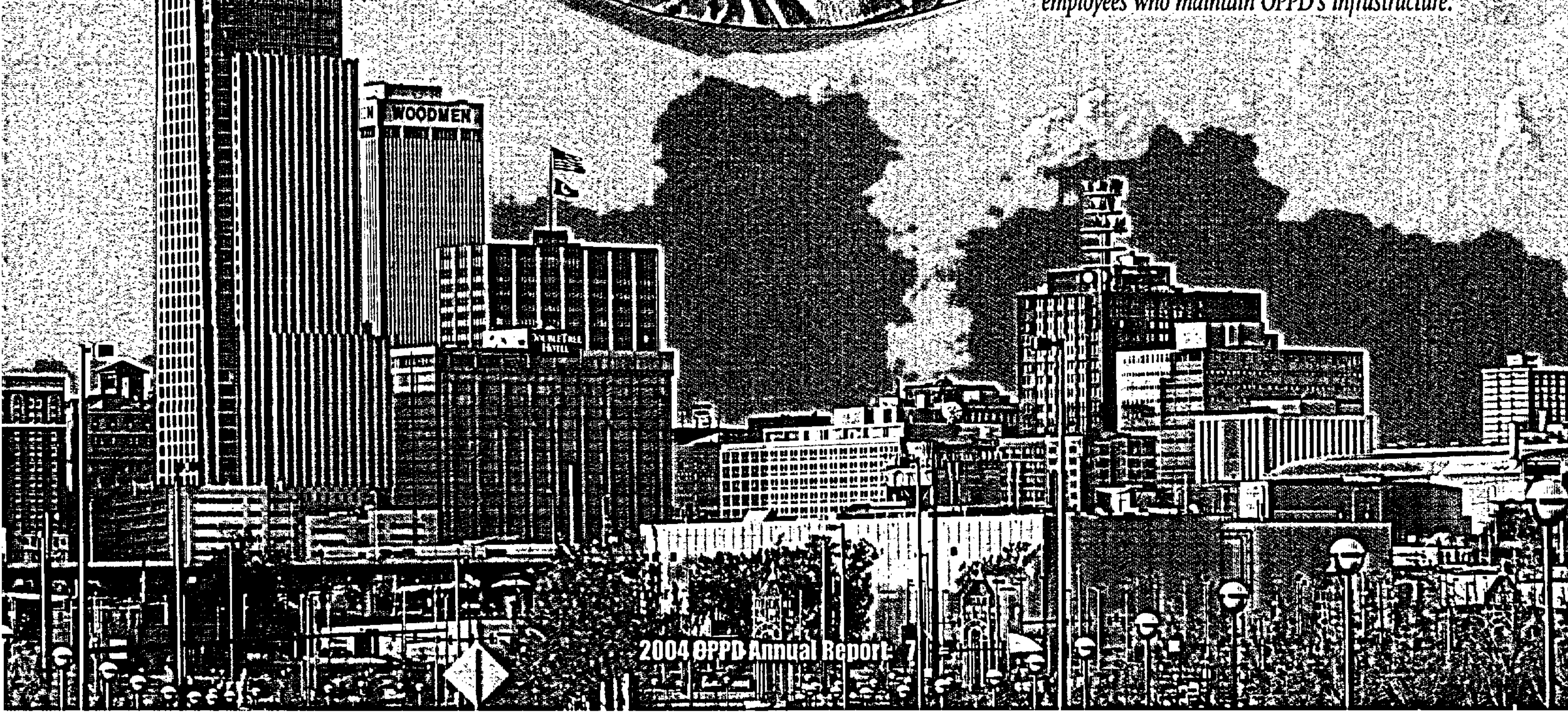
One of 2004's most difficult cost-cutting measures involved the consolidation of the transmission and distribution work centers. As part of the consolidation, the Irvington Center closed, and its workers and workload transferred to three other metropolitan area service centers.

"Irvington Center was home to many people who had worked there for years. Some had built homes in the area or had moved to be closer to work," said Vice President Tim Burke, who heads the Customer Operations business unit.

"Along with many personal sacrifices, there was a great amount of work and adaptation involved with the consolidation. It was a tough decision to make and a challenging process to undertake, but our people really rose to the occasion."

Savings from this consolidation are estimated at $850,000 per year.

Underground cable splicers Jim Sobbing, left, and Dale Schneidewind are among the employees who maintain OPPD's infrastructure.



Ahead of the curve...

Tsunamis and terrorism. Consider the weight those words carry today compared to a few years ago. We are living and working in unpredictable times. An event occurs and, seemingly, in the blink of an eye, the world changes. The September 11 attacks prompted even stronger security measures and training at all OPPD facilities, especially at the nuclear facility, Fort Calhoun Station.

As a public power company, OPPD faces distinct challenges and obligations involving change. At all times, we need to protect our facilities and the energy they supply to the hundreds of thousands of people who depend on power, just as they depend on food and shelter. We're also diligently pursuing emerging technologies in order to serve the public at the highest level.

Above, Energy Marketer Curt Wilwerding markets excess power. OPPD has embarked on historical projects at Fort Calhoun Station. Among the many taking part in these efforts are, at right, nuclear personnel Terri Herman, Sudesh Gambhir, Ron Undajon, LaTonya Bennett and Ken Henry.

A strong energy mix

A diverse energy mix means stability and flexibility. That's why OPPD's energy portfolio includes coal, natural gas, nuclear and a variety of renewables, including Valley Station, a wind turbine facility, and Elk City Station, which generates power by using methane gas, a byproduct of the county landfill.

Elk City, the "waste to watts" station – one of the largest renewable energy facilities in Nebraska – produced 26,739 megawatt-hours of electricity in 2004, enough to power approximately 2,000 average homes for a year. That's a significant contribution to OPPD's renewable energy mix.

Invisible efficiencies

As "hard copy" fades and digital technology advances, OPPD is keeping pace and improving efficiency and service. In 2004, OPPD began installing wireless networking in its service centers, making work spaces safer and more efficient.

Regional safety also will improve due to a new 800-megahertz radio system designed to seamlessly link OPPD with emergency response organizations. And the groundwork has been laid to give OPPD's field personnel access to real-time customer information through Mobility, an advance mobile computing system that will improve efficiency and lower the cost of customer service and service-restoration work.

Wherever it flows

Cellular science shows promise

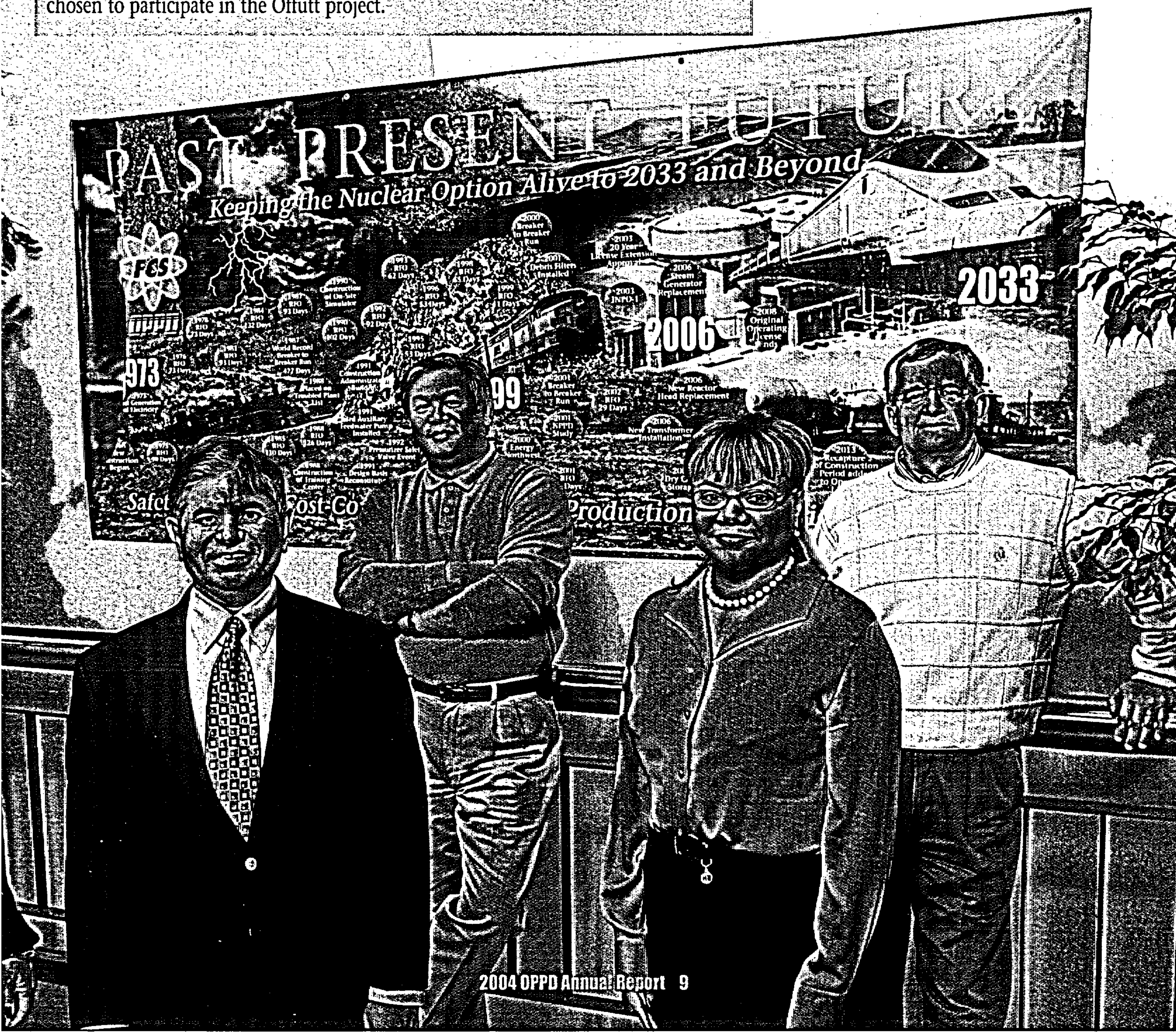
The U.S. Department of Defense, OPPD and Ida Tech LLC have partnered in the installation and performance testing of two fuel cell systems at Offutt Air Force Base, home of the United States Strategic Command.

OPPD installed and now operates and maintains the fuel cells, which produce electricity chemically, by converting natural gas or other fuel into hydrogen, then combining that with oxygen. Since no combustion is involved in the generation process, fuel cells are virtually emission-free.

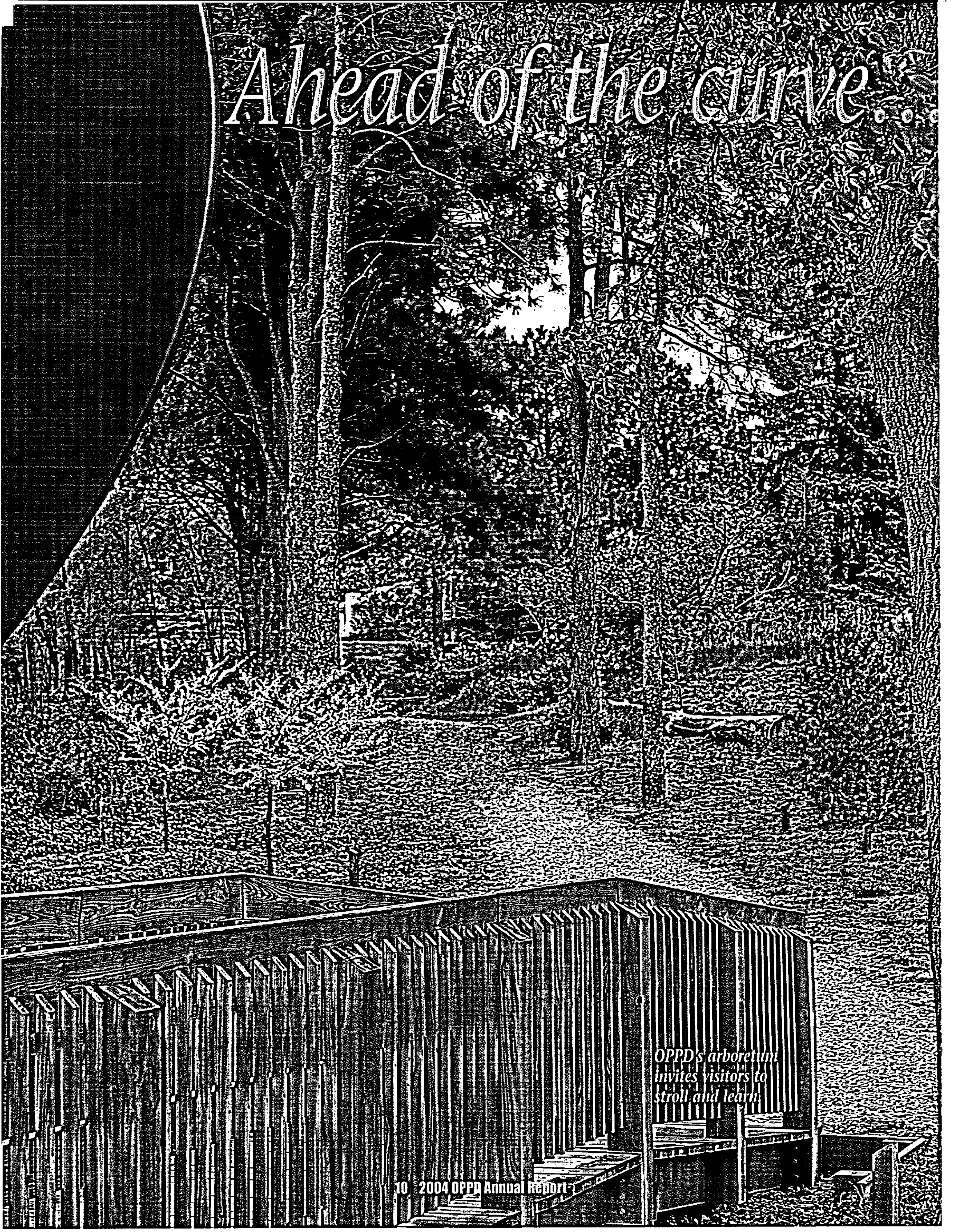
OPPD's experience in the operation and maintenance of the 200-kilowatt fuel cell at the 60,000-square-foot Lied Jungle in Omaha's Henry Doorly Zoo led to its being chosen to participate in the Offutt project.

