your energy partner®
OPPD
Omaha Public Power District

444 South 16th Street Mall
Omaha NE 68102-2247

April 12, 2007
LIC-07-0032

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

Reference: Docket No. 50-285

SUBJECT: 2006 Annual Financial Report

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the Omaha Public Power District's (OPPD) 2006 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. L. McManis
Manager - Nuclear Licensing

JLM/mle

Enclosure: OPPD Annual Report.

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

M004

2006 ANNUAL REPORT

OMAHA PUBLIC POWER DISTRICT

Making History

Thank you for your interest in Omaha Public Power District's annual report. The purpose of this document is to provide you with financial and operational information regarding the past year.

It was a historic year for the utility, and numbers alone don't tell the whole story. The 'big' outage at Fort Calhoun Station (OPPD's nuclear power plant), continued work on our new coal plant (Nebraska City Station Unit 2), and the move toward automated meter reading are among the many reasons OPPD spent the year *Making History.*

Historic Ideas

"We will continue to give our customers that same outstanding service that has always characterized our operations . . . the type of service to which our customers have become accustomed and which has put our company in the forefront among the electrical utilities of America."

- J.E. Davidson, OPPD's first President, 1946-1949

"As we look to the next 60 years, we must never forget how important our work is to the customers we serve. Our product is as important to them as air, food and water. Our work must continue to be stamped with our commitment to excellence. It must always be driven by our goal of exceeding customer expectations."

- W. Gary Gates, OPPD President and Chief Executive Officer, 2004-present

Historic Honors

J.D. Power and Associates: received sixth consecutive award for the highest residential customer satisfaction rating among medium-sized utilities *

Gold Well Workplace: awarded Gold Well Workplace honor from the Wellness Council of America for outstanding efforts in addressing employee health and wellness

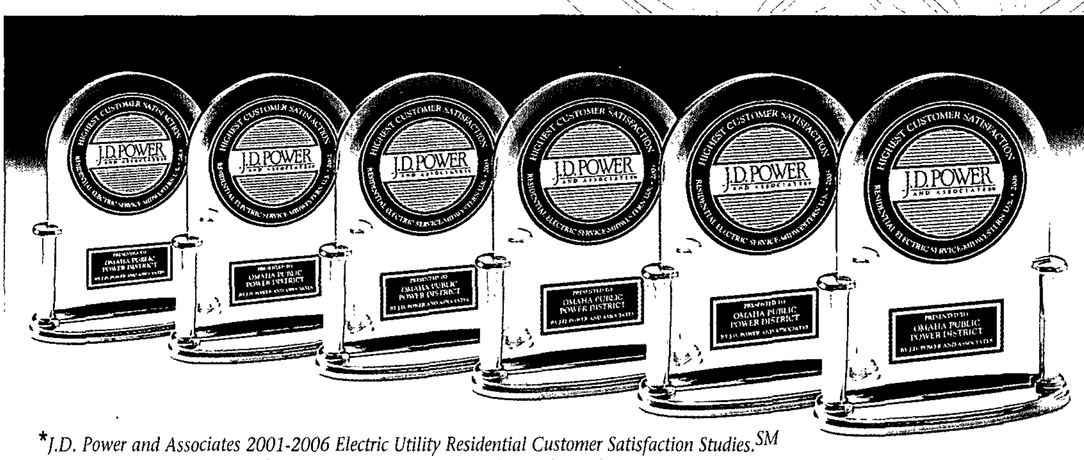
Tree Line USA Utility: received sixth consecutive honor from the National Arbor Day Foundation and the National Association of State Foresters

Better Business Bureau Integrity: earned Better Business Bureau Integrity Award for distinguishing itself among companies with more than 100 employees regarding integrity, ethics, customer interaction, community service and planning issues

On the cover:

Construction continues on Nebraska City Station Unit 2, a 663-megawatt coal plant; one of the old steam generators is removed from the Fort Calhoun Station containment building during the historic 2006 outage; the full force of meter readers assembles prior to the changeover to automated meter reading.

