Nebraska Public Power District
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50.71(b)

NLS2005044
May 23, 2005

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

Subject: Nebraska Public Power District
2004 Annual Financial Report
NRC Docket No. 50-298, DPR-46

The purpose of this letter is to transmit the Nebraska Public Power District Annual Financial Report for the calendar year 2004 in accordance with the requirements of 10CFR50.71(b). Copies of this report are being distributed in accordance with 10CFR50.4.

Should you have any questions or require additional information, please contact me at 402-825-2774.

Sincerely,

Paul V. Fleming
Licensing Manager

/cb
Enclosure

cc: Regional Administrator w/enclosure
USNRC - Region IV

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

Senior Resident Inspector w/enclosure
USNRC

NPG Distribution w/o enclosure

Records w/o enclosure

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Correspondence Number: NLS2005044

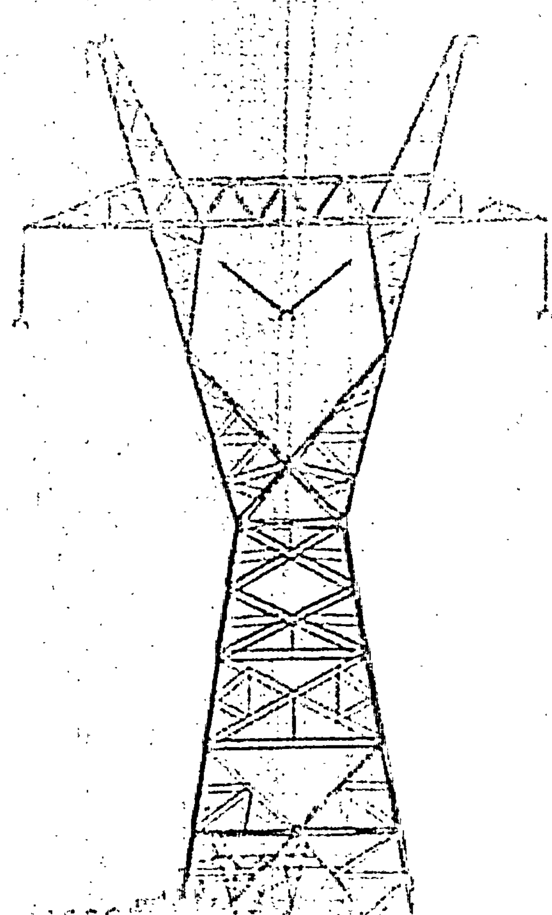
The following table identifies those actions committed to by Nebraska Public Power District (NPPD) in this document. Any other actions discussed in the submittal represent intended or planned actions by NPPD. They are described for information only and are not regulatory commitments. Please notify the Licensing Manager at Cooper Nuclear Station of any questions regarding this document or any associated regulatory commitments.

COMMITMENT	COMMITTED DATE OR OUTAGE
None	

2004 FINANCIAL REPORT

NEBRASKA PUBLIC POWER DISTRICT

FINANCIAL REPORT



2004 YEAR AT A GLANCE

KILOWATT-HOUR SALES	**18.0 BILLION**
OPERATING REVENUES	**644.6 MILLION**
COST OF POWER PURCHASED AND GENERATED	**361.2 MILLION**
OTHER OPERATING EXPENSES	**229.3 MILLION**
INCREASE IN FUND EQUITY	**24.0 MILLION**
DEBT SERVICE COVERAGE	**1.58**

SALES	Average Number of Customers	Electric Energy MWH Sales Amount	%	Revenues from Electric Sales (000's) Amount	%	Revenue Per KWH
Retail:						
Residential	67,641	720,452	4.0	$ 66,975	10.4	9.30¢
Rural & Farm	2,903	63,136	0.4	4,965	0.8	7.86¢
Commercial	14,589	823,465	4.6	55,111	8.5	6.69¢
Industrial	55	1,223,020	6.8	44,683	6.9	3.65¢
Public Lighting	189	18,033	0.1	2,018	0.3	11.19¢
Municipal Power	181	29,393	0.2	1,927	0.3	6.56¢
Miscellaneous Municipal	1,890	116,103	0.6	5,520	0.9	4.75¢
Total Retail Sales	87,448	2,993,602	16.7	181,199	28.1	6.05¢
Wholesale:						
52 Municipalities (Total Requirements)		1,783,414	9.9	69,173	10.7	3.88¢
2 Municipalities (Partial Requirements)		43,816	0.3	1,584	0.2	3.62¢
24 Public Power Districts & Cooperatives (Total Requirements)		5,942,262	33.1	212,371	33.0	3.57¢
Total Wholesale Sales (Excluding Sales to LES, MEC and Other Utilities)		7,769,492	43.3	283,128	43.9	3.64¢
Total Retail and Wholesale Sales (Excluding Sales to LES, MEC and Other Utilities)		10,763,094	60.0	464,327	72.0	4.31¢
Sales to LES and MEC (1)		4,433,889	24.7	105,954	16.5	2.39¢
Other Utilities (Nonfirm and Other Sales)		2,754,586	15.3	78,819	12.2	2.86¢
Total Electric Energy Sales		17,951,569	100.0	649,100	100.7	3.62¢
Other Operating Revenues (Net of Deferred)				(4,538)	(0.7)	
Total Operating Revenues				$ 644,562	100.0	

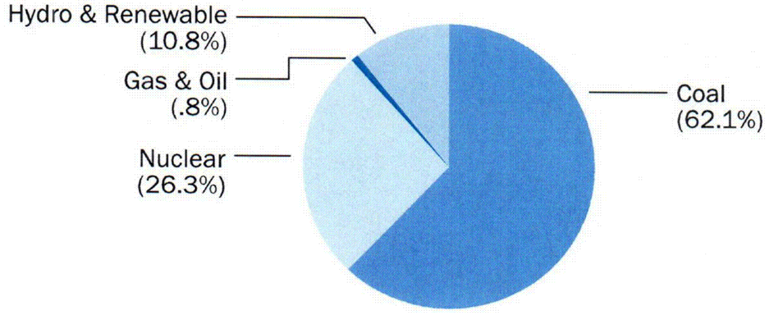
GENERATION	MWH Amount	%	Production Costs (000's) Amount	%
Production (Including Interchange)	17,121,684	92.1	$ 307,426	85.1
Power Purchased	1,470,618	7.9	53,801	14.9
Total Power Produced and Purchased	18,592,302	100.0	$ 361,227	100.0

(1) Sales to Lincoln Electric System ("LES") include power and energy produced at NPPD's Gerald Gentleman Station and Sheldon Station. Sales to MidAmerican Energy Company ("MEC") are for power and energy produced at Cooper Nuclear Station.

Miles of Transmission Line in Service	5,021
Number of Employees	2,183
2004 Accrued Contractual and Tax Payments (000's):	
Payments to Retail Communities	$ 16,724
Payments in Lieu of Taxes	$ 6,281

SOURCES OF ENERGY — 2004

For service to retail and total requirements wholesale customers (excludes sales to Other Utilities and Sales to LES and MEC).



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The following Management's Discussion and Analysis should be read in conjunction with the audited Financial Statements and Notes to Financial Statements beginning on page 10.

OVERVIEW OF BUSINESS

Nebraska Public Power District (the "District") operates an integrated electric utility system including facilities for generation, transmission and distribution of electric power and energy for sales at wholesale and retail. The District is a summer peaking utility. An all-time summer peak of 2,370 MW was established in July 2002 for the District's firm requirements customers. In contrast, the District's all-time winter peak is 1,828 MW, which was established in January 2004. The District owns or has operating control over 35 generating plants, which had a combined accredited capacity during the summer of 2004 of 2,873.3 MW.

GENERATION PLANTS

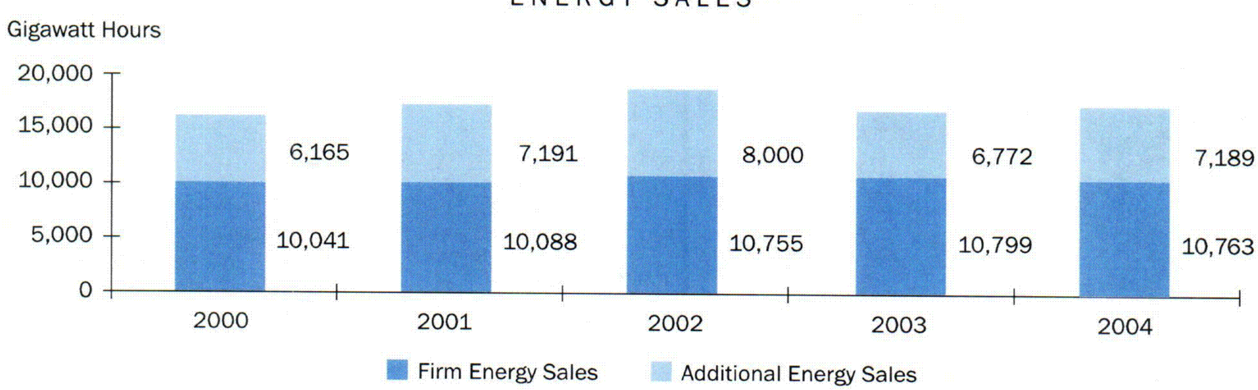
Type:	Number of Plants (1)	Accredited Capability (MW)	Percent of Total
Coal - Gerald Gentleman Station	1	1,365.0	47.5
Coal - Sheldon Station	1	225.0	7.8
Gas/Oil - Canaday Station	1	117.2	4.1
Nuclear - Cooper Nuclear Station	1	756.8	26.3
Hydro	9	151.2	5.3
Diesel	19	103.1	3.6
Combustion Turbine	3	155.0	5.4
	35	2,873.3	100.0

(1) Includes six hydro plants and 17 diesel plants under contract to the District

In addition to the above generating plants, the District purchases 451.5 MW of firm power from the Western Area Power Administration and other capacity and energy on both a short-term and non-firm basis in the wholesale energy market. The District also owns and operates 5,021 miles of transmission and subtransmission lines, encompassing the entire State of Nebraska.