"Fuel cells are very quiet and have low emissions. In the future, they may be used to supply power for something as large as a power plant or as small as a smoke detector."

– Vice President Adrian Minks



Ahead of the curve...



OPPD's arboretum invites visitors to stroll and learn.

Protecting our world

OPPD's primary purpose is a noble one: to provide people the power they need to reach their goals and live satisfying lives.

In fulfilling that responsibility, we seek opportunities to serve not just the people, but also their environment. That's why we help residential customers and businesses conserve energy. That's why we restore prairie grassland and create wetlands. And that's why we're involved with solar, wind and methane gas power, along with many other alternative energy and conservation projects.

To the people at OPPD who spend their days teaching others to plant healthy trees or build efficient homes, and to all OPPD employees, who live in the same environment as our customers, these efforts seem perfectly natural.

The win-win of continuous commissioning

After it helped four buildings achieve Energy Star status in 2004 through the Rebuild America program, OPPD didn't stop. Through Continuous Commissioning[SM], a program developed in conjunction with the University of Nebraska – Lincoln, OPPD helped other customers with large facilities improve their energy efficiency as well.

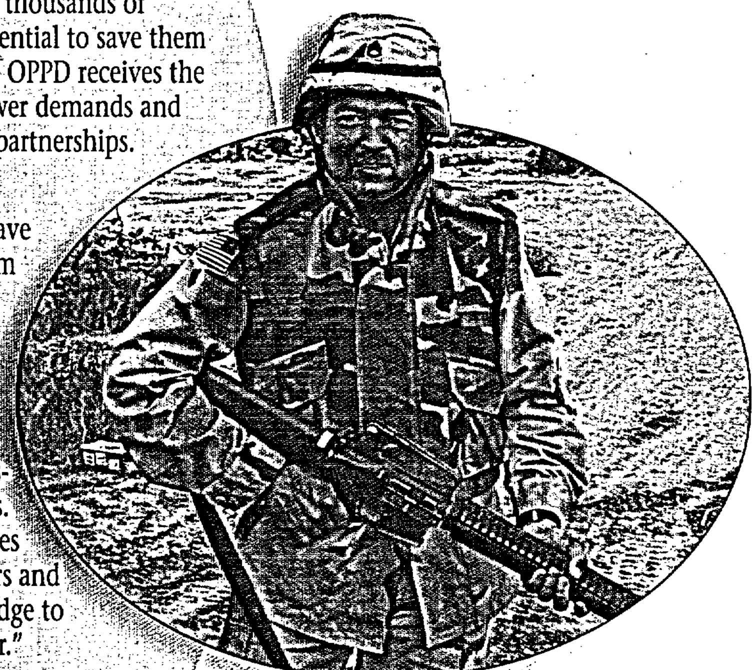
Continuous commissioning is an on-going process that resolves energy system problems, improves comfort, optimizes energy use and identifies retrofits for existing buildings and plant facilities. Since its implementation in 2003, continuous commissioning has saved Nebraska businesses hundreds of thousands of dollars and has the potential to save them millions. For its efforts, OPPD receives the benefits of reduced power demands and strengthened business partnerships.

Help on the line

Any questions you have about energy, send them his way. He is, after all, OPPD's *Energy Advisor*, available to help customers solve energy problems well beyond the scope of typical customer service questions. This free service provides extra value to customers and helps fulfill OPPD's pledge to be "your energy partner."

"Our nuclear divisions have had a particularly high number of employees called to duty overseas. As a company, we view this not as an imposition, but as an honor. It's a source of pride."

– Vice President Ross Ridenoure



Ernie Parra, manager of Planning & Analysis, returned to OPPD mid-year after spending 15 months of active duty in Iraq.

The bees and the birds

Little plant on the prairie

Discoverers Lewis and Clark could not have imagined a future where they could look across a field of prairie grass and see a nuclear power plant in the background. But thanks to the environmental efforts of OPPD and the U.S. Fish and Wildlife Service, those passing by Fort Calhoun Station can glimpse into the past by enjoying the beauty of the 30-acre natural grassland, restored to look much as it did 200 years ago.

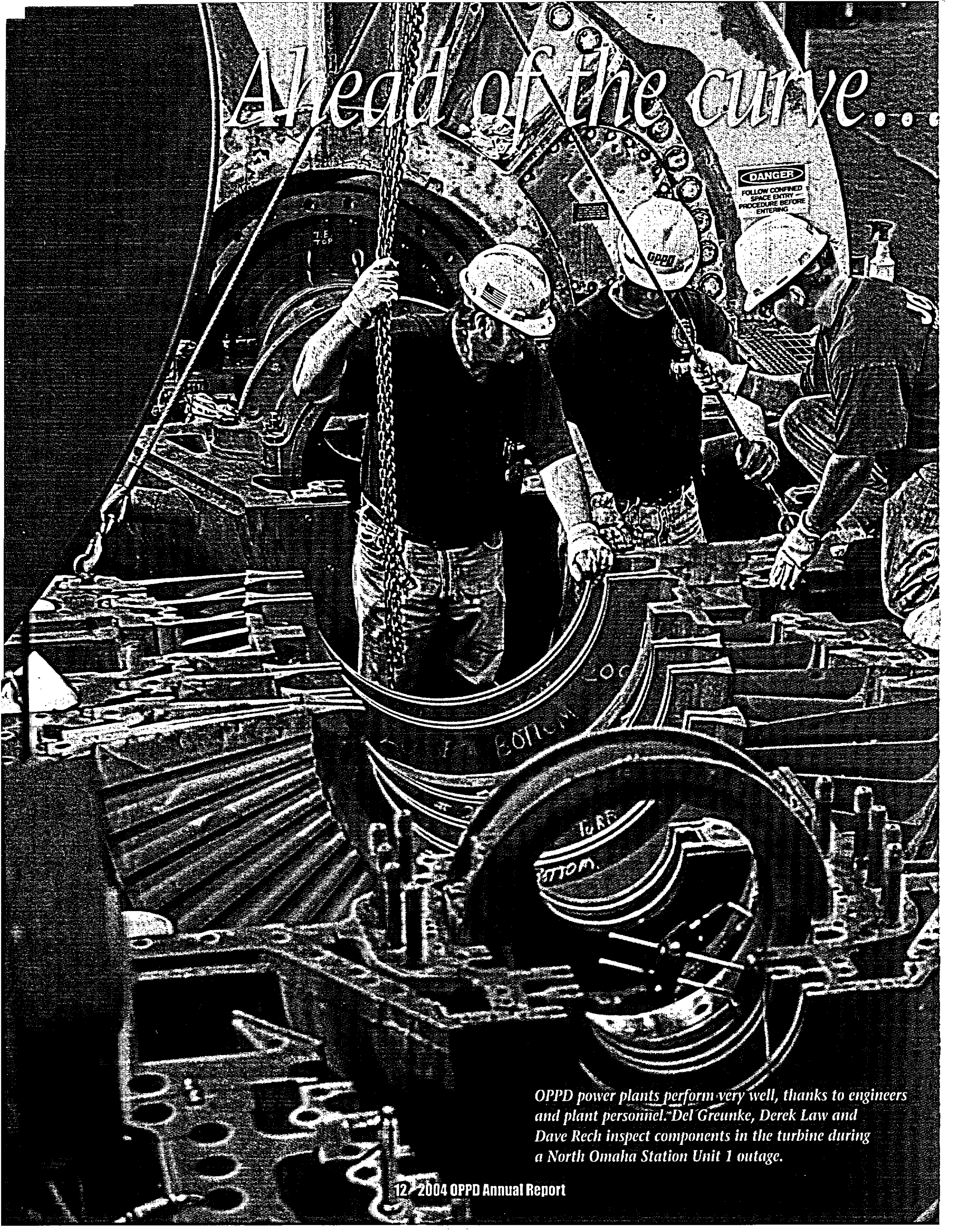
Education branches out

Called a "utilitarian beauty" by the *Omaha World-Herald*, OPPD's arboretum spreads across 26 public acres covered by more than 1,000 trees and shrubs from more than 200 species. The arboretum includes an outdoor classroom and various educational display and demonstration areas, including a simulated power line construction area, where people can learn how to plant "the right trees in the right places."

"To my knowledge, no other utility in the country has an arboretum like this," said Jerry Hakenholz, OPPD supervisor who helped the arboretum grow from a vision to a valued community resource.

"The public enjoys and uses the park, and we hope the education it provides increases our territory's reliability, safety, beauty and conservation efforts."

Ahead of the curve...



OPPD power plants perform very well, thanks to engineers and plant personnel. Del Greunke, Derek Law and Dave Rech inspect components in the turbine during a North Omaha Station Unit 1 outage.

And proud of it

A rolling safety demonstration, paint-splattered overalls and a checkered flag – all tools OPPD used in 2004 to reach customers and communities.

The RESPECT trailer hit the streets to remind audiences that electric safety is everyone's concern. Along with sharing safety tips, OPPD field employees presented demonstrations that reinforce how important electric safety is in their profession.

For the twelfth year, a "super crew" of OPPD painters gave up a weekend to facelift the home of a neighbor in need. And the checkered flags again waved winning electric vehicles across the finish line during the rallies of Power Drive.

These activities demonstrate an idea ingrained in the OPPD culture, that much of the power we provide has little to do with electricity.

Reading, writing and radials

Year one involved 12 high schools, two rallies and 13 student-built electric vehicles, some of which reached top speeds of 17 miles per hour. Year five involved more than 60 schools, eight rallies and nearly 100 vehicles, some of which reached top speeds of more than 35 miles per hour.

OPPD's Power Drive program has grown to become a statewide high school tradition and one of the top programs of its type in the country – a shining example of cooperation between business and education. Hundreds of Power Drive students have learned not just about physics, engineering and energy, but also about teamwork, perseverance and effort as its own reward. In addition, two participants each year receive scholarships to assist them toward a career in automotive technology, electronics, engineering or physics.

"Not coming to work doesn't even enter my mind. I feel blessed to have what I have. I want to do my best."

– Employee Charlie Hembertt, on working 23 years with no sick days

Making inroads on diversity

OPPD is proud of its commitment to diversity, including its affiliation with INROADS, a national career development organization that places talented youth in business and industry, preparing them for corporate and community leadership.

OPPD provided opportunities for six INROADS participants in 2004 and 28 total since 1997. From this pool of college students majoring in marketing, engineering, computer science, business, accounting and other fields, several have been hired and are contributing to OPPD's success.

Honored by others, OPPD goes full circle

"Perfectly" reliable

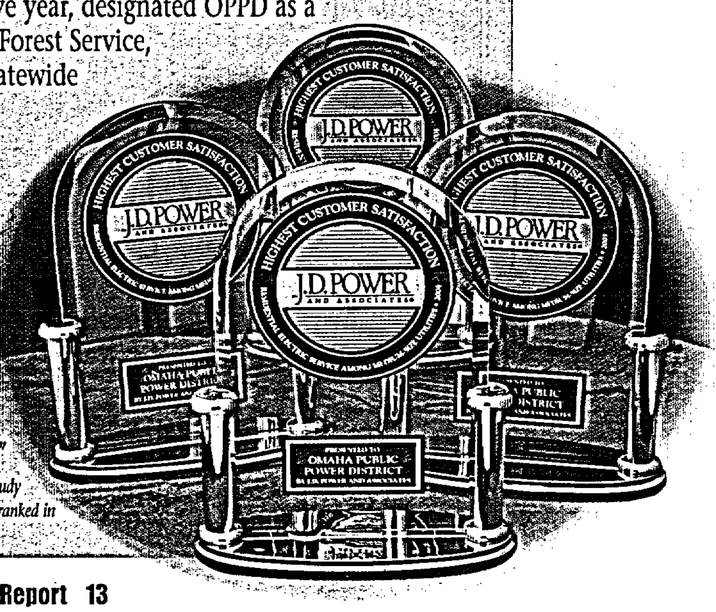
During the fall review by the Mid-Continent Area Power Pool (MAPP), an organization created to safeguard the region's bulk electric system, independent auditors scored OPPD a perfect 100 percent for compliance with reliability regulations. OPPD manages more than 13,000 miles of electric lines in its 5,000-square-mile service territory.

Four times for trees

The National Arbor Day Foundation, for the fourth consecutive year, designated OPPD as a Tree Line USA Utility. In addition, Tree City, USA, the Nebraska Forest Service, the Nebraska Community Forestry Council and the Nebraska Statewide Arboretum honored OPPD with their Utility Award for community service.

A force for growth

OPPD received the Power in the Partnership Award from the Nebraska Diplomats, a statewide economic growth organization. Area businesses consistently cite the availability of inexpensive, reliable power as a major reason for their expansion, relocation or construction.



For the fourth year in a row, OPPD has received an award for "Highest Customer Satisfaction With Residential Electric Service."

J.D. Power and Associates 2004 Electric Utility Residential Customer Satisfaction Study℠. Study based on a total of 25,657 consumer responses. The top 21 medium electric companies were ranked in the study. www.jdpower.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

OPPD is a fully integrated electric utility serving a 5,000-square-mile, 13-county region in eastern Nebraska. All corporate powers of OPPD are vested in a Board of Directors consisting of eight members representing specific areas of the service territory. OPPD generates revenues from a mix of retail sales, off-system sales and other sales of products and services. The economy of the service territory is expanding, and deregulation in Nebraska does not appear to be imminent at this time. Corporate headquarters is located in Omaha, Nebraska, with generating plants, service centers and customer service offices strategically located throughout the service territory.