CONTENTS



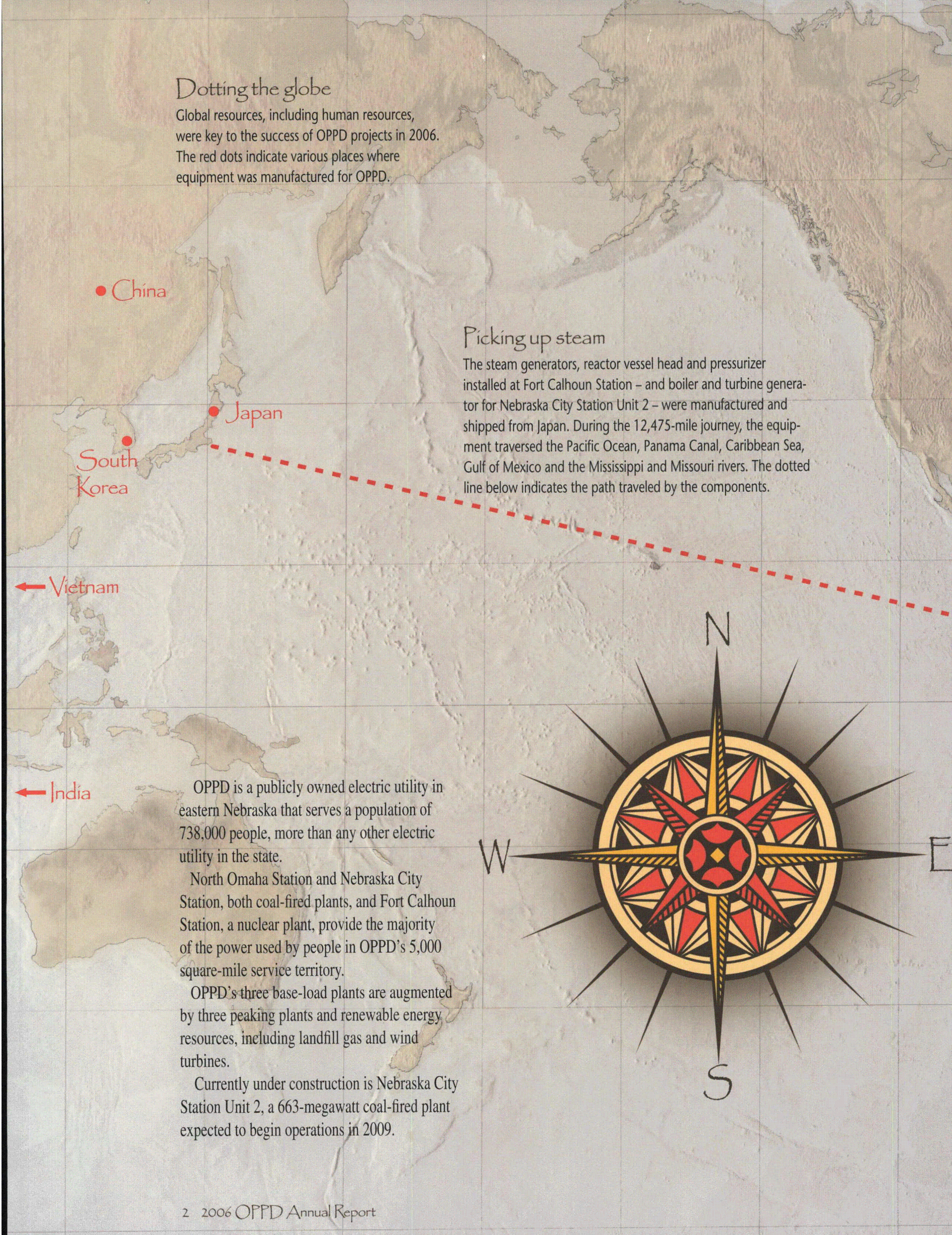
**J.D. Power and Associates 2001-2006 Electric Utility Residential Customer Satisfaction Studies.SM 2006 study based on a total of 26,688 consumer responses. The top 21 medium electric companies were ranked in the study. www.jdpower.com*

Dotting the globe

Global resources, including human resources, were key to the success of OPPD projects in 2006. The red dots indicate various places where equipment was manufactured for OPPD.

Picking up steam

The steam generators, reactor vessel head and pressurizer installed at Fort Calhoun Station – and boiler and turbine generator for Nebraska City Station Unit 2 – were manufactured and shipped from Japan. During the 12,475-mile journey, the equipment traversed the Pacific Ocean, Panama Canal, Caribbean Sea, Gulf of Mexico and the Mississippi and Missouri rivers. The dotted line below indicates the path traveled by the components.