The District's customer base for firm energy sales consists of approximately 87,400 retail customers plus 76 municipalities, public power districts, and cooperatives that are total requirements wholesale customers of the District. In addition, the District has several participation sale contracts in place with other utilities for the sale of power and energy at wholesale from specific generating plants. The District also sells energy on a non-firm basis in the wholesale energy market.

ENERGY SALES (1)



(1) All years include the sale of energy to MidAmerican Energy Company ("MEC") from Cooper Nuclear Station

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CONDENSED BALANCE SHEETS

	2004	2003	2002
Condensed Balance Sheets (000's):			
Utility Plant, net	$ 1,652,915	$ 1,538,213	$ 1,475,440
Special Purpose Funds	554,358	561,906	508,910
Current Assets	328,848	379,604	351,747
Deferred Charges and Other Assets	309,827	307,053	123,187
Total Assets	$ 2,845,948	$ 2,786,776	$ 2,459,284
Fund Equity	$ 744,598	$ 720,554	$ 702,691
Long-Term Debt	1,184,656	1,289,331	1,148,457
Current Liabilities	254,362	162,898	208,923
Deferred Credits and Other Liabilities	662,332	613,993	399,213
Total Fund Equity and Liabilities	$ 2,845,948	$ 2,786,776	$ 2,459,284

RESULTS OF OPERATIONS

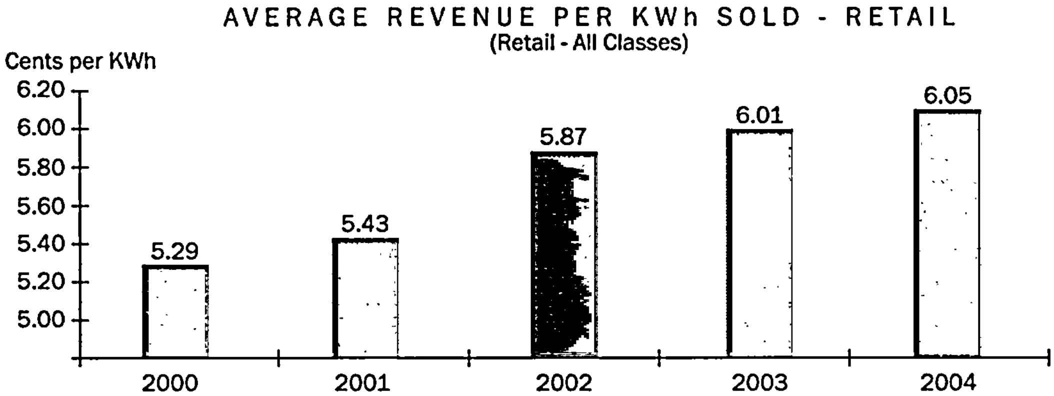
	2004	2003	2002
Condensed Statements of Revenues, Expenses, and Changes in Fund Equity (000's):			
Operating Revenues	$ 644,562	$ 659,695	$ 634,630
Operating Expenses	(590,510)	(604,587)	(590,521)
Operating Income	54,052	55,108	44,109
Investment and Other Income	25,604	21,416	48,621
Debt and Other Expenses	(55,612)	(58,661)	(59,800)
Increase in Fund Equity	$ 24,044	$ 17,863	$ 32,930

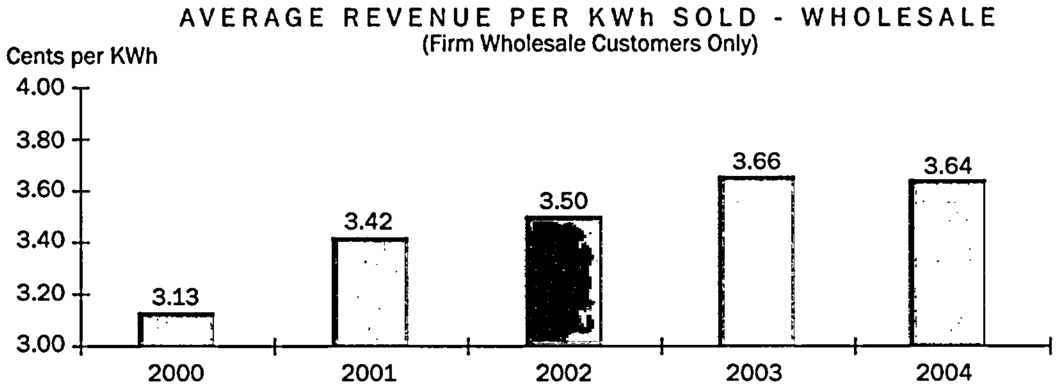
Total operating revenues were $644.6 million in 2004, $659.7 million in 2003, and $634.6 million in 2002. The sources of operating revenues were as follows (000's):

	2004	2003	2002
Firm Sales - Wholesale & Retail	$ 464,327	$ 465,542	$ 445,946
Participation Sales to LES & MEC	105,954	116,274	153,177
Sales to Other Utilities	78,819	59,599	62,228
Other Operating Revenue	21,309	21,480	18,613
Deferred Revenue	(25,847)	(3,200)	(45,334)
Total Operating Revenue	$ 644,562	$ 659,695	$ 634,630

Revenues From Firm Sales - Wholesale & Retail

Revenue from firm sales decreased $1.2 million, or 0.3%, from $465.5 million in 2003 to $464.3 million in 2004. This decrease is due primarily to a decrease in Kilowatt-hour energy sales of 0.3%. Revenue from firm sales increased $19.6 million, or 4.4%, from $445.9 million in 2002 to $465.5 million in 2003. This increase is due primarily to increases in both the District's wholesale and retail rates in 2003 of 4.0% and 3.6%, respectively.





Revenues From Participation Sales to LES & MEC and Sales to Other Utilities

During 2004, the District made participation sales to Lincoln Electric System ("LES") from the capacity and energy produced at Gerald Gentleman Station ("GGS") and Sheldon Station; to MidAmerican Energy Company ("MEC") from Cooper Nuclear Station ("CNS"); to Aquila Inc. ("Aquila") from GGS; to Heartland Consumers Power District ("Heartland") from CNS; and to the Municipal Energy Agency of Nebraska ("MEAN") from GGS and CNS. The District also engaged in sales of energy with other utilities on a non-firm basis.

Revenue from participation sales to LES and MEC decreased from $116.3 million in 2003 to $106.0 million in 2004, a decrease of $10.3 million. The decrease was due primarily to the termination of the LES participation sales agreement for capacity and energy from CNS on September 30, 2003. Revenue from such participation sales decreased from $153.2 million in 2002 to $116.3 million in 2003, a decrease of $36.9 million. This decrease in revenue reflects new pricing arrangements for capacity and energy from CNS that was sold to LES and MEC pursuant to settlement agreements reached on July 31, 2002, between the respective parties concerning litigation related to CNS and the sale to LES from CNS terminating on September 30, 2003.

Sales to other utilities consist of the participation sales to Aquila, Heartland, and MEAN and non-firm off-system sales. The Energy Authority ("TEA"), of which the District is a member, has energy marketing responsibilities for the District's non-firm off-system sales and the related management of credit risks. Sales to other utilities increased from $59.6 million in 2003 to $78.8 million in 2004, an increase of $19.2 million. This increase is due primarily to having more capacity and energy available for sale in 2004 as a result of the termination of the LES participation sales agreement from CNS on September 30, 2003 and fewer planned and unplanned outage days in 2004 at the District's major base load generating facilities (CNS, GGS, and Sheldon Station).

Other Operating Revenue

Other operating revenue consists primarily of transmission wheeling revenues and revenue from work for other utilities. These revenues were $21.3 million, $21.5 million and $18.6 million in 2004, 2003, and 2002, respectively. These revenues did not vary significantly from year to year.

Deferred Revenue

The District's wholesale and retail electric rates are established on a prospective basis. The estimated revenue requirements used to establish rates include operating expenses, excluding depreciation and amortization; debt service requirements on revenue bonds; payments of principal and interest on subordinated debt; amounts for capital projects to be paid from current revenues; and amounts for reserves to pay future costs, such as future nuclear facility decommissioning costs.

Under the provisions of the District's wholesale power contracts, if the rates for wholesale power service in any year result in a surplus or deficiency in revenues necessary to meet revenue requirements, such surplus or deficiency, within certain limits set forth in the wholesale power contracts, may be retained in a rate stabilization account. Any amounts in excess of the limits will be included as an adjustment to revenue requirements in future rate periods. A similar process is followed in accounting for any surplus or deficiency in revenues necessary to meet revenue requirements for retail electric service. Under generally accepted accounting principles for regulated electric utilities, such surpluses or deficiencies are accounted for as "regulatory assets or liabilities." The District follows this accounting treatment.

The District recognizes all revenues in excess of revenue requirements in any year as a deferral or reduction of revenues. Such surplus revenues are excluded from the net revenues available under the General Resolution to meet debt service requirements for such year. Surplus revenues are included in the determination of net revenues available under the General Resolution to meet debt service requirements in the year that such surplus revenues are taken into account in setting rates. During the years 2004, 2003, and 2002, respectively, revenues from firm wholesale and retail sales exceeded actual revenue requirements in each such year.