Public power is a critical element in the energy future of this nation. Public power companies are directly accountable to the people they serve – not to private stockholders. Across the country, publicly owned utilities, like OPPD, continue to lead the way by providing reliable, low-cost energy with responsive service to their customer-owners. To ensure OPPD's customers reap the many benefits of public power, OPPD capitalizes on strong strategic planning, effective risk management practices and sound financial policies and business practices.

Due to diligent planning and cost-control efforts, OPPD has successfully held rates well below the national average. In 2004, a modest 3.1% general rate increase was implemented, the first in more than a decade. Even with this increase, OPPD's rates remain well below the national average. OPPD plans to continue to control costs and maximize the utilization of assets to maintain its price advantage.

As OPPD prepares for future energy needs for its customer-owners, it has several major construction projects under way, including the construction of the Nebraska City Station Unit 2 and the life-extension capital projects for the Fort Calhoun Station. With the significant capital expenditures devoted to these two generating plants over the next several years, it is critical to control costs and manage these projects to achieve the operating plan. Because of these projects, OPPD has implemented a capital prioritization process which provides additional perspective, oversight and control of OPPD's project management process. The process allocates financial resources efficiently while managing risks within a framework of solid, ethical business practices. With the magnitude of OPPD's planned capital expenditures program, it is critical to efficiently allocate resources to projects that are economically sound and support OPPD's strategic objectives.

In order to manage risk, OPPD implemented an Enterprise Risk Management (ERM) program in 2004. ERM is a framework developed for identifying, quantifying, prioritizing and managing the significant risks of the company. By identifying and managing risk, OPPD can choose to eliminate or minimize the potential impact of risks or choose to accept and manage the risks. Being aware of the potential risks facing the company and managing them to support OPPD's strategic objectives and goals are essential elements of the ERM program.

Additional financial governance policies and procedures have been and continue to be implemented at OPPD to comply with the spirit of the Sarbanes-Oxley Act (Act) to ensure continued public trust in OPPD and to protect the interests of all of its stakeholders. As a public utility, OPPD is not required to comply with the Act, but the application of these requirements is a sound business practice and will be pursued where applicable.

Specific performance measures addressing safety, customer satisfaction and cost containment were established using a balanced scorecard approach to align employees around a consistent, understandable vision. Thanks to the contributions and teamwork of OPPD's employees, all of the corporate measures were exceeded for 2004. This success translates into benefits for OPPD's customer-owners and supports its main thing of exceeding customer expectations. As "your energy partner," OPPD will continue to work with its customer-owners to meet their energy needs reliably, affordably and enthusiastically. OPPD is committed to excellence and staying *ahead of the curve*.

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

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following summarizes OPPD's financial position at December 31 (in thousands).

Condensed Balance Sheets	2004	2003
Current Assets	$ 251,107	$ 243,655
Capital Assets	1,991,543	1,913,721
Other Long-Term Assets	455,405	471,163
Total Assets	$2,698,055	$2,628,539
Current Liabilities	$ 195,019	$ 159,792
Long-Term Liabilities	1,219,058	1,209,613
Total Liabilities	1,414,077	1,369,405
Equity	1,283,978	1,259,134
Total Liabilities and Equity	$2,698,055	$2,628,539

The following summarizes OPPD's operating results for the years ended December 31 (in thousands).

Operating Results	2004	2003	2002
Operating Revenues	$566,315	$573,074	$545,653
Operating Expenses	(507,340)	(507,040)	(437,403)
Operating Income	58,975	66,034	108,250
Other Income	10,995	5,230	12,380
Interest Expense	(45,126)	(45,386)	(40,009)
Net Income	$ 24,844	$ 25,878	$ 80,621

Accounting Policy Changes

Prior to 2004, off-system sales revenues included the total revenues from joint marketing activities, and purchased power expense included the cost of the energy purchased for resale and the other utilities' share of profits from joint marketing activities. Effective in 2004, only the profit from joint marketing activities is reported in off-system sales revenues, and purchased power expense includes only the expense related to OPPD's operations. There was no impact on net income from this change. Off-system sales revenues and purchased power expense were reclassified for 2003 and 2002 to conform to the 2004 presentation.

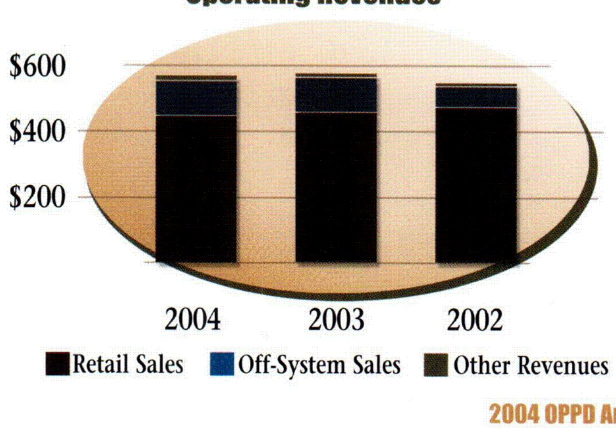
Payments received from customers for construction costs or contributions in aid of construction (CIAC) reduce the cost of utility plant assets. CIAC is recorded as other income and offset by an expense in the same amount representing the recovery of plant costs. There was no impact on net income from this change. The income and related expense for CIAC were reclassified for 2003 and 2002 to conform to the 2004 presentation.

In 2002, OPPD completed a depreciation study which was implemented in 2003. In connection with the implementation of revised depreciation rates in 2003, OPPD changed its cost capitalization policies. The primary effect of these changes was to accelerate the recovery of these costs to the period in which they were incurred, rather than to defer recovery to future years. These changes included a reduction in the level of support costs being allocated to utility plant and an increase in the size of property units and the thresholds for capital expenditures.

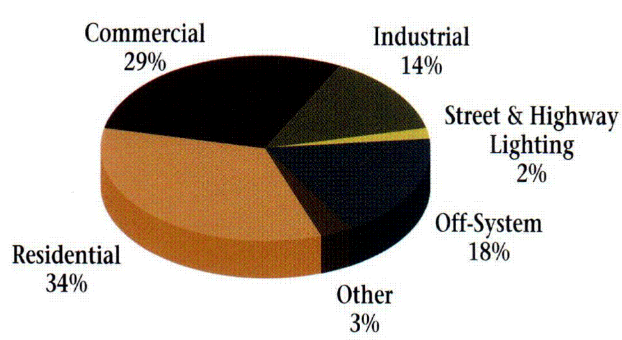
Operating Revenues

The following chart, left, illustrates the composition of OPPD's operating revenues (in millions). The following chart, right, illustrates the percentage share of revenues by customer class for 2004. Other revenues include proceeds from the sale of a bankruptcy claim, connection charges, customers' forfeited discounts, rent from electric property and transmission wheeling fees.

Operating Revenues



Operating Revenues - 2004



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2004 Compared to 2003

Total operating revenues were $566,315,000 for 2004, a decrease of $6,759,000 or 1.2% from 2003 operating revenues of $573,074,000.

- Operating revenues from retail sales were reduced for additions to the Debt Retirement Reserve of $55,000,000 and $35,000,000 for 2004 and 2003, respectively. The decrease in 2004 total operating revenues was primarily due to the larger addition to the Debt Retirement Reserve.
- Prior to the reductions for the Debt Retirement Reserve, revenues from retail sales were $496,450,000 for 2004, an increase of $8,712,000 or 1.8% over 2003 revenues of $487,738,000. The increase in retail sales revenues was primarily due to the implementation of a 3.1% general rate increase on January 1, 2004. The gain in revenues from the general rate increase was partially offset by a reduction in residential energy sales.
- Revenues from off-system sales were $109,523,000 for 2004, an increase of $728,000 or 0.7% over 2003 revenues of $108,795,000. The increase in revenues was due mainly to higher wholesale market prices.
- Other electric revenues were $15,342,000 for 2004, an increase of $3,801,000 or 32.9% over 2003 revenues of $11,541,000. The increase was due mainly to the sale of a bankruptcy claim.

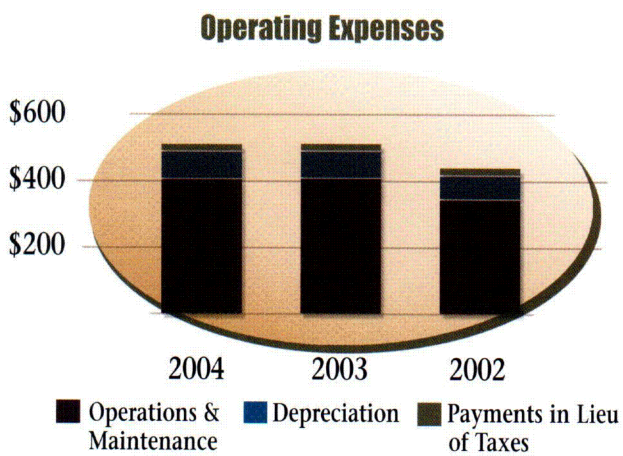
2003 Compared to 2002

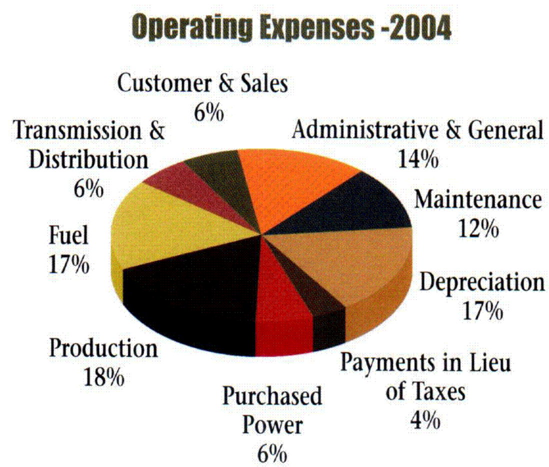
Total operating revenues were $573,074,000 for 2003, an increase of $27,421,000 or 5.0% over 2002 operating revenues of $545,653,000.

- Operating revenues from retail sales were reduced for additions to the Debt Retirement Reserve of $35,000,000 for 2003 and to the Rate Stabilization Reserve of $10,500,000 for 2002.
- Prior to the reductions for the Debt Retirement Reserve and Rate Stabilization Reserve, revenues from retail sales were $487,738,000 for 2003, an increase of $8,827,000 or 1.8% over 2002 revenues of $478,911,000. The increase in retail sales was due mainly to a 3.2% increase in energy sales to retail customers.
- Revenues from off-system sales were $108,795,000 for 2003, an increase of $42,910,000 or 65.1% over 2002 revenues of $65,885,000. The increase in revenues was due to a combination of greater energy sales and higher wholesale market prices.

Operating Expenses

The following chart, left, illustrates the composition of OPPD's operating expenses (in millions). The following chart, right, illustrates the percentage share of operating expenses by expense classification for 2004.





2004 Compared to 2003

Total operating expenses were $507,340,000 for 2004, a slight increase over 2003 operating expenses of $507,040,000.

- Fuel expense decreased $2,525,000 from 2003 primarily due to a larger share of nuclear generation to total generation in 2004, as nuclear fuel costs less than fossil fuels. Nuclear generation was lower in 2003 due to the production outage.
- Purchased power expense decreased $4,468,000 from 2003 due mainly to additional purchases required in 2003 for the production outage at the Fort Calhoun Station. A major planned production outage began in February 2005 at the Fort Calhoun Station.
- Production expense increased $3,745,000 over last year mainly because of additional operation expenses related to the increased generation and costs incurred for production outages.
- Transmission expense was $2,536,000 lower than in 2003 due to the write-off in 2003 of deferred charges related to OPPD's participation in the formation of a for-profit transmission company and lower transmission wheeling fees as a result of the decrease in purchased power.

C03

- Administrative and general expense was $6,323,000 higher than in 2003 primarily due to increased employer funding requirements for the retirement plan. Effective with the 2004 actuarial valuation, the investment return (discount rate) assumption was reduced from 8.5% to 8.4% and ad-hoc cost-of-living increases granted by the Board of Directors to retirees and beneficiaries are expensed in the year granted.
- Maintenance expense decreased $3,272,000 from 2003 primarily due to higher maintenance costs at the Fort Calhoun Station in 2003 related to the production outage and a reduction in expenditures for tree trimming resulting from favorable contract negotiations.

2003 Compared to 2002

Total operating expenses were $507,040,000 for 2003, an increase of $69,637,000 or 15.9% over 2002 operating expenses of $437,403,000.

- Fuel expense increased $11,668,000 over 2002 due to a combination of increased generation, higher natural gas prices and greater consumption of fossil fuels. The Fort Calhoun Station had a production outage in 2003.
- Purchased power expense was $7,370,000 higher than in 2002 due to additional purchases required in 2003 for the production outage at the Fort Calhoun Station.
- Production expense increased $6,878,000 over 2002 due mainly to additional costs related to increased generation and the Fort Calhoun Station production outage completed in 2003.
- Transmission expense was $2,892,000 higher than in 2002 partly due to a write-off of deferred charges related to OPPD's participation in the formation of a for-profit transmission company which was disbanded in 2003.
- Customer service and information expense was $7,479,000 higher than in 2002 due to the write-off of prior years' costs for the customer energy conservation program and a change in accounting policy in 2003 to expense these costs as they are incurred.
- Administrative and general expense was $19,676,000 higher than in 2002 primarily due to increased employer contributions required for the retirement plan and increased health insurance costs.
- Maintenance expense increased $6,355,000 over 2002 due to additional production outage costs and changes in the capitalization policy.
- Depreciation and amortization expense increased $5,833,000 over 2002 due to the inclusion of amortization expense for intangible assets and depreciation on the new Cass County Station.