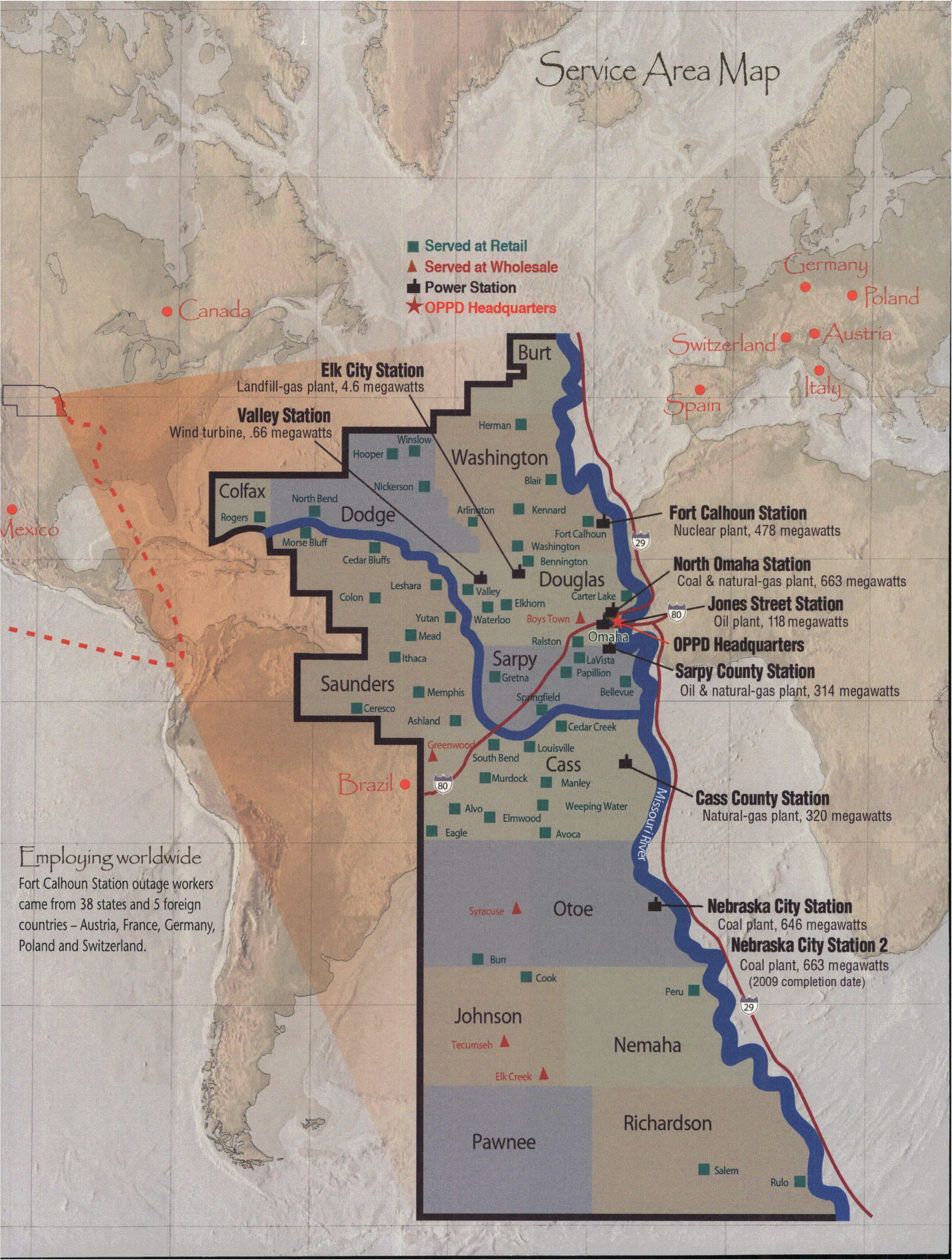


OPPD is a publicly owned electric utility in eastern Nebraska that serves a population of 738,000 people, more than any other electric utility in the state.

North Omaha Station and Nebraska City Station, both coal-fired plants, and Fort Calhoun Station, a nuclear plant, provide the majority of the power used by people in OPPD's 5,000 square-mile service territory.

OPPD's three base-load plants are augmented by three peaking plants and renewable energy resources, including landfill gas and wind turbines.

Currently under construction is Nebraska City Station Unit 2, a 663-megawatt coal-fired plant expected to begin operations in 2009.