The District deferred or reduced revenues a net amount of $25.8 million in 2004. The District's revenues in 2004 from firm wholesale and retail electric sales resulted in a surplus, or over collection of costs, of $41.1 million, which surplus amount was deferred (decrease in revenues). In addition, the wholesale rates that were in place for 2004 included a refund of $15.3 million of surplus net revenues from past rate periods. Such surplus had previously been accounted for as a reduction in revenue in the year(s) the surplus occurred. Accordingly, the 2004 revenues from electric rates, which reflect the surplus being refunded, are offset by a revenue adjustment (increase in revenues) for such amount. The District deferred or reduced revenues a net amount of $3.2 million in 2003. The District's revenues in 2003 from firm wholesale and retail electric sales resulted in a surplus, or over collection of costs, of $20.9 million, which surplus amount was deferred (decrease in revenues). In addition, the wholesale and retail rates that were adopted for 2003 included a refund of $17.7 million of surplus net revenues from past years. Such surplus had previously been accounted for as a reduction in revenue in the year(s) the surplus occurred. Accordingly, the 2003 revenues from electric rates, which reflect the surplus being refunded, are offset by the revenue adjustment (increase in revenues) for such amount. In comparison, for 2002, the District deferred or reduced revenues a net amount of $45.3 million. The District's revenues in 2002 from firm wholesale and retail electric sales resulted in surplus, or over collection of costs, of $43.3 million, which surplus amount was deferred (decrease in revenues). In addition, the wholesale and retail rates that were adopted for 2002 included consideration to collect $2.0 million of deficit net revenues from years prior to 2002.

As of December 31, 2004, 2003, and 2002, the District had $66.3 million, $40.5 million, and $37.3 million, respectively, of surplus deferred revenues yet to be applied as credits against revenue requirements in future rate periods.

Operating Expenses

Total operating expenses in 2004 were $590.5 million, a decrease of $14.1 million from 2003. Total operating expenses in 2003 were $604.6 million, an increase of $14.1 million from 2002. Total operating expenses in 2002 were $590.5 million. The changes were due to the following:

Purchased power and production fuel expenses were $161.0 million, $179.9 million, and $159.7 million, in 2004, 2003, and 2002, respectively. These expenses decreased $18.9 million in 2004 compared to 2003. This decrease was due primarily to there being fewer planned and unplanned outage days at the District's major base load generation facilities (CNS, GGS, and Sheldon Station) in 2004 compared to 2003. As a consequence of the number of days of planned and forced outages being less in 2004 as compared to 2003, the need to purchase replacement energy and generate energy from other District plants at higher incremental costs was substantially less. These expenses increased $20.2 million in 2003 compared to 2002 because of a greater number of planned and unplanned outage days at the District's major base load generation facilities in 2003. These outages required the purchase of replacement energy and generation of energy from other District plants, all at a cost incrementally higher than the fuel costs for generating energy from the base load generating facilities.

Production operation and maintenance expenses were $200.3 million, $203.2 million, and $149.7 million, in 2004, 2003, and 2002, respectively. These costs decreased $2.9 million in 2004 as compared to 2003 due primarily to there being no planned refueling and maintenance outage at CNS in 2004. These costs increased $53.5 million in 2003 compared to 2002 due primarily to forced outages at CNS and Sheldon Station during 2003 and a planned refueling and maintenance outage at CNS in 2003, while there was no such outage in 2002. In addition, the District also accrued $16.0 million in 2003 for certain stay benefits payable in late 2004 to employees at CNS. There was no such expense for stay benefits in 2002, as such stay benefit costs, totalling $5.6 million, were deferred.

The transmission and distribution operation and maintenance expenses did not vary significantly from year to year. These expenses were $34.9 million, $33.9 million, and $33.0 million, in 2004, 2003, and 2002, respectively.

Customer service and information expenses were $14.6 million, $15.2 million, and $27.8 million, in 2004, 2003, and 2002, respectively. These expenses did not vary significantly between 2003 and 2004. These expenses decreased $12.6 million in 2003 compared to 2002 primarily because of the write-off in 2002 of $11.4 million of unpaid billings by LES and MEC from December 2000 through May 2002 for CNS decommissioning related costs.

The administrative and general expenses did not vary significantly from year to year. These expenses were $46.4 million, $46.1 million, and $47.5 million, in 2004, 2003, and 2002, respectively.

Decommissioning expenses represent the net amount accrued each year for the future decommissioning of CNS. In 2003, the District adopted the provisions of SFAS No. 143, "*Accounting for Asset Retirement Obligations*" (SFAS No. 143), See **ACCOUNTING CHANGE.** Subsequent to the adoption of SFAS No. 143, the decommissioning expense recognized by the District is determined by a combination of the calculated accretion expense under SFAS No. 143, revenues billed to customers in rates for decommissioning costs and investment earnings on monies accumulated in decommissioning funds.

To the extent that the accretion expense on the asset retirement obligation ("ARO") determined under SFAS No. 143 is different from the total of amounts collected in rates and investments earnings on monies accumulated in the decommissioning funds, the District will defer that difference as a regulatory asset or liability to be recovered or refunded in future periods. Accretion expense for 2004 and 2003 was $27.6 million and $26.3 million, respectively, and the net decommissioning expense was $18.9 million and $17.9 million, respectively. For the years ended December 31, 2004 and 2003, the District deferred $8.7 million and $8.4 million, respectively, which has been included in the Deferred Asset Retirement Obligation.

Decommissioning expenses increased by $1.0 million in 2004 as compared to 2003 as a result of higher investment earnings. Decommissioning expenses decreased from $40.1 million in 2002 to $17.9 million in 2003 due to decreased investment earnings and a reduction in the amounts included in rates for decommissioning expenses.

Depreciation and amortization expenses were $91.5 million, $85.4 million, and $110.4 million in 2004, 2003, and 2002, respecitvely. These expenses increased $6.1 million between 2004 as compared to 2003 because of new plant additions. Depreciation and amortization expenses decreased $25.0 million in 2003 compared to 2002 due to 2002 being the last year of depreciation expense related to the original construction cost of CNS.

Increase in Fund Equity

The increase in fund equity (net revenues) was $24.0 million in 2004, $17.9 million in 2003, and $32.9 million in 2002. The increase in fund equity of $6.1 million in 2004 as compared to 2003 reflects an increase in revenue requirements used to establish rates for 2004 for the purpose of increased commercial paper principal payments and increased payments of principal amounts on outstanding revenue bonds. The decrease of $15.0 million in 2003 compared to 2002 reflects the reduction in revenue requirements used to establish the District's electric rates in 2003, as compared to 2002, for payments of revenue bond principal amounts, which amounts decreased as a result of the defeasance of all outstanding nuclear facility debt on August 1, 2002, and reduced amounts planned for commercial paper principal retirements in 2003. These amounts were partially offset by the decrease in depreciation and amortization expenses in 2003, which results in an increase in fund equity as compared to 2002.

CAPITAL REQUIREMENTS

The District's Board of Director's authorized capital projects totaling approximately $216.6 million in 2004, $96.0 million in 2003, and $312.8 million in 2002. The amount for 2004 included $81.3 million for the installation of 60 MW of wind generation that is expected to be operational in the third quarter of 2005, $20.3 million for the rewind of the generator at CNS, $10.7 for a generator rewind at GGS, and $12.0 million for the installation of a well field to provide a supplemental source of cooling water for GGS. Drought-like conditions have existed in western Nebraska for the last five years, which could impact the future availability of cooling water for GGS from the Platte River system and Lake McConaughy. The well field is being installed as part of the District's drought mitigation strategy to insure the continued availability of cooling water. The amount for 2003 included $35.0 million for the purchase of replacement low pressure turbine rotors at CNS to replace the turbine rotors that failed during 2003 and again in 2004. The new replacement low pressure turbines, which required a long lead-time to be manufactured and shipped, were installed during the refueling and maintenance outage in January 2005. The amount authorized for 2002 included $240.8 million for a new 229 MW combined-cycle natural gas fired generation plant and related facilities, which generation facility became operational in January 2005. The remaining capital projects authorized in 2004, 2003, and 2002, which totaled $92.3 million, $61.0 million, and $72.0 million, respectively, were primarily for renewals and replacements to existing facilities and other minor additions and improvements. The District's Board approved budget for capital projects in 2005 is $97.5 million, which includes $14.0 million for costs associated with the license renewal process for CNS and $12.0 million for a coal burner equipment replacement project at GGS. CNS is currently licensed to operate to January 2014. The District plans to seek a 20 year license extension from the Nuclear Regulatory Commission to operate the plant to 2034. The District's capital requirements are funded by a combination of monies generated from operations, issuance of revenue bonds, issuance of short-term debt, and other available reserve funds.

FINANCING ACTIVITIES

The District had $1.242 billion (par amount) of outstanding revenue bonds at December 31, 2004, as compared to $1.258 billion (par amount) at December 31, 2003, and $1.120 billion (par amount) at December 31, 2002. Except for $53.1 million of auction rate revenue bonds issued in April 2004, the revenue bonds outstanding are at fixed interest rates and were issued at premiums or discounts. In addition, the District had outstanding $83.9 million of tax-exempt commercial paper ("TECP") notes at December 31, 2004, $81.9 million at December 31, 2003, and $77.9 million at December 31, 2002. A bank credit agreement is maintained to support the sale of the commercial paper notes. The District had $75.0 million of construction notes outstanding at December 31, 2002.

In November 2004, the District issued $149.0 million of tax-exempt revenue bonds at a premium to advance refund $151.0 million of bonds, which amount represented a portion of the bonds issued in 1998 with maturities from January 1, 2011 through January 1, 2014. The refunding will result in total debt service savings to the District of over $6.0 million during the period November 2004 through December 2013. In April 2004, the District issued $53.1 million of taxable auction rate revenue bonds for the purpose of funding the cost of various capital projects at CNS. In September 2003, the District issued $205.0 million of tax-exempt revenue bonds at a premium to refund the $75.0 million of construction notes outstanding and to provide completion financing for the construction of a combined cycle generation plant. In March 2002, the District issued $48.4 million of tax-exempt revenue bonds at a premium to fund $29.9 million of authorized capital projects and to refund $19.0 million of TECP notes. Such TECP notes had previously been issued to pay the completion cost of environmental facilities constructed at the District's GGS coal-fired generating plant. In October 2002, the District issued $95.2 million of revenue bonds at a premium to refund the $60.5 million of outstanding taxable commercial paper notes and to reimburse itself for a $39.1 million payment made to MEC in connection with the settlement of litigation related to the District's nuclear facility.