Other Income

Other income was $10,995,000 in 2004, an increase of $5,765,000 over 2003 other income of $5,230,000. In 2003, costs of $6,225,000 related to the Fort Calhoun Station power uprate project were charged to expense because the project was cancelled due to revised load forecasts and the planned construction of the Nebraska City Station Unit 2.

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 Services, Residential and Commercial Surge Protection, Energy Solutions and Ground Source Heat Pumps. Offering these products and services is in line with OPPD's Strategic Plan and provides opportunities to build strong relationships with its customers by helping them efficiently meet their energy needs.

- Income from products and services was $1,012,000 for 2004, an increase of $578,000 over 2003 income of $434,000. This was primarily due to greater revenues from sales of Energy Solutions products and marketing contract activities.
- Income from products and services was $434,000 for 2003, an increase of $92,000 over 2002 income of $342,000.

Interest Expense

Interest expense was $45,126,000 for 2004, a slight decrease from 2003 interest expense of $45,386,000, due to a decrease in interest expense on revenue bonds as a result of the lower principal balance. This decrease was partially offset by an increase in interest expense for commercial paper.

Interest expense was $45,386,000 for 2003, an increase of $5,377,000 or 13.4% over 2002 interest expense of $40,009,000. The increase was due to a combination of increased long-term debt and the accelerated amortization of losses on extinguished debt. In 2003, OPPD made a decision to accelerate the write-off of certain costs related to losses on extinguished debt by charging these costs to expense over three years rather than over the life of the issues. These costs relate to bonds that have been repaid with operating funds that are no longer on OPPD's balance sheet.

Net Income

Net income for 2004, 2003 and 2002, prior to revenue reductions for the Debt Retirement Reserve and Rate Stabilization Reserve, was $79,844,000, $60,878,000 and $91,121,000, respectively. Operating Revenues reported for 2004, 2003 and 2002 were reduced by $55,000,000, $35,000,000 and $10,500,000, respectively, for additions made to the Debt Retirement Reserve (2004 and 2003) and the Rate Stabilization Reserve (2002).

Number of Customers

OPPD has a stable customer base, which continues to grow at a steady rate. The economy of OPPD's service territory is expanding, which is expected to support continued growth of OPPD's customer base.

- OPPD served an average of 315,868 customers in 2004, an increase of 6,153 or 2.0% over the average number of customers for 2003 of 309,715.
- OPPD served an average of 309,715 customers in 2003, an increase of 4,679 or 1.5% over the average number of customers for 2002 of 305,036.

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

Number of Customers	2004	2003	2002
Residential[1]	275,854	270,579	266,464
Commercial[1]	39,482	38,525	37,807
Industrial[1]	135	127	117
Street and Highway Lighting[2]	352	436	594
Off-System	45	48	54
Total	315,868	309,715	305,036

[1] *The number of customers was based on the number of premises or points of service.*

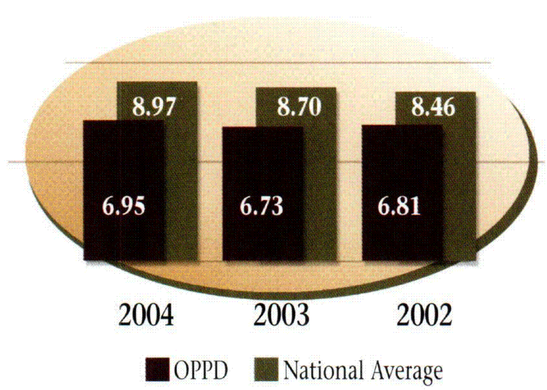
[2] *The number of customers was based on the number of accounts for these unmetered services. The reduction does not represent a loss of customers, but was due to a consolidation of accounts to facilitate customer billing.*

Cents per kWh

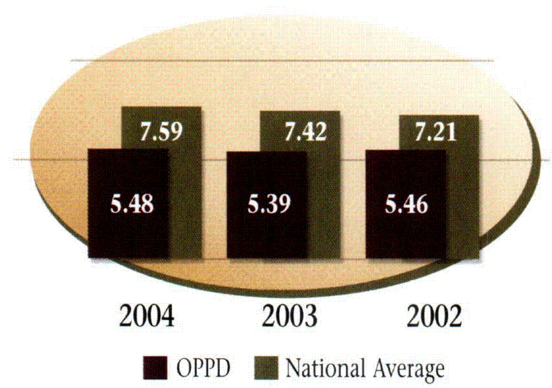
OPPD is sensitive to the rates it charges and strives to maximize the public power advantage of low-cost energy for its customers.

- Residential customers paid an average of 6.95, 6.73 and 6.81 cents per kWh in 2004, 2003 and 2002, respectively. The national average residential cents per kWh according to the Energy Information Administration, U.S. Department of Energy, was 8.97 for 2004 (preliminary year-to-date as of November 30) and 8.70 and 8.46 cents per kWh for 2003 and 2002, respectively.
- Retail customers paid an average of 5.48, 5.39 and 5.46 cents per kWh in 2004, 2003 and 2002, respectively. The national average retail cents per kWh according to the Energy Information Administration, U.S. Department of Energy, was 7.59 for 2004 (preliminary year-to-date as of November 30) and 7.42 and 7.21 cents per kWh for 2003 and 2002, respectively. The following charts show OPPD's average residential and retail cents per kWh compared to the national average.

Average Residential Cents per kWh



Average Retail Cents per kWh



OPPD implemented a 3.1% general rate increase effective January 1, 2004, to help fund the capital program. This was OPPD's first rate increase since January 1992. Even with this increase, OPPD's rates continue to remain well below the national average.

C04

CASH AND LIQUIDITY

OPPD has a high degree of liquidity as a result of maintaining strong credit ratings, utilizing its Commercial Paper Program, executing additional credit agreements, implementing cost-containment programs and investing in projects that provide returns in excess of OPPD's cost of capital.

OPPD relies on bond offerings as a significant source of liquidity for capital requirements not provided for with cash from operations. OPPD's ability to obtain required capital at low rates will be critical in executing its overall business plan to support the significant planned capital program expenditures.

Financing

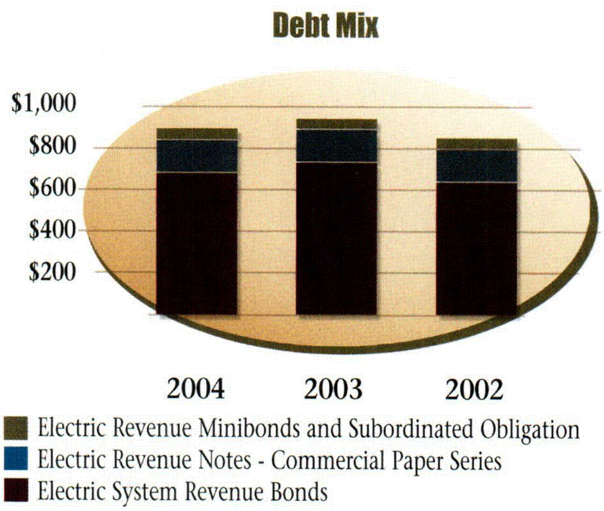
A financing plan has been developed to fund OPPD's capital program expenditures. This plan identifies the optimal debt mix to ensure liquidity needs are met and OPPD's strong financial position is maintained at the lowest cost possible. OPPD plans to issue revenue bonds in 2005. The proceeds will be used for corporate purposes of OPPD, including reimbursing previously incurred capital expenditures, paying the costs and expenses incurred in the issuance of the bonds and depositing an amount in the Reserve Account as required by Resolution No. 1788.

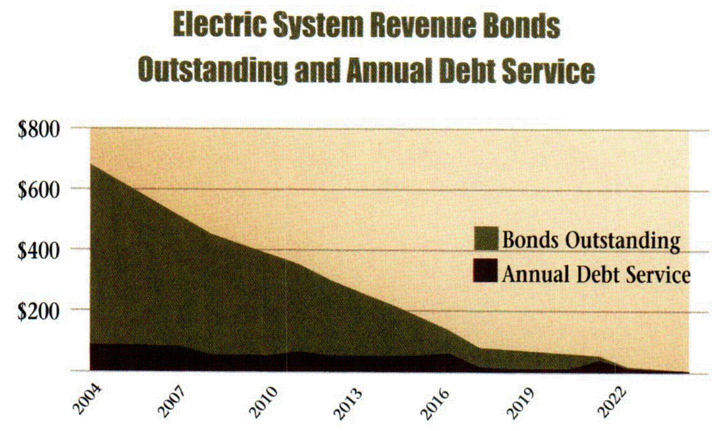
In January 2005, OPPD executed a $350,000,000 Revolving Credit Agreement (RCA) with JPMorgan Chase Bank, N.A., as Agent. The RCA is a facility that allows for revolving loans during a five-year period from January 3, 2005, through December 31, 2009, which may be converted to term loans of up to three years. The facility allows OPPD to draw as needed, subject to customary conditions, to support its capital program. A total of six banks (including three banks with offices in Omaha) are part of the facility. No amounts are currently outstanding under the RCA.

In February 2005, OPPD executed a one-year $100,000,000 Fixed Rate Promissory Note with JPMorgan Chase Bank, N.A., with an optional one-year renewal. The Note is an uncommitted line of credit that OPPD can access as needed to support its capital program. No amounts are currently outstanding under the Note.

OPPD did not issue any additional debt in 2004. In May 2003, OPPD issued $140,000,000 of bonds, which were sold at interest rates ranging from 1.40% to 4.75%, depending on the term. The proceeds from the sale of the bonds were used for the capital program, which included expenditures for the completion of the Cass County Station.

The following chart, left, illustrates OPPD's debt mix (in millions). The following chart, 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 the Nebraska City Station Unit 2 and the life-extension capital projects for the Fort Calhoun Station.





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Ratings

OPPD's excellent bond ratings allow it to borrow funds at low rates. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the bond-rating agencies in establishing a company's credit rating. The ratings received from Standard & Poor's Rating Services (S&P) and Moody's Investors Service (Moody's), independent bond-rating agencies for the latest Electric System Revenue Bond issue, were among the highest ratings given to public power districts and indicate the agencies' assessment of OPPD's strong ability to pay interest and principal on its debt.

The following ratings at December 31, 2004, are indicative of OPPD's solid 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 and interest on the Minibonds when due is insured by a financial guaranty bond insurance policy.*

Cash Flows

OPPD experienced a net decrease in cash of $9,288,000 for 2004, a net increase in cash of $24,531,000 for 2003 and a net decrease in cash of $18,780,000 for 2002. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2004	2003	2002
Cash Flows from Operating Activities	$227,038	$193,303	$183,361
Cash Flows from Capital and Financing Activities	(257,402)	(126,443)	(183,128)
Cash Flows from Investing Activities	21,076	(42,329)	(19,013)
Increase (Decrease) in Cash and Cash Equivalents	$ (9,288)	$ 24,531	$ (18,780)

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 2004 increased $33,735,000 over 2003 primarily due to an increase in cash receipts for retail operating revenues and a decrease in cash payments for operating expenses. Cash payments for operating expenses were lower in 2004 than 2003 because of the production outage at the Fort Calhoun Station in 2003.
- Cash flows for 2003 increased $9,942,000 over 2002 primarily due to an increase in cash receipts for off-system sales revenues. This change was partially offset by an increase in cash payments to suppliers for operating expenses because of the production outage at the Fort Calhoun Station.

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

- Cash flows used for 2004 increased $130,959,000 over 2003. Most of this variance was due to $140,000,000 in proceeds from the issuance of revenue bonds in 2003. The remaining variance was due to fewer payments in 2004 for capital assets and nuclear fuel.
- Cash flows used for 2003 decreased $56,685,000 from 2002 due mainly to less payments in 2003 for capital assets. This was primarily due to more construction expenditures in 2002 for the Cass County Station than in 2003.

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

- Cash flows for 2004 increased $63,405,000 over 2003 due to lower purchases of investment securities in 2004.
- Cash flows used for 2003 increased $23,316,000 over 2002 due to more purchases of investment securities for special purpose funds.

Debt Service Coverage

OPPD is required by its bond covenants to maintain a debt service coverage of 1.40 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	2004	2003	2002
Operating revenues[1]	$566,315	$573,074	$545,653
Operation and maintenance expenses	(401,778)	(404,040)	(339,750)
Payments in lieu of taxes	(18,591)	(18,067)	(18,553)
Net operating revenues	145,946	150,967	187,350
Investment income of related reserve fund	1,093	1,049	1,411
Net receipts	$147,039	$152,016	$188,761
Total debt service[2]	$ 86,975	$ 78,839	$ 74,688
Debt service coverage	1.69	1.92	2.52

[1] *Operating revenues were reduced by $55,000,000 and $35,000,000 for additions to the Debt Retirement Reserve for 2004 and 2003, respectively. Operating revenues were reduced by $10,500,000 for additions to the Rate Stabilization Reserve for 2002.*

[2] *Total debt service for Resolution No. 1788 Bonds is accrued on a calendar-year basis similar to the computation of net receipts. Interest funded from bond proceeds, when applicable, is not included in total debt service.*

Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of OPPD's debt to its total capitalization (debt and equity). OPPD's debt ratio was 41.0% and 42.7% as of December 31, 2004 and 2003, respectively. The 2004 debt ratio was more favorable than 2003 due to a decrease in debt from principal repayments and the additional equity from 2004 net income.

Retirement Plan

OPPD has a defined benefit Retirement Plan (Plan). Under this type of plan, the employee's benefit payments are calculated using a specific formula outlined in the Plan and are based on an employee's age, length of service and covered payroll.

To ensure funds will be available to pay future benefits, the pension actuary projects Plan assets and the liability for future benefits. The actuary uses this information to determine the current annual amount that must be contributed by employees and OPPD in order to meet projected Plan benefits. A portion of this annual required contribution is paid by participating OPPD employees, who contribute 4.0% of their covered payroll to the Plan with the remaining portion paid by OPPD.