Service Area Map
Served at Retail
Served at Wholesale
Power Station
OPPD Headquarters
Canada
Mexico
Brazil
Germany
Poland
Switzerland
Austria
Spain
Italy
Elk City Station
Landfill-gas plant, 4.6 megawatts
Valley Station
Wind turbine, .66 megawatts
Fort Calhoun Station
Nuclear plant, 478 megawatts
North Omaha Station
Coal & natural-gas plant, 663 megawatts
Jones Street Station
Oil plant, 118 megawatts
OPPD Headquarters
Sarpy County Station
Oil & natural-gas plant, 314 megawatts
Cass County Station
Natural-gas plant, 320 megawatts
Nebraska City Station
Coal plant, 646 megawatts
Nebraska City Station 2
Coal plant, 663 megawatts
(2009 completion date)
Burt
Washington
Colfax
Dodge
Douglas
Sarpy
Saunders
Cass
Otoe
Johnson
Nemaha
Pawnee
Richardson
Herman
Winslow
Hooper
Blair
Nickerson
North Bend
Rogers
Arlington
Kennard
Fort Calhoun
Washington
Morse Bluff
Cedar Bluffs
Bennington
Leshara
Valley
Carter Lake
Colon
Elkhorn
Yutan
Waterloo
Boys Town
Omaha
Mead
Ralston
Ithaca
LaVista
Gretna
Papillion
Memphis
Springfield
Bellevue
Ceresco
Ashland
Cedar Creek
Greenwood
Louisville
South Bend
Murdock
Manley
Alvo
Elmwood
Weeping Water
Eagle
Avoca
Missouri River
Syracuse
Burr
Cook
Peru
Tecumseh
Elk Creek
Salem
Rulo
29
80
Employing worldwide
Fort Calhoun Station outage workers came from 38 states and 5 foreign countries – Austria, France, Germany, Poland and Switzerland.

Chairman and CEO Message


W. Gary Gates and Del D. Weber

Business leaders sometimes use the term 'history-making' to tout company accomplishments others may regard as quite ordinary. If we describe the events of 2006 at Omaha Public Power District as history-making, we do so with a clear conscience. It was, literally, a remarkable, historic year.

The 'big' outage at Fort Calhoun Station (FCS), OPPD's nuclear facility, grabbed the biggest headlines because of its significance to the future of nuclear energy in the U.S. During the 85-day refueling and refurbishment outage, most of the plant's major components were replaced, essentially giving OPPD customers a 'new' plant that will provide safe, clean energy to 2033 and beyond.

FCS benefits from a modest power upgrade as a result of the refurbishment, but the resulting extra capacity is not nearly enough to meet the expected future energy demands of our customers. That is the reason Nebraska City Station Unit 2 (NC2) is being constructed. The 663-megawatt facility, expected to be operational in 2009, reached nearly 20-percent completion by the close of 2006.

It is difficult to express the tremendous pride we feel regarding the people involved with these projects and the results they were able to achieve. The FCS outage finished $36 million under budget and five days ahead of schedule. NC2 construction proceeded ahead of schedule and under budget, as well, and is being built at one of the lowest costs per megawatt of any fossil fuel plant under construction across the nation.

These extensive projects in no way diminish the many smaller-scale projects accomplished during the year or the outstanding work by members of OPPD's family performing daily operations. We invite you to read the remainder of the annual report to learn about the many historic events of 2006, a year which, fittingly, is also OPPD's 60th anniversary.

Our thanks go out again to our colleagues on the Board of Directors and in Senior Management, to all the fine men and women of OPPD for their diligent, consistent efforts and support, and to you, for your interest in OPPD – a company we believe is one of the finest utilities in the nation.

W. Gary Gates

W. Gary Gates
President and Chief Executive Officer

Del D. Weber
Chairman of the Board

Board of Directors

The OPPD Board of Directors includes, from the left: Anne L. McGuire, Michael J. Cavanaugh, John R. Thompson, N.P. Dodge Jr., Del D. Weber, Geoffrey C. Hall, John K. Green and Frederick J. Ulrich.

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

Frederick J. Ulrich
Vice Chairman of the Board
Farmer, Cattle Feeder

N.P. Dodge Jr.
Secretary
President, N.P. Dodge Company

John K. Green
Treasurer
Attorney at Law

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

Geoffrey C. Hall
Board Member
Attorney at Law

Anne L. McGuire
Board Member
Nurse Educator

John R. Thompson
Board Member
Land Developer

Senior Management

The OPPD senior management team includes, from the left: Roger L. Sorenson, Ross T. Ridenoure, Adrian J. Minks, W. Gary Gates, Dale F. Widoe, Charles P. Moriarty and Timothy J. Burke.