The District retired $69.9 million and $70.8 million of General System Revenue Bonds in 2004 and 2003, respectively. In 2002, the District retired $69.0 million of General System Revenue bonds and $17.0 million of Nuclear Facility Revenue Bonds. In addition, on August 1, 2002, the District legally defeased the remaining outstanding Nuclear Facility Revenue Bonds totaling $56.9 million. Such defeasance was funded with monies held in the Nuclear Facility debt service fund, debt service reserve fund, and other available funds on deposit under the Nuclear Facility Revenue Bond Resolution.

The District's current credit ratings on its long-term debt are as follows:

Moody's Investors Service	A1	(stable outlook)
Fitch Ratings	A+	(stable outlook)
Standard & Poor's Ratings Services	A	(stable outlook)

DEBT SERVICE COVERAGE

The District's debt service coverage was 1.58 in 2004, 1.47 in 2003, and 1.57 in 2002. The coverage is provided primarily by the amounts collected in operating revenues to fund the cost of utility plant additions, the amounts collected in operating revenues for principal and interest payments on the outstanding commercial paper notes, and the amounts collected in operating revenues to fund the cost of payments made to those municipalities served by the District under long-term Professional Retail Operating Agreements. The District has established a goal in its planning process to maintain a debt service coverage of approximately 1.5 times annual debt service.

CNS FUTURE OPERATION

Cooper Nuclear Station is currently licensed to operate to January 2014. The District is currently performing additional studies on CNS to uprate station capacity by 15 to 17 percent and to implement 24-month fuel cycles instead of the current 18-month fuel cycles. In November 2004, the District's Board of Directors approved a recommendation by management to proceed with the process to seek approval from the Nuclear Regulatory Commission to extend the operating license of CNS to 2034. A recommendation to the Board regarding the issues associated with the power uprate and change in the refueling cycle duration is expected late in 2005.

The District entered into an agreement for support services at CNS with Entergy Nuclear Nebraska, LLC, a wholly owned indirect subsidiary of Entergy Corporation, in October 2003. The Entergy Agreement is for an initial term ending January 18, 2014. The agreement requires the District to reimburse Entergy's costs of providing services and to pay Entergy annual management fees. Beginning in 2007 and each year thereafter, Entergy could also earn additional incentive fees if CNS achieves identified safety and regulatory performance targets during each such year.

The power sales contract with MEC for the sale of 380 MW of capacity and energy from CNS ended on December 31, 2004. The District entered into a new power sales contract with MEC to provide 250 MW of capacity and energy from January 1, 2005 until December 31, 2009. The District also entered into agreements for the sale of capacity and energy from CNS to Heartland, to Aquila, and to MEAN. The Heartland agreement provides for delivery of capacity and energy beginning on January 1, 2004 and terminating on December 31, 2013 in amounts ranging from 5 MW up to 45 MW. The Aquila agreement provides for delivery of 75 MW of capacity and energy from January 1, 2005 until January 18, 2014. The MEAN agreement provides for delivery of capacity and energy beginning May 1, 2004 and terminating on April 30, 2014 in amounts ranging from 30 MW up to 60 MW, of which 60% will be provided from CNS and 40% from GGS.

ACCOUNTING CHANGE

In 2003, the District adopted the provisions of SFAS No. 143, which provides accounting requirements for the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets. Amounts recorded under SFAS No. 143 are subject to various assumptions and determinations, such as determining whether a legal obligation exists to remove assets, estimating the fair value of the costs of removal, estimating when final removal will occur, and the credit-adjusted risk-free interest rates to be utilized to discount the estimated cost of the future liabilities.

The District identified CNS as an asset for which a legal retirement obligation exists. As of December 31, 2004 and 2003, the District has recorded an estimated liability of $579.8 million and $552.1 million, respectively, for an ARO. The District has accumulated, as of December 31, 2004 and 2003, a total of $374.0 million and $355.1 million, respectively, in special purpose decommissioning funds to meet such estimated liability. The differences of $205.8 million and $197.0 million between the estimated ARO and the funds accumulated for such purpose, as of December 31, 2004 and 2003, respectively, have been recorded as a regulatory asset and represents amounts which will be collected through electric rates and future investment earnings on the monies held for this purpose.

In addition, the District has identified an ARO for the future closure of ash landfills at the sites of the District's GGS and Sheldon Station coal-fired plants. The District recorded an estimated liability of $1.1 million as of December 31, 2004 and December 31, 2003, respectively, for such ARO.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Nebraska Public Power District:

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in fund equity and cash flows present fairly, in all material respects, the financial position of Nebraska Public Power District ("the District"), a public corporation and political subdivision of the State of Nebraska, at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the District's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 2 and 13 to the financial statements, the District changed the manner in which it accounts for asset retirement obligations as of January 1, 2003.

Management's discussion and analysis included on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2004. 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, "Calculation of Debt Service Ratios in accordance with the General Revenue Bond Resolution for the years ended December 31, 2004 and 2003," is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken has a whole.

PricewaterhouseCoopers LLP

Chicago, Illinois
April 14, 2005

Balance Sheets—December 31, 2004 and 2003 (000's)

	2004	2003
ASSETS		
Utility Plant, at Cost:		
Utility plant in service	$ 3,103,166	$ 3,110,760
Less reserve for depreciation	1,836,379	1,794,064
	1,266,787	1,316,696
Construction work in progress	302,277	152,115
Nuclear fuel, at amortized cost	83,851	69,402
	1,652,915	1,538,213
Special Purpose Funds:		
Cash and cash equivalents:		
Construction funds	244	2
Debt reserve fund	1	80
Employee benefit funds	1,657	982
Investments:		
Construction funds	92,206	114,802
Debt reserve fund	82,903	84,911
Employee benefit funds	3,318	5,975
Decommissioning funds	374,029	355,154
	554,358	561,906
Current Assets:		
Cash and cash equivalents	13,212	40,925
Investments	142,404	186,107
Receivables, less allowance for doubtful accounts of $516 and $520	72,705	58,163
Fossil fuels, at average cost	22,204	19,977
Materials and supplies, at average cost	75,860	69,129
Accrued stay benefit costs	—	3,000
Prepayments and other current assets	2,463	2,303
	328,848	379,604
Deferred Charges and Other Assets:		
Deferred Asset Retirement Obligation	206,440	197,635
Prepaid capacity costs	44,733	46,798
Deferred settlement charges	35,765	39,100
Unamortized financing costs	11,735	11,354
Investment in The Energy Authority	6,028	4,975
Receivables from sale of property	675	1,124
Other	4,451	6,067
	309,827	307,053
TOTAL ASSETS	$ 2,845,948	$ 2,786,776
FUND EQUITY AND LIABILITIES		
Fund Equity:		
Invested in capital assets, net of related debt	$ 416,459	$ 302,410
Restricted	32,363	33,575
Unrestricted	295,776	384,569
	744,598	720,554
Long-Term Debt:		
Revenue bonds, net	1,184,656	1,207,431
Commercial paper notes	—	81,900
	1,184,656	1,289,331
Current Liabilities:		
Current maturities of long-term debt	160,744	69,945
Accounts payable and accrued liabilities	68,313	46,507
Accrued in lieu of tax payments	6,214	6,254
Accrued payments to retail communities	3,699	3,667
Accrued stay benefits	—	18,611
Accrued compensated absences	10,416	10,008
Other	4,976	7,906
	254,362	162,898
Deferred Credits and Other Liabilities:		
Asset Retirement Obligation	580,863	553,227
Deferred revenues	66,311	40,464
Other	15,158	20,302
	662,332	613,993
TOTAL FUND EQUITY AND LIABILITIES	$ 2,845,948	$ 2,786,776

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

Statements of Revenues, Expenses, and Changes in Fund Equity for the years ended December 31, (000's)	2004	2003
Operating Revenues	$ 644,562	$ 659,695
Operating Expenses:		
Power purchased	53,801	78,742
Production -		
Fuel	107,171	101,167
Operation and maintenance	200,255	203,218
Transmission and distribution operation and maintenance	34,866	33,893
Customer service and information	14,644	15,174
Administrative and general	46,404	46,148
Payments to retail communities	16,724	16,743
Decommissioning	18,875	17,895
Depreciation and amortization	91,489	85,371
Payments in lieu of taxes	6,281	6,236
	590,510	604,587
Operating Income	54,052	55,108
Non Operating Income:		
Investment income	20,802	18,826
Other income	4,802	2,590
	25,604	21,416
Increase in Fund Equity Before Debt and Other Expenses	79,656	76,524
Non Operating Expenses:		
Interest on long-term debt	63,419	61,851
Allowance for funds used during construction	(6,798)	(2,541)
Other (income) expenses	(1,009)	(649)
	55,612	58,661
Increase in Fund Equity	24,044	17,863
Fund Equity:		
Beginning balance	720,554	702,691
Ending balance	$ 744,598	$ 720,554