Prior to 2004, the Plan's funding policy was based on the Employee Retirement Income Security Act (ERISA) minimum contribution amount. The use of ERISA's funding policy can result in large annual differences in funding requirements; whereas, the use of a funding policy consistent with governmental accounting standards results in more stable annual funding requirements. OPPD's Plan is a governmental plan and is not subject to the ERISA minimum funding requirements. Effective January 1, 2004, the funding policy was changed to follow governmental accounting standards rather than ERISA to reduce the volatility of annual pension contributions.

For the past four years, changes were made to the assumptions used in the actuarial valuations. These assumptions were consistent with market conditions. The assumption used for the investment return (discount rate) has decreased annually to 8.4% in 2004 from 9.0% in 2001. Even with these changes in assumptions, OPPD's funding for the Plan still exceeded the present value of accrued plan benefits based on the valuation as of January 1, 2004.

OPPD contributed $22,907,000, $17,505,000 and $5,625,000 in the years 2004, 2003 and 2002, respectively. OPPD has budgeted $24,900,000 for employer Plan contributions in 2005. The net assets of the Plan available for benefits increased to $549,264,000 at December 31, 2004, from $508,132,000 at December 31, 2003, due to additional contributions and favorable market conditions.

Risk Management Practices

Negotiating power marketing and fuel purchase activities are within the normal course of OPPD's business. 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. Periodic reports are made to the Board of Directors regarding these activities. In addition, OPPD has implemented an Enterprise Risk Management program intended to identify, quantify, prioritize and manage significant risks of the company.

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 at competitive prices and obtain transmission services. Energy market prices may fluctuate substantially in a short period of time due to changes in the demand and supply of electricity. In the energy trading and marketing business, it is anticipated that these operations will continue to experience competition. In addition, there are other risks, such as counterparty credit risks, which are monitored closely on an ongoing basis.

A Debt Retirement Reserve was established in 2003 to help manage the long-term risks associated with the significant additional capital expenditures and related debt issuances planned in future years. OPPD will use this funded reserve to meet future challenges in retiring debt and maintaining adequate debt service coverage ratios. An additional $55,000,000 was reserved in 2004, which brought the balance to $90,000,000 at December 31, 2004.

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 unforeseen occurrences, such as major storm damage or the unscheduled outage of a major generating unit during a period of high replacement power costs. The most recent addition to the reserve was $10,500,000 in 2002. This reserve balance was $32,000,000 at December 31, 2004.

OPPD promotes solid, ethical business practices and the highest standards in the reporting and disclosure of financial information. The Sarbanes-Oxley Act (Act) is intended to strengthen corporate governance of publicly traded companies. One of the most significant requirements of the Act pertains to management's documentation and assessment of internal controls. OPPD management is conducting an assessment of internal controls for significant business processes that impact financial reporting. This assessment includes documenting procedures, risks and controls for these processes and assessing the effectiveness and operation of the internal controls. In addition, OPPD has contracted with a third-party vendor to provide a process for the receipt and retention of employee concerns regarding accounting and auditing matters.

Other Reserves

OPPD also maintains other reserves to recognize potential liabilities that arise in the normal course of business.

- The *Uncollectible Receivables Reserve* is established for estimated bad debts from both retail and off-system sales. Accounts receivable is reported net of this reserve.
- The *Workers' Compensation and Public Liability Reserves* are established for the estimated liability for current workers' compensation and public liability cases.
- The *Incurred but not Presented Reserve* is an insurance reserve that is required by law since OPPD is self-insured for health care costs. The reserve is based on health insurance claims that have been incurred but not yet presented for payment.

CAPITAL RESOURCES

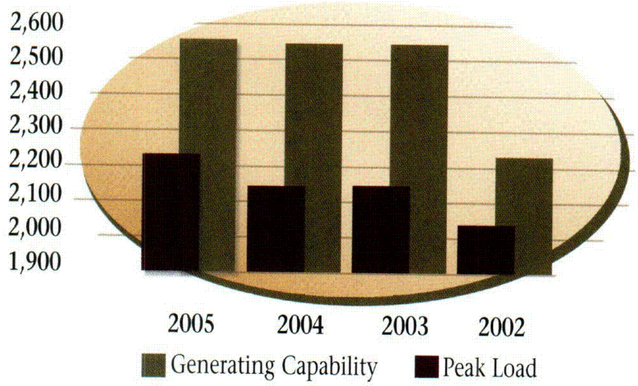
Generating Capability

OPPD owns and operates eight generating stations, seven of which have a maximum summer net capability of 2,540.5 MW. (The net capability of the Valley Station wind turbine is not accredited.) Additionally, OPPD operates leased generation of 6.6 MW for a total capability of 2,547.1 MW. OPPD's power requirements are provided from these generating stations, from leased generation and from purchases of power. The table, right, illustrates the diverse fuel mix and maximum summer net accredited capability (in MW) of OPPD's generating facilities.

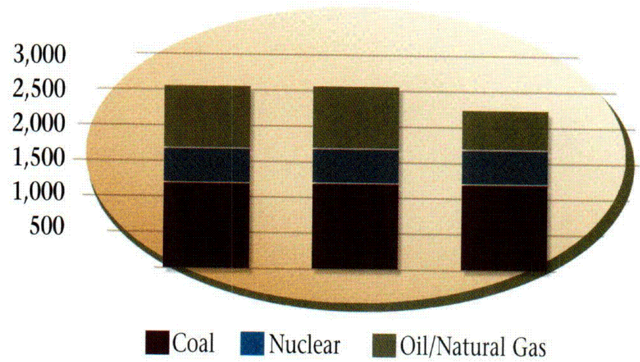
	Capability (MW)	% of Total
Coal		
Nebraska City Station	646.0	
North Omaha Station	534.2	
Subtotal Coal	1,180.2	46.3
Nuclear		
Fort Calhoun Station	476.0	18.7
Oil/Natural Gas		
Cass County Station	320.0	
Jones Street Station	118.4	
North Omaha Station	128.6	
Sarpy County Station	314.3	
Subtotal Oil/Natural Gas	881.3	34.6
Other		
Elk City Station (landfill-gas)	3.0	0.1
Leased Generation	6.6	0.3
Total	2,547.1	100.0

The following chart, left, illustrates OPPD's growing system peak load for the past three years, along with a projection for 2005 (in MW), indicating that these increasing loads can be met by current generating capability. The 2003 increase in generating capability was due to the completion of the Cass County Station. The following chart, right, represents the diversity of OPPD's generating capability by fuel type (in MW).

Generating Capability and System Peak Load (MW)



Generating Capability (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 for 2004, 2003 and 2002 and projected expenditures for 2005 and 2006 (in millions). OPPD finances its capital program with revenues from operations, financing proceeds, investment income and cash on hand.

	Projected		Actual		
Capital Program	**2006**	**2005**	**2004**	**2003**	**2002**
Transmission and distribution plant	$ 54.6	$ 44.8	$ 51.8	$ 57.4	$ 83.2
General plant	15.4	20.0	23.8	39.6	22.1
Production plant	56.9	38.2	32.1	37.5	58.0
Additional power supply	391.2	204.1	58.4	37.4	70.1
Total	$518.1	$307.1	$166.1	$171.9	$233.4

Additional power supply expenditures include a second coal-fired power plant at the Nebraska City Station site and the life-extension capital projects for the Fort Calhoun Station.

- OPPD is continuing progress toward the construction of Nebraska City Station Unit 2. The engineer, procure and construct contract is expected to be addressed by the Board of Directors in April 2005. Construction is scheduled to be completed by May 2009. The Nebraska City Station Unit 2 is expected to have a net capacity of approximately 663 MW. OPPD plans to utilize half of the plant's capacity. OPPD has secured 40-year contracts with seven public power and municipal utilities for the remaining half. OPPD will own the entire plant and will build, operate and maintain the plant. The projected amounts include 100% of the construction costs for Nebraska City Station Unit 2. Construction costs will be recovered from the participants for their portion of the plant's capacity. These participants are Falls City, Nebraska, Utilities; City of Grand Island, Nebraska, Utilities Department; City of Independence, Missouri, Power & Light Department; Missouri Joint Municipal Electric Utility Commission; Nebraska City, Nebraska, Utilities; Nebraska Public Power District; and Central Minnesota Municipal Power Agency.
- OPPD has continued work on several major modifications related to the life-extension capital projects for the Fort Calhoun Station, including the replacement of the current steam generator and several related projects. The major work is planned to be completed in the scheduled 2006 production outage.

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FACTORS AFFECTING OPPD AND THE ELECTRIC UTILITY INDUSTRY GENERALLY

OPPD and the electric industry 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.

The Commission subsequently, with the court's approval, became a plaintiff with the utilities. 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 $151,000,000 in damages, including prejudgment interest. The state of Nebraska appealed this judgment. In February 2004, the Eighth Circuit Court of Appeals upheld this judgment. In August 2004, the Commission and the State entered into a settlement agreement by which the State agreed to pay the Commission $140,541,000 in four equal annual installments beginning August 1, 2005. OPPD has expended approximately $12,100,000 to fund the activities of the Commission and has notified the Commission of its claim with respect to funds collected by the Commission. However, no agreement has been executed between OPPD and the Commission regarding this settlement.

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 will provide spent-fuel storage through 2005. In February 2004, OPPD's Board of Directors approved the purchase of a dry-cask storage system. This new system will provide adequate spent-fuel storage capacity for continued operation of the station to the year 2033. Construction of the dry-cask storage facility is under way and is planned to be completed in 2005. Ten casks are expected to be loaded with fuel assemblies and stored in the facility in 2006.

Competitive Environment in Nebraska

During the 2000 session, the Nebraska Legislature enacted Legislative Bill 901 (L.B. 901), which implemented recommendations to determine whether retail competition would be beneficial for Nebraska ratepayers. 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.

The conditions have not been met based on the findings from the latest annual report published in October 2004. Four states have suspended or repealed retail choice since January 2001.

Environmental Issues

OPPD and other electric utilities are subject to numerous current and proposed environmental regulations in the normal course of their business. OPPD continues to both monitor and influence – to the extent possible – the effects of proposed legislation and regulations, some of which could have a material financial effect on OPPD and most electric utilities.

Critical Accounting Policies

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 effect 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 the portrayal of 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 and 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

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, 2004 and 2003, 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, 2004. The Statements of Cash Flows provide information about the flow of cash within OPPD by activities for the three years ended December 31, 2004. The Notes to Financial Statements provide additional detailed information.

The basic financial statements, notes, and Management's Discussion and Analysis are designed to provide a general overview of OPPD's finances. Questions concerning any of the information provided in this report should be directed to Investor Relations, 402-636-3286.

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. OPPD is deeply committed to conducting business with integrity, in accordance with the highest ethical standards, and in compliance with all applicable laws, rules and regulations. OPPD has adopted a Code of Ethics for the Senior Executive and Financial Officers and the Controller, stating our responsibilities and standards for professional and ethical conduct.

Our independent public accountants have audited the financial statements and have rendered an unqualified 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.

W. Gary Gates

W. Gary Gates
President and Chief Executive Officer

C N Eldred

Charles N. Eldred
Vice President and Chief Financial Officer

Board of Directors
Omaha Public Power District

We have audited the accompanying balance sheets of the Omaha Public Power District (OPPD) as of December 31, 2004 and 2003, 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, 2004. 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 the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPPD's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, 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, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 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 our report dated March 17, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska

March 17, 2005

Balance Sheets
as of December 31, 2004 and 2003

ASSETS	2004	2003
	(thousands)	
UTILITY PLANT - at cost (Note 10)		
Electric plant	$3,336,493	$3,196,552
Less accumulated depreciation	1,372,366	1,311,130
Electric plant - net	1,964,127	1,885,422
Nuclear fuel - at amortized cost	27,416	28,299
Total utility plant - net	1,991,543	1,913,721
SPECIAL PURPOSE FUNDS - primarily at fair value (Notes 3 and 4)		
Construction fund	61,597	117,697
Electric system revenue bond fund - net of current portion	31,435	34,291
Segregated fund - debt retirement	35,000	-
Segregated fund - rate stabilization	32,000	32,000
Segregated fund - other	21,241	20,620
Decommissioning funds	249,299	240,533
Total special purpose funds	430,572	445,141
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	28,060	37,348
Electric system revenue bond fund - current portion	64,538	56,960
Accounts receivable - net	72,907	72,912
Fossil fuels - at average cost	18,993	17,804
Materials and supplies - at average cost	60,410	52,580
Other	6,199	6,051
Total current assets	251,107	243,655
DEFERRED CHARGES (Note 5)	24,833	26,022
TOTAL	$2,698,055	$2,628,539

See notes to financial statements

LIABILITIES

	2004	2003
	(thousands)	
LONG-TERM DEBT (Note 2)		
Electric system revenue bonds - net of current portion		
Serial bonds, 1.40% to 5.50% due annually from 2005 to 2024	**$ 533,290**	$ 589,395
Term bonds, 4.25% to 5.50% due annually from 2011 to 2018	**89,920**	89,920
Total electric system revenue bonds	**623,210**	679,315
Electric revenue notes - commercial paper series	**150,000**	150,000
Electric revenue minibonds	**61,612**	60,563
Subordinated obligation - net of currrent portion	**2,889**	3,092
Total	**837,711**	892,970
Unamortized discounts and premiums	**1,440**	1,407
Unamortized loss on refunded debt	**(16,923)**	(19,260)
Total long-term debt - net	**822,228**	875,117
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)		
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Notes 3 and 9)	**140,558**	85,005
CURRENT LIABILITIES		
Electric system revenue bonds - current portion (Note 2)	**56,105**	46,815
Subordinated obligation - current portion (Note 2)	**204**	187
Accounts payable	**64,588**	57,820
Accrued payments in lieu of taxes	**17,579**	17,190
Accrued interest	**14,803**	15,654
Accrued payroll	**17,678**	16,169
Accrued production outage costs	**17,416**	-
Other	**6,646**	5,957
Total current liabilities	**195,019**	159,792
OTHER LIABILITIES		
Decommissioning costs	**249,299**	240,533
Other (Note 8)	**6,973**	8,958
Total other liabilities	**256,272**	249,491
EQUITY		
Invested in capital assets, net of related debt	**1,174,603**	1,109,299
Restricted	**54,115**	45,350
Unrestricted	**55,260**	104,485
Total equity	**1,283,978**	1,259,134
TOTAL	**$2,698,055**	$2,628,539