W. Gary Gates
President,
Chief Executive Officer

Charles P. Moriarty
Vice President,
Chief Financial Officer

Ross T. Ridenoure
Vice President,
Chief Nuclear Officer

Timothy J. Burke
Vice President

Adrian J. Minks
Vice President

Roger L. Sorenson
Vice President

Dale F. Widoe
Vice President

Making History... with

It began, as most great works begin, with a vision... a vision sparked by the goals of exceeding our customers' expectations and anticipating their future needs.

As the 21st century approached, a growing economy and the "digitalization" of households in OPPD's service territory triggered increasing energy demands. OPPD's 478-megawatt nuclear facility, Fort Calhoun Station, was nearing the end of its licensed "life," and OPPD's leaders faced a decision: begin steps to decommission the plant or step up to extend its life.

Nuclear power was gaining favor again in our country as a popular energy choice, but the fact remained that no U.S. nuclear facility had been built since 1973.

To meet regulatory requirements and maximize the benefits of relicensing Fort Calhoun Station for 20 additional years, the plant essentially would need to be rebuilt. You might say OPPD owned a classic auto with a well-kept chassis, but it needed a new power train.

After thorough research, a vision emerged of extending OPPD's nuclear energy production to 2033 and, potentially, even longer. The vision took shape as a plan under the name PLEX, or Plant Life-Extension.

To take advantage of economies of size, scale and time, OPPD's leaders decided to embark on nothing less than the most ambitious refueling and refurbishment outage in nuclear industry history.

Hundreds of people combined their talents to complete the extraordinary feat in 85 days, five days ahead of schedule and $36 million under budget.

A vision realized. By many, for many.

a worldwide first

During the outage, workers had to cut through the four-foot thick containment building to allow access for equipment. This late 1960s photo shows the intricate prestressing system concealed in the roof and walls.

Historic Actions

Replacing all major components in a single outage established a nuclear-industry first. The steam generators, shown in the photo en route to Fort Calhoun Station, were replaced, as were the reactor vessel head, pressurizer, low-pressure turbines, and main transformer.

Making History...while

Historic Safety

More than one million hours without a lost-time incident was achieved October 2006 in OPPD's Production Operations Division. Pictured at North Omaha Power Station are some of these employees.

In addition, more than one million hours without a lost-time incident was achieved January 2006 in OPPD's Transmission and Distribution Operations Division.

affirming our values

Automated meters were being installed. High-Performance Organization efforts were in full swing. Nebraska City Unit 2 construction was progressing at a vigorous pace. Fort Calhoun Station was undergoing the most aggressive nuclear outage ever attempted.

Change is inevitable. It can bring progress. It can bring challenges. And, sometimes, the best change is no change at all.

Amid a whirlwind of historically significant events and changes in 2006, some things remained the same. Chief among them were OPPD's core values.

Our list of core values could just as accurately be labeled: What motivates us? What is most important to us? Why do we do what we do? OPPD employees affirm these values on a daily basis by the work they do and the way they do it.

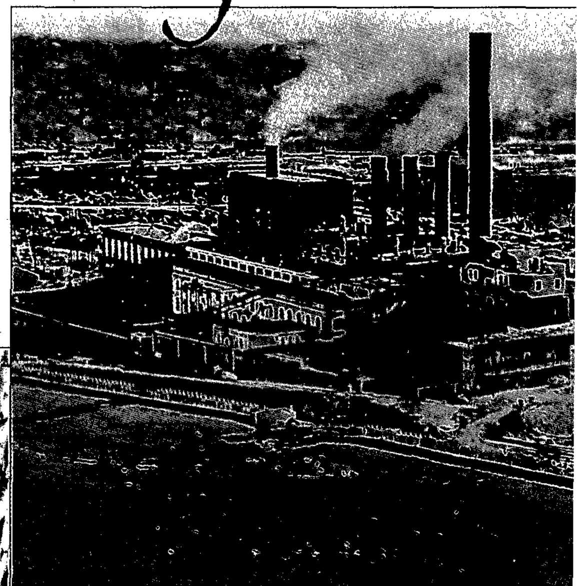
OPPD's core values are Safety (our most important value), Accountability, Commitment to Customers, Excellence, Teamwork and Family Orientation.

Amid a whirlwind of historically significant events and changes in 2006, some things remained the same. And that is good.

Historic Updates

Meter readers manually recorded usage in the early days. In 2006, the first 80,000 of 330,000 automated meters were installed. The conversion means increased service for customers and decreased expenses for OPPD. After a seven-year payback period, savings of $3.3 million per year are projected.