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

Statements of Cash Flows for the years ended December 31, (000's)	2004	2003
Cash Flows from Operating Activities:		
Receipts from customers	$ 704,421	$ 713,688
Payments to suppliers	(305,784)	(333,047)
Payments to employees	(207,674)	(180,264)
Net cash provided by operating activities	190,963	200,377
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	640,426	751,854
Purchase of investments	(576,166)	(890,919)
Income received on investments	8,898	9,043
Net cash provided by (used in) investing activities	73,158	(130,022)
Cash Flows from Capital and Related Financing Activities:		
Proceeds from issuance of bonds	203,448	202,904
Proceeds from issuance of notes	9,000	4,000
Proceeds from sale of nuclear fuel	9,063	—
Proceeds from repayment of notes receivable	724	1,425
Capital expenditures for utility plant	(224,838)	(159,959)
Principal payments on long-term debt	(220,940)	(70,750)
Interest payments on long-term debt	(60,095)	(58,678)
Principal payments on notes	(7,000)	(75,000)
Interest payments on notes	(1,034)	(870)
Other non-operating revenues	676	2,442
Net cash used in capital and related financing activities	(290,996)	(154,486)
Net decrease in cash and cash equivalents	(26,875)	(84,131)
Cash and cash equivalents, beginning of year	41,989	126,120
Cash and cash equivalents, end of year	$ 15,114	$ 41,989
Reconciliation of Operating Income To Cash Provided By Operating Activities:		
Operating income	$ 54,052	$ 55,108
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	91,489	85,371
Undistributed net revenue - The Energy Authority	(1,053)	(1,279)
Decommissioning, net of customer contributions	14,929	17,895
Amortization of nuclear fuel	23,495	16,551
Changes in assets and liabilities which provided (used) cash:		
Receivables, net	(11,482)	(1,925)
Materials and supplies	(6,731)	(3,336)
Fossil fuels	(2,227)	300
Prepayments and other current assets	(160)	(325)
Deferred charges	4,467	11,387
Accounts payable and accrued payments to retail communities	21,838	8,027
Deferred revenues	25,847	3,200
Accrued stay benefits	(18,611)	18,611
Other liabilities	(4,890)	(9,208)
Net cash provided by operating activities	$ 190,963	$ 200,377

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

Supplemental Schedule — Calculation of Debt Service Ratios in accordance with the General Revenue Bond Resolution for the years ended December 31, (000's)	2004	2003
Operating revenues	$ 644,562	$ 659,695
Operating expenses	(590,510)	(604,587)
Operating income	54,052	55,108
Investment and other income	25,604	21,416
Debt and other expenses	(55,612)	(58,661)
Increase in fund equity	24,044	17,863
Add:		
Debt and other expenses	55,612	58,661
Depreciation and amortization	91,489	85,371
Payments to retail communities *	16,724	16,743
Inventory price adjustment	992	—
	164,817	160,775
Deduct:		
Gain on sale of property	93	78
Investment income retained (disbursed) in construction funds	1,544	(641)
Unrealized loss on investment securities	(2,936)	(3,004)
	(1,299)	(3,567)
Fund equity available for debt service under the General Revenue Bond Resolution	$ 190,160	$ 182,205
Amounts deposited in the General System Debt Service Account:		
Principal	$ 69,945	$ 70,750
Interest	50,183	53,567
	$ 120,128	$ 124,317
Ratio of fund equity available for debt service to debt service deposits	1.58	1.47

* Under the provisions of the General Revenue Bond Resolution, the payments required to be made by the District with respect to the Professional Retail Operating Agreements are to be made on the same basis as subordinated debt.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Organization* –

Nebraska Public Power District (the "District"), a public corporation and a political subdivision of the State of Nebraska, operates an integrated electric utility system which includes facilities for the generation, transmission and distribution of electric power and energy to its wholesale and retail customers. The control of the District and its operations is vested in a Board of Directors consisting of 11 members popularly elected from districts comprising subdivisions of the District's chartered territory. The Board of Directors is authorized to establish rates.

B. *Basis of Accounting* –

The financial statements are prepared in accordance with generally accepted accounting principles and follow accounting guidance provided by the Governmental Accounting Standards Board ("GASB"). The District elected the option permitted by GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*" to implement all Financial Accounting Standards Board ("FASB") pronouncements that do not conflict or contradict GASB pronouncements.

The District follows the provisions of SFAS No. 71, "*Accounting for the Effects of Certain Types of Regulation*" (SFAS No. 71). In general, SFAS No. 71 permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

C. *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.

D. *Revenue* –

Wholesale revenues are recorded in the period in which service is rendered, and retail revenues are recorded in the month retail customers are billed. Consequently, revenues applicable to service rendered to retail customers from the period covered by the last billing in a year to the end of the year are not recorded as revenues until the following year.

The District is required under the General Revenue Bond Resolution (the "Resolution") to charge rates for electric power and energy so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the General Revenue bonds, amounts to be paid into the Debt Reserve Fund, and all other charges or liens payable out of revenues. In the event the District's rates for wholesale service result in a surplus or deficit in revenues during a rate period, such surplus or deficit within certain limits may be retained in a rate stabilization account. Any amounts in excess of the limits will be taken into account in projecting revenue requirements and establishing rates in future rate periods. Such treatment of wholesale revenues is stipulated by the District's long-term wholesale power supply contracts. The District accounts for any surplus or deficit in revenues for retail service in a similar manner.

The surpluses and deficits from prior years have been accounted for in these financial statements by either a deferral of revenue or costs. The cumulative surplus at December 31, 2004, to be reflected in future revenue requirements is approximately $66.3 million.

E. *Depreciation, Amortization and Maintenance* –

The District records depreciation over the estimated useful life of the property primarily on a straight line basis. The District's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the design of rates. As such, the District has provided for depreciation of utility plant funded from debt in its rate setting process by using the debt service principal requirements as the basis for depreciation as opposed to the straight line basis of depreciation included in the financial statements of the District. Under the methodology employed in establishing rates, the cumulative excess of depreciation expense calculated using the debt service principal approach over the amount calculated using the straight-line method is $24.7 million and $18.8 million for the years ended December 31, 2004 and 2003, respectively. Depreciation expense calculated under the debt service principal approach exceeded straight-line depreciation by $5.9 million and $5.8 million for the years ended December 31, 2004 and 2003, respectively. Depreciation expense recorded on a straight line basis on utility plant was $82.4 million and $76.2 million for the years ended December 31, 2004 and 2003, respectively. Depreciation on utility plant was approximately 3% in each of the years ended December 31, 2004 and 2003. The District has fully depreciated utility plant that is still in-service of $594.7 million and $622.7 million at December 31, 2004 and 2003, respectively, primarily relating to CNS.

Current rates for electric service provide for a portion of plant additions to be funded from revenues. These plant additions are capitalized and depreciated over their estimated useful life. At December 31, 2004 and 2003, $416.5 million and $432.5 million, respectively, of net utility plant was funded from revenues. Provision for depreciation of utility plant funded from revenues is computed using the straight-line method.

The District has long-term Professional Retail Operating ("PRO") Agreements with 79 municipalities for certain retail electric distribution systems. These PRO Agreements obligate the District to make payments based on gross revenues from the municipalities and pay for normal property additions during the term of the agreements. The District has recorded provisions, net of retirements, for amortization of these plant additions of $6.5 million in 2004 and $6.6 million in 2003 which is included in Depreciation and amortization expense. These plant additions, which are fully reserved, totaled $104.2 million at December 31, 2004 and $99.4 million at December 31, 2003.

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

F. *Cash and Investments -*

The District follows GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools."* GASB 31 requires the District's investments to be recorded at market value with the changes in the market value of investments reported as investment income in the Statement of Revenues, Expenses, and Changes in Fund Equity. Investments are recorded at market value as determined by quoted market prices.

Cash deposits, primarily interest bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. Government securities held by various depositories. Investments at December 31, 2004 and 2003, were in unregistered U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

The District considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

G. *Materials and Supplies -*

The District maintains an inventory for materials and supplies which is valued at average cost. Due provision is made for slow moving or obsolete items.

H. *Nuclear Fuel -*

The District has entered into several long-term contracts for the various nuclear fuel components of uranium concentrates, conversion, enrichment, and fabrication. These contracts do not obligate the District to purchase fuel components in excess of the requirements of operations. Nuclear fuel in the reactor is being amortized on the basis of energy produced as a percentage of total energy expected to be produced. Fees for disposal of fuel in the reactor are being provided as part of the fuel cost.

I. *Unamortized Financing Costs -*

These costs represent issuance expenses on all bonds and are being amortized over the life of the respective bonds using the bonds outstanding method. Deferred unamortized financing costs associated with bonds refunded are amortized using the bonds outstanding method over the shorter of the original or refunded life of the respective bonds in accordance with GASB 23.

J. *Allowance for Funds Used During Construction ("AFUDC") -*

This allowance, which represents the cost of funds used to finance construction, is capitalized as a component of the cost of the utility plant and is credited to Debt and Other Expenses. The capitalization rate depends on the source of financing. The rate for construction financed with revenue bonds is based upon the interest cost of each bond issue less interest income. Construction financed on a short-term basis with tax-exempt commercial paper ("TECP") is charged a rate based upon the projected average interest cost of TECP outstanding. For the periods presented herein, the AFUDC rates for construction funded by revenue bonds vary from 3.8% to 5.6%. For construction financed on a short-term basis with TECP, the rate charged was 3.0% in 2004 and 2003.

K. *Fund Equity -*

Fund equity consists primarily of cumulative operating revenues collected to finance capital additions through current earnings, to repay debt issued to fund capital additions, and to provide for working capital to fund fuel and inventory requirements. Such fund equity accumulated for utility plant additions is net of accumulated depreciation on such utility plant assets.

L. *Recent Accounting Pronouncements -*

In November, 2003, the GASB issued GASB Statement No. 42, *"Accounting and Financial Reporting for Impairment of Capital Asset and for Insurance Recoveries"* (GASB No. 42). This standard requires governments to record the impairment of capital assets upon occurrence or upon impairment identification rather than over the remaining useful life of the capital asset. Disclosure is required when an impairment of capital assets is recorded. GASB No. 42 also requires the use of a consistent method to record insurance recoveries. GASB No. 42 is effective for fiscal years beginning after December 15, 2004.