Statements of Revenues, Expenses and Changes in Equity
for the Three Years Ended December 31, 2004

	2004	2003 (thousands)	2002
OPERATING REVENUES			
Retail sales	**$ 441,450**	$ 452,738	$ 468,411
Off-system sales	**109,523**	108,795	65,885
Other electric revenues	**15,342**	11,541	11,357
Total operating revenues	**566,315**	573,074	545,653
OPERATING EXPENSES			
Operations			
Fuel	**85,864**	88,389	76,721
Purchased power	**29,283**	33,751	26,381
Production	**91,496**	87,751	80,873
Transmission	**4,564**	7,100	4,208
Distribution	**24,237**	24,891	21,935
Customer accounts	**15,817**	15,119	16,103
Customer service and information	**16,976**	16,549	9,070
Administrative and general	**74,061**	67,738	48,062
Maintenance	**59,480**	62,752	56,397
Total operations and maintenance	**401,778**	404,040	339,750
Depreciation and amortization	**86,971**	84,933	79,100
Payments in lieu of taxes	**18,591**	18,067	18,553
Total operating expenses	**507,340**	507,040	437,403
OPERATING INCOME	**58,975**	66,034	108,250
OTHER INCOME (EXPENSES)			
Contributions in aid of construction	**12,006**	8,161	5,716
Reduction of plant costs recovered through contributions in aid of construction	**(12,006)**	(8,161)	(5,716)
Interest income - all funds	**15,768**	15,366	17,756
Operating funds - net change in fair value	**(992)**	(957)	26
Decommissioning funds - net change in fair value	**(2,083)**	(437)	50
Decommissioning interest and change in fair value transfer	**(8,766)**	(10,186)	(12,364)
Allowances for funds used	**5,340**	6,040	5,806
Products and services - net	**1,012**	434	342
Other - net (Note 12)	**716**	(5,030)	764
Total other income - net	**10,995**	5,230	12,380
INTEREST EXPENSE	**45,126**	45,386	40,009
NET INCOME	**24,844**	25,878	80,621
EQUITY, BEGINNING OF YEAR	**1,259,134**	1,233,256	1,152,635
EQUITY, END OF YEAR	**$1,283,978**	$1,259,134	$1,233,256

See notes to financial statements

Statements of Cash Flows
for the Three Years Ended December 31, 2004

	2004	2003 (thousands)	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from retail customers	**$517,944**	$504,626	$497,355
Cash received from off-system customers	**113,834**	117,149	68,085
Cash paid to operations and maintenance suppliers	**(243,613)**	(262,665)	(238,626)
Cash paid to off-system suppliers	**(37,975)**	(42,346)	(28,824)
Cash paid to employees	**(104,949)**	(105,088)	(96,390)
Cash paid for in lieu of taxes and other taxes	**(18,203)**	(18,373)	(18,239)
Net cash provided from operating activities	**227,038**	193,303	183,361
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**-**	140,000	146,050
Principal reduction of long-term debt	**(47,168)**	(44,590)	(43,968)
Interest paid on long-term debt	**(37,481)**	(34,608)	(39,043)
Acquisition and construction of capital assets	**(160,430)**	(170,681)	(231,596)
Acquisition of nuclear fuel	**(12,323)**	(16,564)	(14,571)
Net cash used for capital and related financing activities	**(257,402)**	(126,443)	(183,128)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of special purpose funds - investment securities	**(418,764)**	(560,148)	(556,807)
Maturities and sales of special purpose funds - investment securities	**444,124**	519,045	533,836
Net change in electric system revenue bond fund - current	**(7,578)**	(5,086)	(1,027)
Interest income on investments	**3,294**	3,860	4,985
Net cash provided from (used for) investing activities	**21,076**	(42,329)	(19,013)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,288)	24,531	(18,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	37,348	12,817	31,597
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 28,060**	$ 37,348	$ 12,817
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Operating income	**$ 58,975**	$ 66,034	$108,250
Adjustments to reconcile operating income to net cash provided from operating activities			
Depreciation and amortizaton	**86,971**	84,933	79,100
Amortization of nuclear fuel	**13,300**	11,582	13,472
Change in other liabilities	**51,541**	37,182	6,062
Other	**(1,992)**	18,513	(10,881)
Changes in current assets and liabilities			
Accounts receivable	**5**	(9,421)	(2,722)
Fossil fuels	**(1,189)**	(4,001)	(3,046)
Materials and supplies	**(7,830)**	430	(5,198)
Accounts payable	**6,768**	(1,342)	(3,088)
Accrued payments in lieu of taxes	**389**	(307)	314
Accrued payroll	**1,509**	1,516	1,623
Accrued production outage costs	**17,416**	(7,146)	(4,645)
Other	**1,175**	(4,670)	4,120
Net cash provided from operating activities	**$227,038**	$193,303	$183,361

See notes to financial statements

Notes to Financial Statements
for the Three Years Ended December 31, 2004

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 generally 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 include costs in a period other than the period in which the costs would be charged to expense by an unregulated entity if it is probable that these costs will be recovered through the rates charged customers. SFAS No. 71 also permits an entity to defer revenues by recognizing liabilities to cover future expenditures.

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.

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 $24,166,000 and $25,299,000 in unbilled revenues as of December 31, 2004 and 2003, respectively.

OPPD acts as an agent in the buying and selling of power for other public power utilities through joint marketing agreements and receives an agreed-upon percentage share of the net profits from the energy marketed under these agreements. Prior to 2004, off-system sales revenues included the total revenues from joint marketing activities, and purchased power expense included the cost of the energy purchased for resale and the other utilities' share of profits from joint marketing activities. Effective in 2004, only the profit from joint marketing activities is reported in off-system sales revenues, and purchased power expense includes only the expense related to OPPD's operations. Off-system sales revenues and purchased power expense were reclassified for 2003 and 2002 for this change to conform to the 2004 presentation.

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 reserve for uncollectible accounts, based on an analysis of the aging of accounts receivable and historical write-offs net of recoveries, for retail customers. Additional amounts may be included based on the credit risks of significant parties. Included in the reserve is the greater of $5,000,000 or an estimate based on the previous year's accounts receivable for off-system sales customers. Accounts receivable was reported net of the reserve for uncollectible accounts of $5,565,000 and $5,781,000 as of December 31, 2004 and 2003, 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.

In 2002, OPPD completed a depreciation study which was implemented in 2003. In connection with the implementation of new depreciation rates in 2003, OPPD revised its capitalization policy. The primary effect of these changes was to accelerate the recovery of these costs to the period in which they were incurred, rather than to defer recovery to future years. Changes to OPPD's capitalization policy include the establishment of larger property units, the implementation of higher dollar thresholds for capitalization and a reduction in the capitalization of support costs.

Electric plant includes both tangible and intangible assets. Intangible assets include the costs of software and licenses. In 2003, the Nuclear Regulatory Commission (NRC) approved OPPD's application for license renewal of an additional 20 years for the Fort Calhoun Station until 2033. Accordingly, costs associated with license renewal of $5,824,000 were included as an intangible asset in electric plant in 2003 and will be amortized through the life of the license.

Electric plant includes construction work in progress of $230,745,000 and $142,278,000 as of December 31, 2004 and 2003, respectively. Electric plant activity for 2004 was as follows (in thousands):

	2003	Additions	Retirements	2004
Electric plant	$3,196,552	$170,165	$(30,224)	$3,336,493
Nuclear fuel	48,444	12,417	-	60,861
Less accumulated depreciation and amortization	1,331,275	104,779	(30,243)	1,405,811
Total	$1,913,721	$ 77,803	$ 19	$1,991,543

Allowances for funds used, approximating OPPD's current weighted average cost of debt, are capitalized as a component of the cost of utility plant. These allowances were computed at 4.1%, 4.1% and 3.2% for both construction work in progress and nuclear fuel for the years ended December 31, 2004, 2003 and 2002, respectively.

Contributions in Aid of Construction (CIAC) – OPPD receives payments from customers for construction costs, primarily relating to the expansion of OPPD's distribution facilities. OPPD follows FERC guidelines in the recording of CIAC, which directs that utility plant assets are reduced by the amount of contributions received toward the construction of utility plant. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, while continuing to follow FERC guidelines, CIAC is recorded as other income and offset by an expense in the same amount representing the recovery of plant costs. The income and related expense for CIAC were reclassified for 2003 and 2002 to conform to the 2004 presentation.

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. Depreciation expense has averaged approximately 2.9%, 3.0% and 3.0% of depreciable property for the years ended December 31, 2004, 2003 and 2002, respectively. New depreciation rates were implemented in 2003 in accordance with the recommendations from the latest depreciation study.

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.

Intangible assets are amortized over their expected useful life. Amortization of intangible assets included with depreciation and amortization expense in the financial statements was $3,015,000 and $2,496,000 for the years ended December 31, 2004 and 2003, respectively. Prior to 2003, intangible assets were amortized to various accounts. The amount of amortization to various accounts was $2,825,000 for the year ended December 31, 2002.

In 2004, OPPD's Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043, which is 10 years beyond the term of Fort Calhoun Station's current license. A regulatory asset was established for the difference in depreciation expense resulting from the use of the estimated economic life of the asset versus the license term. The reduction in depreciation expense will be recorded each year as a regulatory asset in deferred charges until 2033. The regulatory asset will be reduced through the recognition of depreciation expense over the assets' remaining economic life in the years 2034 through 2043. This regulatory asset was $4,423,000 as of December 31, 2004.

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 kilowatt-hour on net electricity generated and sold from the Fort Calhoun Station. 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 $3,489,000, $3,748,000 and $3,629,000 for the years ended December 31, 2004, 2003 and 2002, 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 the 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.

In February 2004, OPPD's Board of Directors approved the purchase of a dry-cask storage system. This new system will provide adequate spent-fuel storage capacity for continued operation of the Fort Calhoun Station to the year 2033. Construction of the dry-cask storage facility is under way and is planned to be completed in 2005.

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 (which exceed the NRC's minimum funding requirements) totaled $503,492,000, $465,332,000 and $400,445,000 for the fiscal years ending June 30, 2005, 2004 and 2003, respectively. The 20-year license renewal was reflected in the estimates for the fiscal years ending June 30, 2005 and 2004. Currently, a funding surplus is projected in the year 2055, which is the expected final year for decommissioning expenditures based on the current license life. However, as this projection is for the distant future and the decommissioning estimate is highly sensitive to changes in cost estimates, inflation rates and fund earnings projections, no changes have been made to the funding status. No funding was necessary for decommissioning expense for each of the fiscal years ending June 30, 2005, 2004 and 2003.

Regulatory Assets and Liabilities – OPPD is regulated by Nebraska State Law and the 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 reductions in earnings (or costs recovered) to cover future expenditures.

Regulatory assets, which are included in deferred charges (Note 5), consist of deferred depreciation expense for Fort Calhoun's production assets, deferred customer energy conservation costs and unamortized loss on extinguished debt. In 2004, OPPD's Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043, which is 10 years beyond the term of the current license. The balance of deferred depreciation expense was $4,423,000 as of December 31, 2004. In 2003, OPPD's Board of Directors approved the write-off of deferred expenditures for customer energy conservation programs and unamortized loss on extinguished debt over a three-year period. The balance of deferred expenditures for customer energy conservation programs was $4,279,000 and $8,557,000 as of December 31, 2004 and 2003, respectively. The balance of unamortized loss on extinguished debt, included in deferred financing costs, was $4,548,000 and $9,095,000 as of December 31, 2004 and 2003, respectively.

Regulatory liabilities, which are primarily included in liabilities payable from segregated funds, consist of reserves for debt retirement, rate stabilization and uncollectible accounts from off-system sales. The Debt Retirement Reserve was established for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels. The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure. The reserve for uncollectible accounts from off-system sales, which is included as a reduction to accounts receivable, was established to recognize a loss contingency for bad debts from off-system sales customers. Retail sales were reduced for the establishment of and/or addition to regulatory liabilities reserves by $55,000,000, $35,000,000 and $10,500,000 for the years ended December 31, 2004, 2003 and 2002, respectively. The balance of the Debt Retirement Reserve was $90,000,000 and $35,000,000 as of December 31, 2004 and 2003, respectively. The balance of the Rate Stabilization Reserve was $32,000,000 as of December 31, 2004 and 2003. The balance of the reserve for uncollectible accounts from off-system sales was $5,000,000 as of December 31, 2004 and 2003.

Accrued Production Outage Costs – For major planned production outages, estimated incremental operations and maintenance expenses of $5,000,000 or more are accrued prior to the outage. A major planned production outage began in February 2005 at the Fort Calhoun Station. The balance of accrued production outage costs was $17,416,000 short-term at December 31, 2004, and $2,398,000 long-term at December 31, 2003.

Natural Gas Inventories and Contracts - Natural gas is one of the fuels used by OPPD in the generation of electricity. Prior to the placement of the Cass County Station in commercial operation in 2003, natural gas for all of OPPD's generation needs was obtained from a local distribution company (LDC). OPPD is not able to use a LDC for fuel purchases for this station. As a result, natural gas inventories are maintained for the Cass County Station, and the weighted average cost of natural gas consumed is used to expense natural gas from inventories.