Making History... thro



Determining what is historic and what is not is a subjective matter. On a personal level, the occasions that form our identity and make up the "plot points" of our life may be remarkable events. But, just as likely, they may be seemingly ordinary incidents that go unnoticed by others.

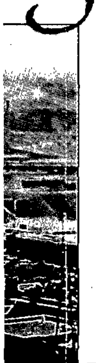
The same is true in the life of OPPD. One event in 2006 that could be categorized as great or small, historic or not historic, depending on your point of view, is the expansion of Elk City Station, our landfill-gas plant. The amount of energy the plant produces is significant. The fact that it is renewable is of great importance.

Another act that may be viewed as great or small occurred in December, when OPPD sent 21 field employees to help people in the St. Louis area who were, literally, in the dark. A major ice storm had left approximately 2.4 million people in central and southern Illinois and parts of Missouri without power.

From OPPD's point of view, lending a hand in times of trouble and expanding our renewable energy portfolio are responsibilities we view as privileges. Both are vital to our future and significant for the health of our nation and world. Will the expansion of Elk City Station or the assistance we provided to our Midwestern neighbors one day be considered historic? Only time and perspective will tell.

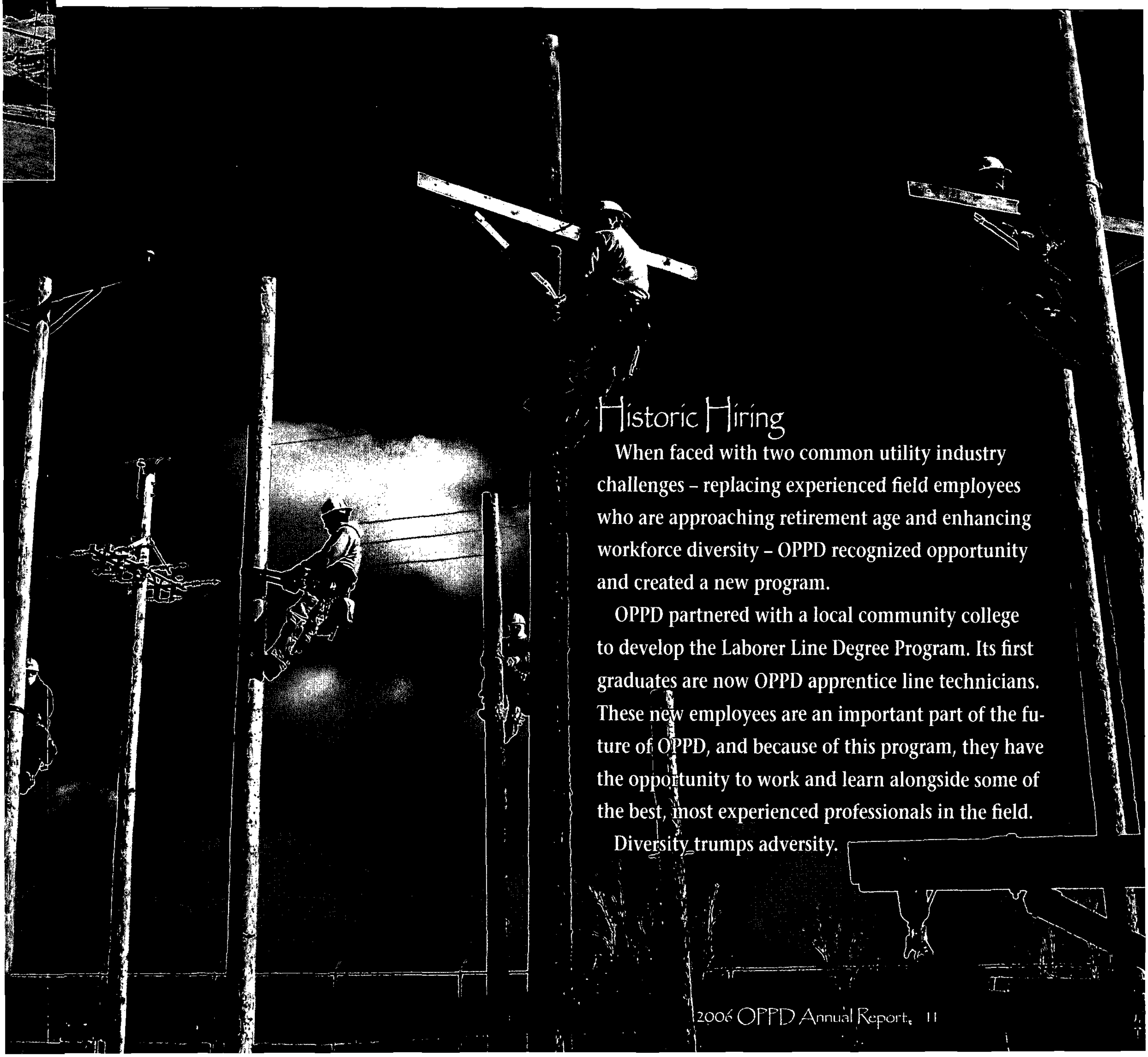
Pesto the pandemic bug

ugh acts great and small



Historic Campaign

OPPD must be prepared for any emergency, as it learned early in its history with the flood of 1952. Employees built a flood wall, earthen dikes and filled hundreds of sandbags to keep the swollen Missouri River from Jones Street Station, at left. In addition to natural disasters, OPPD now has emergency plans addressing concerns such as terrorism and a potential influenza pandemic. Enter Pesto the pandemic bug, who has become OPPD's mascot for pandemic awareness. Through a unique in-house communication campaign, the Anti-Pesto Campaign©, employees have been educated about what they can do to prevent little bugs from causing big problems.



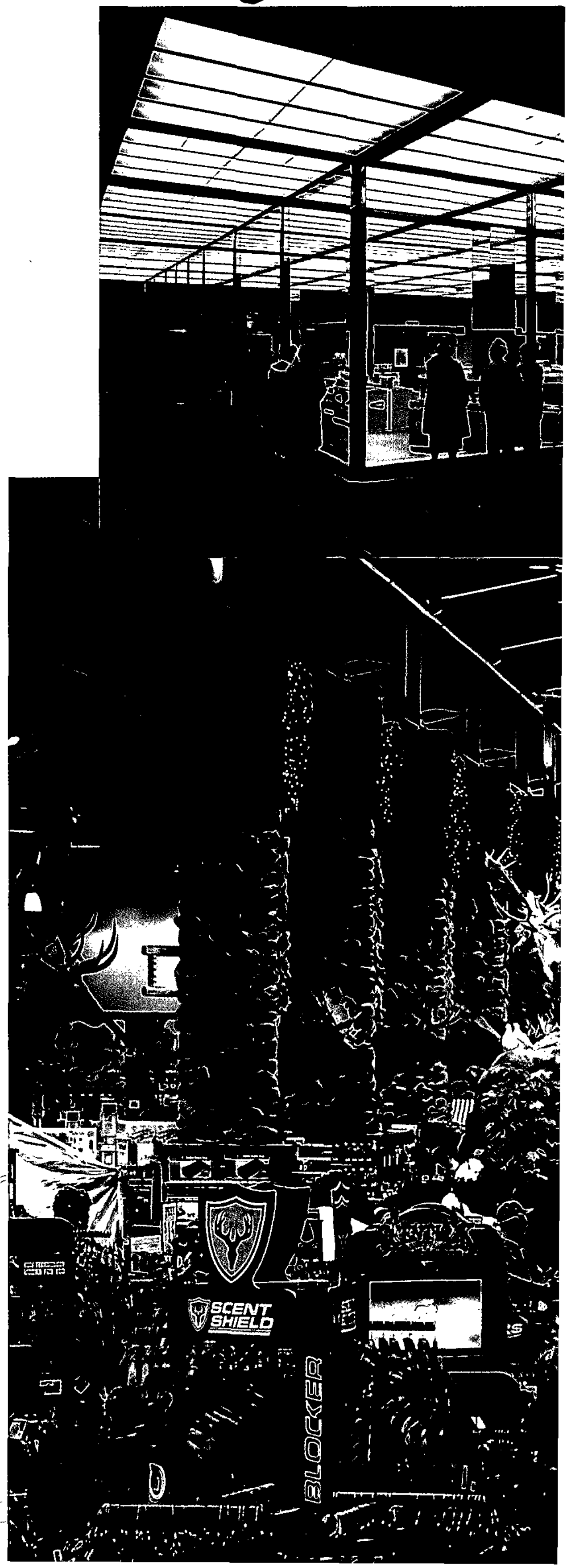
Historic Hiring

When faced with two common utility industry challenges – replacing experienced field employees who are approaching retirement age and enhancing workforce diversity – OPPD recognized opportunity and created a new program.