In April 2004, the GASB issued Statement No. 43, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"* (GASB No. 43) and in June 2004, the GASB issued Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployoent Benefits Other Than Pensions"* (GASB No. 45). These statements relate to the accounting and financial reporting of postemployment benefits other than pensions to be measured and recognized during the periods when employees render the services and to provide relevant information about other postemployment benefit obligations and the funding of those obligations. GASB No. 43 is effective for financial statement periods beginning after December 15, 2005 and GASB No. 45 is effective for financial statement periods beginning after December 15, 2006.

In December 2004, the GASB issues GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34*" (GASB No. 46). This standard is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. GASB No. 46 is effective for financial statement periods beginning after June 15, 2005.

In December 2004, the GASB issued Technical Bulletin 2004-02, "*Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers*" (TB 2004-02). The Technical Bulletin clarifies that, with respect to contractually required employer contributions that are assessed for a cost-sharing employer's financial reporting period, the employer should recognize the contributions as expenditures of that period. Any unpaid contributions should be recognized as liabilities. For pension transactions, TB 2004-02 applies to financial statement periods ending after December 15, 2004. For OPEB transactions, TB 2004-02 should be applied simultaneously with the implementation of GASB No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" The adoption of TB 2004-02 did not have any impact on the District's financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47, "*Accounting for Conditional Asset Retirement Obligations*" *(FIN 47).* FIN 47 addresses the diversity in practice with respect to accounting for conditional asset retirement obligations (e.g., obligations to remove and dispose of asbestos). In particular, it clarifies that a legal obligation to perform an asset retirement activity that is conditional on a future event is within the scope of FASB Statement 143, "*Accounting for Asset Retirement Obligations.*" Accordingly, FIN 47 requires an entity to recognize a liability for a conditional asset retirement obligation if the liability's fair value can be reasonably estimated. Uncertainty surrounding the timing and (or) method of settlement should be factored into the measurement of the conditional asset retirement obligation rather than affect whether a liability should be recognized. FIN 47 is effective for financial statement periods ending after December 15, 2005.

M. 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 Increase in Fund Equity and Fund Equity.

2. ACCOUNTING CHANGES:

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 provides accounting requirements for retirement obligations associated with tangible long-lived assets. As discussed in Note 13, the District adopted SFAS No. 143 as of January 1, 2003.

3. UTILITY PLANT:

Utility plant activity for the year ended December 31, 2004 was as follows (000's):

	December 31, 2003	Increases	Decreases	December 31, 2004
Nondepreciable utility plant:				
Land and improvements	$ 38,313	$ 85	$ (4)	$ 38,394
Construction in progress	152,115	183,212	(33,050)	302,277
Nuclear fuel*	69,402	42,957	(28,508)	83,851
Total nondepreciable utility plant	259,830	226,254	(61,562)	424,522
Depreciable utility plant:				
Generation - Fossil	1,090,912	5,729	(464)	1,096,177
Generation - Nuclear	976,526	5,570	(13,791)	968,305
Transmission	607,242	13,290	(11,287)	609,245
Distribution	129,349	6,905	(2,483)	133,771
General	268,418	7,801	(18,945)	257,274
Total depreciable utility plant	3,072,447	39,295	(46,970)	3,064,772
Less reserve for depreciation	(1,794,064)	(89,285)	46,970	(1,836,379)
Depreciable utility plant, net	1,278,383	(49,990)	—	1,228,393
Utility plant activity, net	$1,538,213	$176,264	$ (61,562)	$1,652,915

*Nuclear fuel decreases represent amortization of $23.5 million and fuel sales of $5.0 million.

The 2005 construction plan includes authorization for future expenditures of $97.5 million. These expenditures will be funded from existing bond proceeds, revenues, other available funds and additional financings as deemed appropriate.

4. CAPITAL LEASE:

The District entered into a capital lease in June 2000 with the City of Norfolk, Nebraska for a new centralized retail customer call center. At the expiration of the capital lease in 2010, the District assumes ownership of the call center.

Future capital lease payments as of December 31, 2004 are as follows (000's):

Year	Payments
2005	$ 134
2006	134
2007	134
2008	134
2009	134
2010	67
Total payments	737
Less amounts representing interest	(121)
Net principal payments	$ 616

5. SPECIAL PURPOSE FUNDS:

Special purpose funds of the District are as follows:

The Construction funds are used for capital improvements, additions and betterments to and extensions of the District's system. The sources of monies for deposits to the construction funds are from revenue bond proceeds and issuance of short term debt.

	2004	2003
Construction funds - Cash and cash equivalents	$ 244	$ 2
Construction funds - Investments	92,206	114,802
	$ 92,450	$ 114,804

The Debt reserve fund, as established under the Resolution, consists of a Primary account and a Secondary account. The District is required by the Resolution to maintain an amount equal to fifty percent of the maximum amount of interest accrued in the current or any future year in the Primary account. Such amount totaled $32.4 million and $33.6 million as of December 31, 2004 and 2003, respectively. The Secondary account can be established at such amounts and can be utilized for any lawful purpose as determined by the District's Board of Directors. Such account totaled $50.5 million and $51.4 million as of December 31, 2004 and 2003, respectively.

	2004	2003
Debt reserve fund - Cash and cash equivalents	$ 1	$ 80
Debt reserve fund - Investments	82,903	84,911
	$ 82,904	$ 84,991

The Employee benefit funds consist of a self funded hospital-medical benefit plan and a retired employee life insurance benefit plan. The District pays 80% of the hospital-medical premiums with the employees paying the remaining 20% of the cost of such coverage. The plan had contributed funds of $3.5 million, and $5.5 million at December 31, 2004 and 2003 respectively. The District pays the total cost of the employee life insurance benefit once the employee retires. The plan had contributed funds of $1.4 million at December 31, 2004 and 2003. Both funds are held by outside trustees in compliance with the funding plans approved by the District's Board of Directors.

	2004	2003
Employee benefit funds - Cash and cash equivalents	$ 1,657	$ 982
Employee benefit funds - Investments	3,318	5,975
	$ 4,975	$ 6,957

The Decommissioning funds are utilized to account for the investments held to fund the estimated cost of decommissioning CNS when its operating license expires. The decommissioning funds are held by outside trustees or custodians in compliance with the decommissioning funding plans approved by the District's Board of Directors.

	2004	2003
Decommissioning funds	$ 374,029	$ 355,154

6. PREPAID CAPACITY COSTS:

Prepaid capacity costs are associated with the purchase of the capacity of a 50 MW hydroelectric generating facility owned and operated by The Central Nebraska Public Power and Irrigation District ("Central"). The District is recording amortization on a straight-line basis over the 40 year estimated useful life of the facility. Accumulated amortization was $37.9 million in 2004 and $35.8 million in 2003.

The District has an agreement whereby Central makes available all the production of the facility and the District pays all costs of operating and maintaining the facility plus a charge based on the amount of energy delivered to the District. Costs of $1.1 million in 2004 and $0.9 million in 2003, respectively, are included in Power purchased.

7. DEFERRED SETTLEMENT CHARGES:

The District deferred the cost of a $39.1 million payment to MidAmerican Energy Company ("MEC") in 2002 in conjunction with the settlement of litigation with respect to the operation of the District's Cooper Nuclear Station ("CNS"). The deferred costs of the MEC payment will be recognized as expense in future rate periods when such costs are included in the revenue requirements used to establish electric rates. The balance of such deferral was $39.1 million as of December 31, 2004 and 2003 of which $3.3 million was included in Receivables as of December 31, 2004.

8. INVESTMENT IN THE ENERGY AUTHORITY:

The District is a member of The Energy Authority ("TEA"), a power marketing corporation. The Energy Authority assumes the wholesale power marketing responsibilities of its members with each member having ownership in the joint venture. The Energy Authority has access to approximately 14,000 megawatts of its members' generation located in Nebraska, Missouri, Florida, Georgia and South Carolina. The Energy Authority also provides its members with natural gas procurement or contract management services for gas used in the generation of electricity and for local distribution. The Energy Authority provides the District with gas contract management services.

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

Condensed Balance Sheet	2004	2003
Current Assets	$ 144,179	$ 96,633
Noncurrent and Restricted Assets	16,720	13,996
Total Assets	$ 160,899	$ 110,629
Current Liabilities	$ 120,037	$ 74,811
Noncurrent Liabilities	12,127	10,601
Net Assets	28,735	25,217
Total Liabilities and Net Assets	$ 160,899	$ 110,629
Condensed Statement of Operations		
Revenues	$ 800,493	$ 631,297
Energy Costs	(677,675)	(505,186)
Gross Profit	122,818	126,111
Operating Expenses	(17,994)	(17,900)
Operating Income	104,824	108,211
Non-Operating Income	607	528
Increase in Net Assets	$ 105,431	$ 108,739

At December 31, 2004 and 2003, the District had a 21.4% ownership interest in TEA. All of TEA's revenues and costs are allocated to the members. TEA's net revenues are allocated among the members based upon a combination of each respective member's purchased power and power sales transactions and natural gas transactions with TEA and each member's ownership interest. The following table summarizes the transactions applicable to the District's investment in TEA.

	2004	2003
Beginning Balance	$ 4,975	$ 4,704
Reductions to power costs and incease in electric revenues	35,369	37,628
Distributions from TEA	(32,657)	(35,036)
Other Expenses	(1,659)	(2,321)
Ending Balance	$ 6,028	$ 4,975

The District's power purchases and sales with TEA are reflected in the Statements of Revenues, Expenses and Changes in Fund Equity as Power purchased and Operating Revenues, respectively. For the years ended December 31, 2004 and 2003, the District recorded Operating Revenues of $42.7 million and $27.0 million respectively, and Power purchased expenses of $17.7 million and $39.4 million respectively.

At December 31, 2004 and 2003, $4.4 million due from TEA was included in Receivables and $0.4 million and $0.5 million due to TEA was included in Accounts payable, respectively.