OPPD is exposed to market price fluctuations on its purchases of natural gas. To protect itself, OPPD enters into futures contracts and purchases options to manage the risk of volatility in the market price of gas on anticipated purchase transactions. Gains or losses on futures contracts are offset against the cost of natural gas. As a result of hedging contracts and the exercise of options, there was a reduction in fuel expense of $670,000 and $28,000 for the years ended December 31, 2004 and 2003, respectively. OPPD did not enter into any natural gas hedging contracts for 2002.

At December 31, 2004, OPPD had outstanding natural gas futures contracts and options. The futures contracts are with the New York Mercantile Exchange and are based on the notional amount of 300,000 mmBtu of natural gas. These contracts will expire in the months of July and August of 2006 through 2008 and had an unrealized loss of $86,000 based on quoted market prices at December 31, 2004. The options were purchased from Tenaska Marketing Ventures for $195,000 and are for the right, but not the obligation, to buy 300,000 mmBtu of natural gas (150,000 mmBtu per month) for July and August 2005 at a contract price of $6.90 adjusted by the actual basis plus $0.10 per mmBtu. The fair market value of these options based on quoted market prices was $129,000 at December 31, 2004.

Equity - Equity is reported in three separate components on the Balance Sheets. Invested in capital assets, net of related debt, is the equity share attributable to net utility plant assets reduced by outstanding related debt. Restricted equity represents net assets with usage restraints imposed by law or through debt covenants. Unrestricted equity represents net assets that are neither restricted nor invested in capital assets.

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 - OPPD implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, in 2004, one year earlier than required by GASB. This statement amends Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, and requires the disclosure of information on interest rate risks, credit risks and investment policies. These disclosures are in Note 4.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. This statement requires the effects of capital asset impairments to be recorded in the financial statements when the impairment occurs. Guidance is also provided for the appropriate treatment of insurance recoveries. This statement is effective for fiscal years beginning after December 15, 2004, and will be implemented by OPPD in 2005. This guidance is not expected to impact financial results.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the accounting for the annual cost of other postemployment benefits and the related outstanding liability using an actuarial approach similar to pensions. OPPD currently recognizes this expense on a pay-as-you-go basis. OPPD has not completed its assessment of the impact of the adoption of this statement, which is required in 2007. However, it is expected this accounting change will increase expense and result in an additional liability on the balance sheet.

Reclassifications - Certain amounts in the prior year's financial statements have been reclassified to conform to the 2004 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 2004 was as follows (in thousands):

	2003	Additions	Reductions	2004
Electric system revenue bonds	$726,130	$ —	$(46,815)	$679,315
Electric revenue notes - commercial paper series	150,000	—	—	150,000
Electric revenue minibonds	60,563	1,216	(167)	61,612
Subordinated obligation	3,279	—	(186)	3,093
Total	$939,972	$1,216	$(47,168)	$894,020

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

	Principal	Interest
2005	$ 56,105	$ 30,214
2006	58,200	27,637
2007	57,140	25,004
2008	56,620	22,362
2009	32,450	20,279
2010-2014	197,830	74,983
2015-2019	155,970	28,315
2020-2024	65,000	7,995
Total	$679,315	$236,789

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 7.5% 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 4.6%, 4.6% and 4.9% for the years ended December 31, 2004, 2003 and 2002, respectively.

The following Electric System Revenue Bonds, with outstanding principal amounts of $231,855,000 and $238,725,000 as of December 31, 2004 and 2003, respectively, were legally defeased: 1986 Series A, 1992 Series B and 1993 Series B Term Bonds. The 1993 Series C 2017 Term and 1993 Series D 2013 and 2016 Term Bonds were called in 2003. Defeased 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, 2007. OPPD intends to refinance this obligation before its expiration on a long-term basis. The average borrowing rates were 1.2%, 1.0% and 1.4% for the years ended December 31, 2004, 2003 and 2002, respectively.

Revolving Credit Agreement – In January 2005, OPPD executed a $350,000,000 Revolving Credit Agreement (RCA) with JPMorgan Chase Bank, N.A., as Agent. The RCA is a facility that allows for revolving loans during a five-year period from January 3, 2005, through December 31, 2009, which may be converted to term loans of up to three years. The facility allows OPPD to draw as needed, subject to customary conditions, to support its capital program. A total of six banks (including three banks with offices in Omaha) are part of the facility. No amounts are currently outstanding under the RCA.

Promissory Note – In February 2005, OPPD executed a one-year $100,000,000 Fixed Rate Promissory Note (Note) with JPMorgan Chase Bank, N.A., with an optional one-year renewal. The Note is an uncommitted line of credit that OPPD can access as needed to support its capital program. No amounts are currently outstanding under the Note.

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):

	2004	2003
Principal		
1992 minibonds, due 2007 (6.00%)	$ 9,192	$ 9,252
1993 minibonds, due 2008 (5.35%)	9,327	9,353
1994 minibonds, due 2009 (5.95%)	9,532	9,560
2001 minibonds, due 2021 (5.05%)	24,855	24,907
Subtotal	52,906	53,072
Accreted interest on capital appreciation minibonds	8,706	7,491
Total	$61,612	$60,563

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):

2004		2003	
Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
$895,460	$936,748	$941,379	$990,520

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:

Construction Fund – This 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.

Electric System Revenue Bond Fund – This fund is to be used for the retirement of revenue bonds and the payment of the related interest.

Segregated Fund – Debt Retirement – This fund is to be used for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels. The balance was $35,000,000 as of December 31, 2004. In January 2005, an additional $55,000,000 was funded, which brought the balance to $90,000,000.

Segregated Fund – Rate Stabilization – This fund is to be used to help stabilize rates over future periods through the transfer of funds to operations as necessary for significant unforeseen occurrences, such as major storm damage or unscheduled outages. The balance of the Rate Stabilization Fund was $32,000,000 as of December 31, 2004 and 2003.

Segregated Fund – Other – This fund represents assets held for payment of customer deposits, refundable advances, certain other liabilities and funds set aside as part of OPPD's self-insured health insurance plans (see Note 9). The balances of the funds at December 31 were as shown at right (in thousands):

	2004	2003
Segregated Fund - self-insurance	$ 5,488	$ 6,363
Segregated Fund - other	15,753	14,257
Total	$21,241	$20,620

Decommissioning Funds – These funds are for the cost to decommission the 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 the Fort Calhoun Station. The 1992 Plan was established to retain funds in excess of NRC minimum funding requirements based on an 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):

	2004	2003
Decommissioning Trust - 1990 Plan	$191,218	$184,611
Decommissioning Trust - 1992 Plan	58,081	55,922
Total	$249,299	$240,533

4. DEPOSITS AND INVESTMENTS

Investments - OPPD has investments in Cash Equivalents and Special Purpose Funds. Fair values were determined based on quotes received from the trustees' market valuation service. The weighted average maturity was based on the face value for investments. As of December 31, 2004, OPPD investments were as shown at right (in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money markets	$ 570	0.1
U.S. agencies	414,270	1.5
Corporate bonds	1,645	4.0
Mutual funds	103,658	-
Total	$520,143	
Portfolio weighted average maturity		1.3

Interest Rate Risk - OPPD's investment in relatively short-term securities, as evidenced by its portfolio weighted average maturity of 1.3 years at December 31, 2004, reduces interest rate risk. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

Credit Risk - OPPD's investment policy is to comply with OPPD's bond covenants and Nebraska state statutes for governmental entities, which limit investments to investment grade fixed income obligations. The weighted average credit quality of the investments held by OPPD at December 31, 2004, was rated AAA by Standard & Poor's Rating Services and Aaa by Moody's Investors Service.

Custodial Credit Risk - OPPD's bank deposits were entirely insured or collateralized with securities held by OPPD or by its agent in OPPD's name at December 31, 2004. OPPD delivers all of its investment securities under contractual trust agreements.

5. DEFERRED CHARGES

The composition of deferred charges at December 31 was as shown at right (in thousands):

	2004	2003
Deferred financing costs	$ 7,408	$12,318
Deferred customer energy conservation costs	4,279	8,557
Deferred depreciation expense	4,423	-
Other	8,723	5,147
Total	$24,833	$26,022

6. RETIREMENT PLAN

Plan Description - Substantially all employees are covered by OPPD's Retirement Plan (Plan). It is a single-employer defined benefit plan which provides retirement and death benefits to Plan members and beneficiaries. Generally, employees at the normal retirement age of 65 are entitled to annual pension benefits equal to 2.25% of their average compensation (as defined) times years of credited service (as defined). The Plan was established and may be amended under the direction of OPPD's Board of Directors and is administered by OPPD.

Funding Policy - Employees contribute 4.0% of their covered payroll to the Plan. OPPD is obligated to contribute the balance of the funds needed on an actuarially determined basis.

Prior to January 1, 2004, the Plan's funding policy was based on the Employee Retirement Income Security Act (ERISA) minimum contribution amount. The Plan is a governmental plan as defined in Internal Revenue Code (IRC) Section 414(d), and as such the Plan is not subject to the ERISA minimum funding requirements as defined in IRC Section 412. The continued use of ERISA funding standards would result in volatile contributions to the Plan whereas the use of funding policies within the parameters of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, would result in more stable contributions to the Plan. Accordingly, on January 1, 2004, OPPD discontinued the use of ERISA standards and adopted a new funding policy within the parameters of GASB Statement No. 27.

GASB Statement No. 27 requires employers to follow an actuarial approach for the accounting and reporting of the annual cost of pension benefits and the related outstanding liability. This approach requires paying to a pension plan an amount that is expected to be sufficient, if invested now, to finance the benefits of employees during their retirement. Pension benefits are a part of the compensation that employees earn each year, even though these benefits are not paid until after employment has ended. Therefore, the cost of these future benefits is recognized while the employee is still working.

With the change in the Plan's funding policy, the valuation cost method was changed from the Attained Age Frozen Initial Liability (AAFIL) method to the Entry Age Normal (EAN) method. The EAN method is one of the acceptable methods under GASB Statement No. 27. The previous valuation cost method did not compute the Actuarial Accrued Liability (AAL). Accordingly, the Present Value of Accrued Plan Benefits (PVAPB) was disclosed instead of the AAL. The PVAPB is the present value of benefits based on compensation and service to that date. That is, the amount the Plan owed participants if the Plan were frozen on the valuation date. Whereas, the AAL is the present value of retirement benefits, adjusted for assumptions for future increases in compensation and service, attributable to past accounting periods.

To maintain consistency in disclosure with prior years, the PVAPB is presented in the table below based on the actuarial valuation as of January 1:

	Actuarial Value of Assets (a)	Present Value of Accrued Plan Benefits (PVAPB) (b)	Over Funded PVAPB (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Over Funded PVAPB as a Percentage of Covered Payroll ((a-b)/c)
		(thousands)			(thousands)	
2004	$545,565	$515,351	$ 30,214	105.9%	$145,094	20.8%
2003	$519,723	$476,951	$ 42,772	109.0%	$136,488	31.3%
2002	$544,184	$425,267	$118,917	128.0%	$126,587	93.9%

The AAL, calculated using the EAN method, as of January 1, 2004, is presented in the table below. The funded ratio using the AAL was lower than from using the PVAPB because the AAL method assumes future compensation and service increases. The annual contributions to the Plan consist of the cost for the current period plus a portion of the unfunded accrued liability. The Plan information as of January 1 based on the actuarial valuation using the EAN method was as follows:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL Percentage of Covered Payroll ((b-a)/c)
		(thousands)			(thousands)	
2004	$545,565	$658,260	$112,695	82.9%	$145,094	77.7%

Annual Pension Cost - The annual pension cost and required contribution by OPPD was $22,907,000, $17,505,000 and $5,625,000 for the years ended December 31, 2004, 2003 and 2002, respectively. There was no net pension obligation as of December 31, 2004, 2003 and 2002. Plan contributions by OPPD employees were $5,832,000, $5,704,000 and $5,483,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

The actuarial assumptions used in the valuation are shown in the following table. The investment return assumption was reduced from 8.50% to 8.40% (net of administrative expenses) with the valuation effective January 1, 2004. The actuarial value of plan assets was determined using a method which smooths the effect of short-term volatility in the market value of investments over approximately five years. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors. Effective January 1, 2004, ad-hoc cost-of-living increases granted to retirees and beneficiaries are amortized in the year authorized by the Board of Directors. Except for the liability associated with cost-of-living increases, the unfunded actuarial accrued liability is amortized on a level basis (closed group) over 15 years.

	2004	2003	2002
Investment return (discount rate)	8.40%	8.50%	8.75%
Average rate of compensation increase	5.20%	5.20%	5.20%
Ad-hoc cost-of-living adjustment	1.25%	1.25%	2.00%

Audited financial statements for the Plan may be reviewed by contacting the Pension Administrator at OPPD's Corporate Headquarters, 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 Plan except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation were not material for each of the three years ended December 31, 2004.

7. SUPPLEMENTAL RETIREMENT SAVINGS PLANS

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 of these Plan's assets and income are held in an external trust account in the employee's name. In 2004, the employer maximum annual match on employee contributions decreased from $4,000 to $3,000. OPPD's matching share of contributions was $5,601,000, $6,581,000 and $6,258,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

8. OTHER LIABILITIES

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

	2004	2003
Nuclear enrichment fee	$1,523	$2,997
Other insurance reserves	2,914	1,573
Deferred revenues	1,684	1,572
Accrued production outage costs	-	2,398
Other	852	418
Total	$6,973	$8,958

9. SELF-INSURANCE HEALTH PROGRAM AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

OPPD provides employee health care and life insurance benefits to substantially all active and retired employees. An Administrative Services Only (ASO) Health Insurance Program is used to account for the health insurance claims. 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 3). Additionally, private insurance covering claims in excess of 120% of expected levels has been purchased. Health care expenses (reduced by premium payments from participants) were $24,540,000, $24,967,000 and $18,072,000 for the years ended December 31, 2004, 2003 and 2002, respectively. The claim payments during those years did not exceed 120% of the expected claims levels. As of December 31, 2004, 2,299 active employees, 21 employees on long-term disability and 1,068 retirees and beneficiaries had health care coverage through OPPD. The total cost of life and long-term disability insurance was $2,238,000, $2,788,000 and $3,771,000 for the years ended December 31, 2004, 2003 and 2002, respectively.