As of December 31, 2004, the District is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28.9 million and $1.9 million for natural gas procurement by TEA plus attorney's fees which any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. The guaranty for gas trading was removed January 1, 2005. Generally, the District's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity or transmission which was delivered or made available or if TEA failed to deliver or provide energy, capacity or transmission as required under a contract.

The District's exposure relating to TEA is limited to the District's capital investment in TEA, any accounts receivable from TEA and trade guarantees provided to TEA by the District. These guarantees are within the scope of FASB Interpretation No. 45, "*Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*" (FIN 45). Upon the District making any payments under its electric guaranty, it has certain contribution rights with the other members of

TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. After such contributions have been effected, the District would only have recourse against TEA to recover amounts paid under the guaranty. The term of this guaranty is generally indefinite, but the District has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect.

The District also paid a membership fee of $2.6 million in 1999 which was amortized over a five-year period. The unamortized membership fee was $171,145 as of December 31, 2003 and was fully amortized as of December 31, 2004.

9. REVENUE BONDS:

In September 2003, the District issued General Revenue Bonds, 2003 Series A, in the amount of $205,000,000 to complete the cost of construction of a combined cycle natural gas-fired electric generating plant and related facilities and to pay at maturity on December 1, 2003, the District's Construction Notes, 2002 Series.

In April 2004, the District issued General Revenue Bonds, 2004 Series A (Taxable), in the amount of $53,075,000 to pay for certain capital improvement projects at Cooper Nuclear Station.

In November 2004, the District issued General Revenue Bonds, 2004 Series B, in the amount of $149,030,000 to advance refund a portion of the outstanding 1998 Series A Bonds.

The net proceeds of $163.3 million (after payment of $1.8 million in underwriting fees, insurance, and other issuance costs) plus an additional $3.3 million of debt service and float forward monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 1998 General Revenue Bonds, Series A. As a result, a portion of the 2010-2014 maturities of the 1998 General Revenue Bonds, Series A are considered to be defeased and the liability for those bonds has been removed from the revenue bond long-term debt account group.

The District advance refunded a portion of the 1998 General Revenue Bonds, Series A to reduce its total debt service payments over the next 10 years by almost $6.1 million.

Revenue bonds consist of the following (000's):

December 31,	Interest Rate	2004	2003
General Revenue Bonds:			
1998 Series A:			
Serial Bonds			
2004 - 2016	4.40% - 5.25%	$ 264,210	$ 460,845
Term Bonds			
2017 - 2027	5.00%	13,485	13,485
Capital Appreciation Bonds			
2005	4.65% *	23,514	22,457
2006	4.70% *	24,262	23,161
2007	4.75% *	25,425	24,259
1998 Series B:			
Serial Bonds			
2004 - 2017	4.40% - 5.25%	101,790	115,950
Term Bonds			
2018 - 2027	5.00%	83,570	83,570
1999 Series A Serial Bonds 2004 -2018	4.00% - 5.125%	160,890	168,870
2002 Series A Serial Bonds 2004 - 2006	3.00% - 5.00%	42,595	44,760
2002 Series B:			
Serial Bonds			
2005 - 2025	4.00% - 5.00%	72,320	72,320
Term Bonds			
2026 - 2032	5.00%	22,885	22,885
2003 Series A:			
Serial Bonds			
2005 - 2026	2.50% - 5.00%	118,905	118,905
Term Bonds			
2027 - 2034	5.00%	86,095	86,095
2004 Series A Auction Rate Bonds 2013	Variable	53,075	—
2004 Series B Serial Bonds 2010-2013	4.25% - 5.00%	149,030	—
Total par amount of revenue bonds		1,242,051	1,257,562
Unamortized premium net of discount		19,449	19,814
		1,261,500	1,277,376
Less - current maturities of revenue bonds		(76,844)	(69,945)
Total revenue bonds		$1,184,656	$1,207,431

*Approximates yield to maturity.

Debt service payments and principal payments of the General Revenue Bonds as of December 31, 2004 are as follows (000's):

Year	Debt Service Payments**	Principal Payments
2005	$ 136,140	$ 76,844
2006	168,168***	110,192***
2007	123,738	68,440
2008	123,945	74,405
2009	123,766	78,175
2010-2014	581,848	416,140
2015-2019	252,736	167,915
2020-2024	146,696	94,080
2025-2029	116,603	87,415
2030-2034	78,472	68,445
Total Payments	$1,852,112	$1,242,051

**Excludes interest on 2004 Series A Auction Rate Bonds which interest rate can change every 28 days on the Auction Date. The interest rate at issuance on April 28, 2004 was 1.10% and the interest rate on December 31, 2004 was 2.30%.

***Includes $39,170,000 of the 2002 Series A Bonds maturing in 2006 which the District expects to refinance with General Revenue Bonds.

The fair value of outstanding revenue bonds is determined using currently published rates. The fair value is estimated to be $1,323.2 million and $1,356.0 million at December 31, 2004 and 2003, respectively.

10. COMMERCIAL PAPER NOTES:

The District is authorized to issue up to $150.0 million of tax-exempt commercial paper ("TECP") notes. A $150.0 million credit agreement, which expires November 1, 2005, is maintained with a bank to support the sale of the TECP commercial paper notes. Accordingly, the TECP notes have been classified within Current maturities of long-term debt as of December 31, 2004. The District had $83.9 million and $81.9 million of TECP notes outstanding at December 31, 2004 and 2003 respectively. The proceeds of the TECP notes have been used to provide short-term financing for certain capital additions and for other lawful purposes of the District. The effective interest rates on outstanding TECP notes for 2004 and 2003 were 1.2% and 1.0%, respectively.

The $83.9 million of TECP commercial paper notes outstanding at December 31, 2004, are anticipated to be retired by future collections through electric rates and issuance of revenue bonds. The carrying value of commercial paper notes approximates market due to the short-term nature of the notes.

11. LINE-OF-CREDIT ARRANGEMENTS:

The District has a $150.0 million bank line-of-credit agreement that supports the payment of the principal outstanding of the tax-exempt commercial paper notes. See Note 10 for additional information. The District also has a $10.0 million bank line-of-credit to satisfy the payment guarantee requirements established by the Federal Price-Anderson Act. At December 31, 2004 and 2003, no amounts have been drawn on either line of credit.

12. LONG-TERM DEBT:

Long-term debt activity net of current activity for the year ended December 31, 2004 was as follows (000's):

	December 31, 2003	Increases	Decreases	December 31, 2004	Principal Amounts Due Within One Year
Revenue bonds	$1,207,431	$221,784	$(244,559)	$1,184,656	$ 76,844
Commercial paper notes	81,900	2,000	—	83,900	83,900
Total long-term debt activity	$1,289,331	$223,784	$(244,559)	$1,268,556	$160,744

13. ASSET RETIREMENT OBLIGATION:

Effective January 1, 2003, the District recorded an obligation for the fair value of its legal liability for asset retirement obligations associated with CNS and various ash landfills at its two coal fired power stations. During 2003, the District opened an additional ash landfill and recorded a corresponding asset retirement obligation of $0.3 million. At December 31, 2004, this liability is estimated at $580.9 million and is included in Deferred Credits and Other Liabilities.

The following table shows costs as of January 1, and changes to the ARO that are included in Deferred Credits and Other Liabilities on the balance sheet as of December 31, (millions of dollars):

For the Year Ended December 31,	2004	2003
Balance, beginning of year	$553.2	$526.6
Accretion expense	27.7	26.3
Asset retirement obligation	—	.3
Balance, end of year	$580.9	$553.2

At the point the liability for the asset retirement is incurred, SFAS No. 143 requires capitalization of the costs to the related asset. For asset retirement obligations existing at the time of adoption, the statement requires capitalization of costs at the level that existed at the point of incurring the liability. These capitalized costs are depreciated over the same period as the related asset. At the date of adoption, the depreciation expense for past periods was recorded as a regulatory asset in accordance with SFAS No. 71 because the District will be able to recover these costs in future rates.

The initial liability is accreted to its present value each period. The District defers this accretion as a regulatory asset based on its determination that these costs can be collected from customers. The District has no asset retirement obligations relating to its other various assets such as coal, gas and hydro generating facilities, aboveground and underground storage tanks, and certain electric transmission and distribution facilities. These facilities are generally located on property owned by the District. Under current state statutes, the District has no legal obligation to retire those facilities.

14. PAYMENTS IN LIEU OF TAXES:

The District is required to make payments in lieu of taxes, aggregating 5% of the gross revenue derived from electric retail sales within the city limits of incorporated cities and towns served directly by the District.

15. LOW-LEVEL RADIOACTIVE WASTE DISPOSAL:

The District has access to the Barnwell, South Carolina low-level radioactive waste disposal facility and ships low-level radioactive waste generated as a result of operations at Cooper Nuclear Station to this facility on a routine basis. Legislation has been passed in South Carolina which would significantly reduce the amount of waste accepted from outside South Carolina and eliminate access after June 30, 2008. The District is also now utilizing the Envirocare Facility in Clive, Utah for a portion of its low-level radioactive waste disposal needs. The District cannot predict future costs for the Barnwell and Envirocare facilities or whether the Barnwell and Envirocare facilities will remain open or available to the District.

16. DEPARTMENT OF ENERGY FACILITIES ASSESSMENT:

Under the provisions of the National Energy Policy Act adopted in 1992, the District is subject to assessments initially estimated to be $1.67 million per year (to be adjusted for inflation) for a period up to 15 years for the purpose of paying the costs of decontaminating and decommissioning Department of Energy ("DOE") operated uranium enrichment facilities. Such assessments commenced in 1993 and are to end in 2006. The District and a number of other utilities have filed legal proceedings to challenge DOE's past and future collections. The estimated aggregate amount for such annual assessments for the 2 remaining years is approximately $4.8 million, or $2.4 million per year. The District has recorded such annual assessments by reflecting a liability of approximately $4.8 million as of December 31, 2004 and $7.1 million as of December 31, 2003.

17. RETIREMENT PLAN:

The District's Employees' Retirement Plan (the "Plan") is a defined contribution pension plan established by the District to provide benefits at retirement to regular full-time and part-time employees of the District. At December 31, 2004, there were 2,050 Plan members. Plan members are required to contribute a minimum of 2%, up to a maximum of 5%, of covered salary. The District is required to contribute two times the Plan member's contribution based on covered salary up to $40,000. On covered salary greater than $40,000, the District is required to contribute one times the Plan member's contribution. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. The District's contribution was $10.0 million for 2004 and $9.8 million for 2003 of which $0.9 million was in Accounts payable at December 31, 2004 and 2003.

18. POSTRETIREMENT BENEFITS:

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

The District amended the plan effective January 1, 1993. Employees hired on or after January 1, 1993, are subject to a contribution cap that limits the District's portion of the cost of such coverage to the full premium the year the employee or retired employee reached age 65, or the year in which the employee retires if older than age 65. Any increases in the cost of such coverage in subsequent years would be paid by the retired employee.

The District amended the plan effective January 1, 1999. Employees hired on or after January 1, 1999 are not eligible for postretirement hospital-medical benefits once they reach age 65 or Medicare eligibility. The District further amended the plan effective January 1, 2004, to provide that employees hired on or after that date will not be eligible for post retirement hospital-medical benefits once they retire.

The District also provides employees a life insurance benefit when they retire. Substantially all of the District's retired and active employees are eligible for such benefits. Currently, the cost of these benefits is recognized as expense as the premiums are paid. The total cost of postretirement hospital-medical and life insurance benefits was $5.8 million for both 2004 and 2003.

Statement 12, Disclosure of Information on Post-employment Benefits Other Than Pension Benefits by State and Local Governmental Employees ("OPEB"), issued by the GASB provides that entities should provide certain minimum disclosures regarding the OPEB provided. Additionally, Statement 12 provides for differing methods for financing OPEB. The District, as indicated above, currently funds OPEB on a "pay-as-you-go" basis and has not elected to fund OPEB through advance funding on an actuarially determined basis. The District will analyze alternative funding methods for OPEB in accordance with the adoption of GASB No. 43 and GASB No. 45.

19. COMMITMENTS AND CONTINGENCIES:

The District has coal supply and coal transportation contracts with minimum future payments of $220.4 million. The various coal contracts expire through 2009. The various coal transportation contracts expire through 2011. These contracts are subject to price escalation adjustments.

The District has wholesale power purchase commitments with the Western Area Power Administration through 2020 with annual minimum future payments of approximately $18.9 million. This contract is subject to rate changes.

The District has two power sales contracts with MEC. The initial contract for 380 megawatts ("MW") ended on December 31, 2004. The second contract for 250 MW is for a term beginning January 1, 2005 and ending on December 31, 2009. Both power sales contracts are for the delivery of 380 MW and 250 MW, respectively, of the accredited capacity and associated energy from CNS at prices as set forth in the contracts.

The District has entered into long-term PRO Agreements having initial terms of 15, 20 or 25 years with 79 municipalities for the operation of certain retail electric distribution systems. These PRO agreements obligate the District to make payments based on gross revenues from the municipalities and pay for normal property additions during the term of the agreement.

The District entered into new 20-year wholesale power contracts, with a term that expires December 31, 2021, with the majority of its firm requirements wholesale customers to provide them with their total power and energy requirements through 2007, after which the wholesale customer could level-off its power and energy purchases through 2010 and thereafter could reduce its power and energy purchases up to ten percent per year with at least three years advance notice.

Effective January 2004, the District entered into a Participation Power Agreement (the "NC2 Agreement") with Omaha Public Power District ("OPPD") to purchase 157 MW, which is a 23.7% share, of the power from a 663 MW coal fired power plant to be constructed by OPPD and to be known as Nebraska City Station Unit 2 ("NC2"). The plant is expected to be in service in 2009. OPPD will retain 50.0% of the output for its own use and has entered into similar participation power sales agreements with other power purchasers. The District's obligation under the NC2 Agreement to make payments is an unconditional "take-or-pay" obligation, obligating the District to make such payments whether or not NC2 or any part thereof is completed, delayed, terminated, available, operable, operating or retired. The NC2 Agreement contains a step up provision obligating the District to pay a share of the cost of any deficit in funds for operating expenses, debt service, other costs and reserves related to NC2 as a result of a defaulting power purchaser. The District's obligation pursuant to such step up provision is limited to 160.0% of its original participation share (23.7%).

Under the provisions of the Federal Price-Anderson Act, the District and all other licensed nuclear power plant operators could each be assessed for claims in amounts up to $88.1 million per unit owned in the event of any nuclear incident involving any licensed facility in the nation, with a maximum assessment of $10.0 million per year per incident per unit owned. To satisfy the obligation, the District has obtained a $10.0 million line of credit.

The Nuclear Regulatory Commission ("NRC") evaluates nuclear plant performance as part of its reactor oversight process. The NRC has five performance categories. As a result of performance deficiencies identified during the period from October 2000 to April 2002 in the area of emergency preparedness, the District was placed in the second lowest of the five performance categories and was required to develop and implement a performance improvement plan at CNS with NRC oversight. The NRC also issued a Confirmatory Action Letter ("CAL") in January 2003 to assure completion by the District of its improvement plan.

Subsequent to the issuance of the CAL, the NRC conducted periodic inspections to assess whether sustained performance improvements were being achieved at CNS. In August 2004, the District informed the NRC that all of NPPD's commitments related to the CAL had been satisfactorily completed. In October 2004, the NRC conducted a CAL Closure inspection to review the results of the District's improvement efforts. In January 2005, the NRC stated that the District had completed the improvement plan actions described in the CAL for CNS and the CAL would be closed. With the closure of the CAL, the level of NRC oversight will be reduced to that of other power plants in the Regulatory Response column of the NRC's Action Matrix.

As part of a 1989 settlement of various disputed matters between General Electric Company and the District, General Electric has agreed to store at the Morris Facility the spent nuclear fuel assemblies from the first two full core loadings at Cooper Nuclear Station at no cost to the District until the expiration of the current license for the Morris Facility. The license expiration date was recently extended from May 2002 to May 2022. After that date, storage will be at no cost to the District as long as General Electric can maintain the NRC license for the Morris Facility on essentially the existing design and operating configuration.

On December 4, 2002, Region VII of the Environmental Protection Agency ("EPA") sent a letter to the District, and three other utilities located within Region VII, requesting documents and certain information pursuant to Section 114(a) of the federal Clean Air Act. On April 10, 2003, Region VII of the EPA sent a supplemental request for documents and information to the District and the other three electric utilities. The letters' requests pertain to the District's Gerald Gentleman Station and Sheldon Station. The EPA is interested in determining compliance with the Clean Air Act, Nebraska's implementation plan and potential application of federal new source review requirements. In general, a finding of non-compliance can require the installation of air pollution control equipment and the assessment of penalties. The District has provided the documents and information requested to the EPA. The District has not received any further written communications from the EPA regarding this inquiry.

On August 19, 2002, the District received notice from the EPA identifying the District as a Potentially Responsible Party ("PRP") for liability associated with a former Manufactured Gas Plant ("MGP") located in Norfolk, Nebraska. The District is identified as a current owner of property located adjacent to the Norfolk MGP operations. In 2002, the EPA asked identified PRPs to participate in negotiations for completing an Engineering Evaluation/Cost Analysis ("EE/CA"). The identified PRPs met with the EPA Region VII in October 2002 to discuss the site. No other activities between the District and the EPA had taken place related to this site from the time of the October 2002 meeting with the EPA until June 2004. On June 14, 2004, PRPs received notice from the EPA that the EPA was interested again in beginning efforts to complete an EE/CA to address this site. The District has denied that it has any liability as related to the MGP operations, but has indicated to the EPA willingness to cooperate with efforts to address the site. In February 2005, the EPA sent the District a letter requesting additional information regarding its relationship to the MGP operations. The District is unable to predict what costs may be incurred with respect to MGP.

In October 2003, the District entered into an agreement (the "Entergy Agreement") for support services at Cooper Nuclear Station with Entergy, a wholly owned indirect subsidiary of Entergy Corporation. The Entergy Agreement is for an initial term ending January 18, 2014, subject to either party's right to terminate without cause by providing notice and paying a termination charge.

20. LITIGATION:

In December 2004 a resident of North Platte, Nebraska initiated an action in a Nebraska court against the District petitioning the court to void the agreement with Entergy, enjoining the District from entering into similar contracts and seeking reimbursement of the monies paid to Entergy pursuant to the Entergy Agreement. Said complaint alleges that the Entergy Agreement violates Nebraska law since it is not at cost and improperly provides indemnification and the payment of certain additional fees. The District filed an answer in February 2005 denying that the Entergy Agreement is invalid in any respect and seeking dismissal of the complaint. No additional proceedings have been scheduled.

A number of other claims and suits are pending against the District for alleged damages to persons and property and for other alleged liabilities arising out of matters usually incidental to the operation of a utility such as the District. In the opinion of management, based upon the advice of its General Counsel, the aggregate amounts recoverable from the District, taking into account estimated amounts provided in the financial statements and insurance coverage, are not material as of December 31, 2004.

21. SUBSEQUENT EVENTS:

In January 2005, the District issued General Revenue Bonds, 2005 Series A, in the amount of $103.6 million to finance the cost of a 60 MW wind generation facility, a GGS well field project and a generator rewind project at GGS.

In February 2005, the District issued General Revenue Bonds 2005 Series B-1 and B-2 in the amount of $215.9 million to advance refund a portion of the outstanding 1998 Series A, 1999 Series A and 2003 Series A Bonds.

Nebraska Public Power District

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