Health care and life insurance benefits provided to retirees and their dependents are considered other post-employment benefits (OPEB). Currently, the cost of these benefits is charged to expense as the cash outlays are made. As stated in Note 1, in June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. The new standard will require OPPD to report the annual cost and the outstanding liability for OPEB based on an actuarial valuation beginning in 2007. OPPD has not completed its assessment of the impact of the adoption of this statement. However, the new standard is expected to result in a larger annual expense and an additional liability for OPPD.

10. COMMITMENTS

OPPD's obligation for the uncompleted portion of construction contracts was approximately $248,834,000 at December 31, 2004.

OPPD has power sales commitments which extend through 2027 of $45,971,000. OPPD has power purchase commitments which extend through 2020 of $39,341,000.

OPPD entered into 40-year Participation Power Agreements (PPAs) with seven public power and municipal utilities (the Participants) for the sale of 50% of the 663-MW net capacity of the planned Nebraska City Station Unit 2. The Participants have agreed to purchase their respective shares of the output on a "take-or-pay" basis even if the power is not available, delivered to or taken by the Participant. The Participants are subject to a step-up provision, whereby in the event of a Participant default, the remaining Participants are obligated to pay a share of any deficit in funds resulting from the default.

OPPD entered into a PPA with the Nebraska Public Power District (NPPD) to purchase a 16.8% share, or approximately 10 MW, of a 59.4-MW wind-turbine facility to be constructed by NPPD near Ainsworth, Nebraska. OPPD is obligated, on a "take-or-pay" basis, under the PPA to make payments for purchased power even if the power is not available, delivered to or taken by OPPD. In the event another power purchaser defaults, OPPD is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from the default. OPPD's commitment through 2025 under the PPA is $27,392,000.

OPPD has coal supply contracts which extend through 2008 with minimum future payments of $95,110,000. OPPD also has coal transportation contracts which extend through 2008 with minimum future payments of $93,800,000. These contracts are subject to price escalation adjustments.

Contracts for the conversion of nuclear fuel are in effect through 2005 with estimated future payments of $257,000, and contracts for the enrichment of nuclear fuel are in effect through 2008 with estimated future payments of $24,400,000. Additionally, OPPD has contracts through 2006 for the fabrication of nuclear fuel assemblies with estimated future payments of $3,911,000.

11. CONTINGENCIES

Under the provisions of the Price-Anderson 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 $100,590,000 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 amounts provided in the financial statements, are not significant.

12. OTHER - NET

In 2003, $6,225,000 of expenses was reported in Other – Net for costs to initiate the process to obtain authorization from the NRC for the option to move forward with a major uprate to Fort Calhoun Station's accredited output. These costs were written-off to expense since the uprate was not pursued because OPPD will be able to meet its energy needs with other sources of generation.

Electric System Revenue Bonds Outstanding
as of December 31, 2004 (In thousands)

	1993 ISSUE SERIES A		1993 ISSUE SERIES B		1993 ISSUE SERIES C		1993 ISSUE SERIES D		1993 ISSUE SERIES E	
Maturity Date February 1	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2005	5.30	18,780	5.10	5,710			4.80	7,110	4.50	10,360
2006	5.40	20,150	5.20	5,710			4.90	7,280	4.60	10,930
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										
2023										
2024										
Total Outstanding		60,260		26,990		111,030		35,470		21,290
Bonds Redeemed to 12/31/04		124,440		137,210		63,330		166,930		83,810
Original Issue		184,700		164,200		174,360		202,400		105,100

*Term Bonds

- 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.

1998 ISSUE SERIES A		2002 ISSUE SERIES A		2002 ISSUE SERIES B		2003 ISSUE SERIES A			
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total Principal Maturities February 1	Annualized Debt Service
4.10	7,145					1.40	7,000	56,105	87,205
4.20	7,130					1.80	7,000	58,200	83,753
		3.45	12,500			2.25	7,000	57,140	80,586
				4.50	16,050	2.65	7,000	56,620	55,707
				4.50	11,430	2.95	7,000	32,450	53,379
				4.50	11,970	3.25	7,000	33,830	53,303
				4.50	12,590	3.55	7,000	35,340	64,708
		4.30	12,500	4.50	13,270	3.70	7,000	49,470	53,745
				5.00	13,990	3.80	7,000	38,690	52,535
				5.00	14,730	3.90	7,000	40,500	52,404
				4.25	35,410	4.00	7,000	42,410	53,314
				4.25	38,200	4.25*	7,000	45,200	60,034
		5.00	25,000	4.25	22,360	4.25*	7,000	54,360	14,934
						4.25*	7,000	7,000	10,506
						4.35	7,000	7,000	10,202
						4.45	7,000	7,000	9,891
						4.55	7,000	7,000	37,074
		5.20	30,000			4.65	7,000	37,000	10,319
						4.70	7,000	7,000	7,360
						4.75	7,000	7,000	611
	14,275		80,000		190,000		140,000	679,315	851,570
	35,725							611,445	
	50,000		80,000		190,000		140,000	1,290,760	

Statistics

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Utility Plant										
(at year end)										
(in thousands of dollars)...	**3,363,909**	3,224,851	3,081,073	2,876,799	2,735,437	2,621,444	2,455,004	2,360,495	2,309,733	2,235,631
Bonded Indebtedness										
(at year end)										
(in thousands of dollars)...	**679,315**	726,130	631,135	577,010	637,235	696,040	745,630	813,860	761,020	947,390
Operating Revenues										
(in thousands of dollars)										
Residential	**211,913**	208,426	214,447	202,984	196,923	188,187	192,481	183,178	170,021	171,687
Commercial	**180,867**	176,664	177,063	176,145	166,441	161,901	159,844	157,406	150,388	145,096
Industrial	**90,987**	85,406	75,946	76,197	75,976	76,513	79,359	76,806	75,016	73,395
Street and Highway Lighting	**13,817**	13,156	12,723	12,589	12,270	11,936	11,687	11,356	10,937	8,577
Off-System Sales	**109,523**	108,795	65,885	91,045	110,300	78,741	62,550	44,484	39,908	29,170
Accrued Unbilled Revenues	**(1,134)**	4,086	(1,268)	104	2,541	1,650	282	1,554	(161)	998
Provision for Rate Stabilization	**—**	—	(10,500)	(5,000)	(11,500)	(5,000)	—	—	—	—
Provision for Debt Retirement	**(55,000)**	(35,000)	—	—	—	—	—	—	—	—
Other Electric Revenues ...	**15,342**	11,541	11,357	14,731	14,238	9,802	8,747	9,169	7,413	6,424
Total	**566,315**	573,074	545,653	568,795	567,189	523,730	514,950	483,953	453,522	435,347
Operation & Maintenance Expenses										
(in thousands of dollars) ..	**401,778**	404,040	339,750	353,767	345,378	329,323	306,864	283,307	278,251	261,981
Payments in Lieu of Taxes										
(in thousands of dollars) ..	**18,591**	18,067	18,553	18,234	17,645	16,852	16,638	16,447	15,499	15,263
Net Operating Revenues before Depreciation and Decommissioning										
(in thousands of dollars) ..	**145,946**	150,967	187,350	196,794	204,166	177,555	191,448	184,199	159,772	158,103
Net Income										
(in thousands of dollars) ..	**24,844**	25,878	80,621	69,867	70,850	49,014	63,993	47,152	39,339	47,835
Energy Sales										
(in megawatt-hours)										
Residential	**3,054,576**	3,079,589	3,151,895	3,065,377	2,880,289	2,718,585	2,796,585	2,688,951	2,577,624	2,571,881
Commercial	**3,285,896**	3,264,369	3,272,028	3,279,890	3,097,835	3,014,202	2,971,390	2,894,595	2,787,471	2,657,948
Industrial	**2,630,038**	2,561,569	2,290,368	2,302,311	2,287,966	2,304,441	2,443,625	2,323,253	2,305,328	2,124,023
Street and Highway Lighting	**83,817**	82,845	81,593	82,775	81,268	80,868	80,286	79,572	78,710	79,732
Off-System Sales	**3,646,043**	3,775,362	3,273,359	3,952,632	4,208,943	3,318,409	3,105,942	2,544,508	2,492,385	1,855,154
Accrued Unbilled MWh ...	**6,890**	61,165	(23,697)	(5,268)	52,739	23,168	9,369	54,222	7,358	23,161
Total	**12,707,260**	12,824,899	12,045,546	12,677,717	12,609,040	11,459,673	11,407,197	10,585,101	10,248,876	9,311,899
Number of Customers										
(average per year)										
Residential	**275,854**	270,579	266,464	261,286	256,541	251,057	245,890	241,626	237,584	233,879
Commercial	**39,482**	38,525	37,807	37,008	36,088	35,553	34,932	34,555	33,993	33,137
Industrial	**135**	127	117	116	110	105	103	99	99	97
Street and Highway Lighting	**352**	436	594	555	543	560	567	551	555	542
Other Electric Utilities	**45**	48	54	49	49	45	40	36	34	31
Total	**315,868**	309,715	305,036	299,014	293,331	287,320	281,532	276,867	272,265	267,686
Cents Per kWh (average)										
Residential	**6.95**	6.73	6.81	6.63	6.84	6.94	6.89	6.80	6.60	6.68
Commercial	**5.76**	5.69	5.41	5.38	5.37	5.37	5.38	5.42	5.39	5.47
Industrial	**3.40**	3.39	3.32	3.32	3.32	3.32	3.24	3.29	3.25	3.43
Retail	**5.48**	5.39	5.46	5.36	5.41	5.40	5.34	5.35	5.24	5.36
Generating Capability										
(at year end)										
(in megawatts)	**2,547.1**	2,547.1	2,227.1	2,211.6	2,209.6	2,100.0	2,089.5	2,067.0	2,033.1	1,924.2
System Peak Load										
(in megawatts)	**2,143.8**	2,144.8	2,037.4	1,994.1	1,976.9	1,965.6	1,914.0	1,851.8	1,813.9	1,827.9
Net System Requirements										
(in megawatt-hours)										
Generated	**12,235,044**	12,000,873	11,428,893	11,516,924	11,760,938	10,724,976	10,679,310	9,698,231	9,260,923	9,073,968
Purchased and Net										
Interchanged	**(2,716,242)**	(2,557,981)	(2,122,701)	(2,557,704)	(2,833,243)	(2,190,252)	(1,960,844)	(1,281,496)	(1,096,996)	(1,206,817)
Net	**9,518,802**	9,442,892	9,306,192	8,959,220	8,927,695	8,534,724	8,718,466	8,416,735	8,163,927	7,867,151

Certain amounts have been reclassified to conform with the 2004 presentation.

OPPD Investor Relations

Corporate Headquarters
Energy Plaza
444 South 16th Street Mall
Omaha, NE 68102-2247

Trustee
J.P. Morgan Trust Company
Chicago, Illinois

Paying Agents
J.P. Morgan Trust Company
Chicago, Illinois
New York, New York

Wells Fargo Bank, N.A.
Omaha, Nebraska

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

OPPD Minibonds
OPPD is the Paying Agent, Transfer Agent and Registrar on OPPD's Minibonds. OPPD Minibond Administration provides information and assistance to Minibond holders regarding:

- *Interest Payments*
  Interest on Current Interest-Bearing Minibonds is paid on April 1 and October 1 of each year.
- *Ownership Transfer*
  Minibond Transfer Information Forms can be obtained via www.oppd.com or by contacting the Minibond Administrator, listed below.
- *Optional Early Redemption*
- *Replacement of Lost Minibond Certificate*

Please contact the Minibond Administrator to request a Minibond Transfer Information Form or to change your Minibond holder address. You may contact the Minibond Administrator via e-mail at minibonds@oppd.com, at OPPD's website www.oppd.com (click on *Who We Are, Financial Information* and *Minibonds*) or through the following address and telephone numbers:

Minibond Administrator
Finance & Capital Management
Omaha Public Power District
444 South 16th Street Mall
Omaha, NE 68102-2247

Omaha, Nebraska area 402-636-3286
Outstate Nebraska 800-428-5584

Line Technician Lloyd Williams Jr. replaces an insulator on a line in Washington County.

Other OPPD Debtholders
You may contact OPPD with questions about other OPPD debt at the following address and telephone number:

Finance & Capital Management
Omaha Public Power District
444 South 16th Street Mall
Omaha, NE 68102-2247
e-mail: finfo@oppd.com
402-636-2000

The Trustee and Paying Agent on OPPD's Senior Lien Debt is J.P. Morgan Trust Company. You may contact J.P. Morgan Trust Company directly at the following address and telephone number:

J.P. Morgan Trust Company
Attn: Corporate Trust Operations
227 West Monroe, 26th Floor
Chicago, IL 60606
Investor Relations
800-275-2048

Available Financial Information
In compliance with Securities and Exchange Commission Rule 15c2-12, information regarding OPPD is available at any nationally recognized municipal security information repository. Copies of its most recent annual reports, interim reports and official statements also are available upon request at finfo@oppd.com or through the following address:

Omaha Public Power District
Finance Division
444 South 16th Street Mall
Omaha, NE 68102-2247

Financial information in the annual report also is available at www.oppd.com

OPPD Corporate Officers

Anne L. McGuire
Chair of the Board

Del D. Weber
Vice Chair of the Board

Frederick J. Ulrich
Treasurer

John K. Green
Secretary

W. Gary Gates
President,
Chief Executive Officer

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

Timothy J. Burke
Vice President

Adrian J. Minks
Vice President

Ross T. Ridenoure
Vice President

Roger L. Sorenson
Vice President

Dale F. Widoe
Vice President

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