OPPD partnered with a local community college to develop the Laborer Line Degree Program. Its first graduates are now OPPD apprentice line technicians. These new employees are an important part of the future of OPPD, and because of this program, they have the opportunity to work and learn alongside some of the best, most experienced professionals in the field.

Diversity trumps adversity.

Making History. . .by f



Since its humble beginning in 1946, Omaha Public Power District has grown from serving more than 85,000 customers in a 2,500 square-mile service territory to serving nearly four times the customers in double the geographic area. Early on, OPPD delivered roughly 116,000 kilowatts of power.

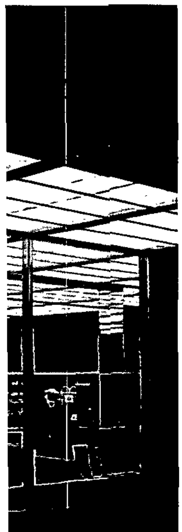
The 1950s ushered in a megawatt mind-set to keep pace with the proliferation of consumer appliances and advancements in agriculture. Steady growth in subsequent decades and adherence to the principles of providing low-cost, reliable energy and outstanding customer service has brought OPPD to a position as one of the most respected public utilities in the nation.

As for recent history, OPPD implemented the second in a series of three general rate increases, necessary and prudent during this period of unprecedented capital spending. Even with the modest rate increases, OPPD's rates remain more than 20 percent below the national average and are a driving force behind the area's economic growth and high quality of life.

As we forge our future with projects such as the refurbishment of Fort Calhoun Station or the construction of Nebraska City Station Unit 2, we relish our national stature. This is especially meaningful to our company since we do business in the only all-public-power state in the U.S. In fact, one of OPPD's goals is to become a leader among national utilities, public or private.

We understand that achieving that goal can only come as a result of achieving our goals today while striving toward innovative solutions for tomorrow. We know that true excellence comes from honoring commitments in the present, responsibilities of the future and traditions of the past.

ging the future and honoring the past



Historic Demand

When some people think of Nebraska, they think only of plows and pastures. Those who know Omaha and the surrounding area understand that, while agriculture is and always will be a core industry, this region's best economic descriptor is diversity. Information services, insurance, medicine, banking and business – all are major economic pillars and substantial energy users.

You may be surprised to learn that Omaha ranks eighth among the nation's 50 largest cities in both billionaires and Fortune 500 companies per-capita, a higher dual-list ranking than can be claimed by any coastal city. In 2006 Cabela's, pictured below, "The World's Foremost Outfitter®" of hunting, fishing and outdoor gear, joined OPPD's customer base. Its showroom contrasts with this 1960-era retail store, at left.

The area's business climate is strong. It's growing. And it's fueled in no small measure by the availability and reliability of low-cost energy provided by OPPD.

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's revenues are from retail sales, off-system sales and other electric 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.

In December 2006, OPPD proudly celebrated 60 years of service to its customer-owners. 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 numerous benefits of public power, OPPD focuses on strong strategic planning, effective risk management practices and sound financial policies and business practices.

OPPD continually plans for the future energy needs of its customer-owners. In December 2006, OPPD finished a major life-extension outage at the Fort Calhoun Station, which will enable the plant to operate beyond the term of its license in 2033. This successful 85-day effort marked the most ambitious refueling and maintenance outage undertaken in the history of the commercial nuclear power industry.

In addition, construction continues on the Nebraska City Station Unit 2, a 663-megawatt fossil fuel facility adjacent to the Nebraska City Station Unit 1. The District will use 50% of the output for its customers and has executed long-term Participation Power Agreements with seven public power utilities in Nebraska, Missouri and Minnesota for the remaining half of the output.

With the significant capital expenditures during 2006 and over the next several years, OPPD has a financing plan that ensures its financial stability during this period of high capital spending. Management focuses on cost control and the efficient utilization of resources to achieve OPPD's mission of delivering high-value electricity and other essential services to our customers.

Effective planning and cost-control efforts have enabled OPPD to successfully hold rates well below the national average. In 2006, a general rate increase of 3% was approved along with a revenue strategy which provided for additional revenues of approximately $16,000,000 per year for 2007 and 2008 for capital financings. For 2007, these additional revenue requirements will be attained through a general rate increase of approximately 2.8%. Even with these increases, OPPD's rates will still remain well below the national average.

OPPD has a Debt Retirement Reserve to help manage the long-term risks associated with the significant additional capital expenditures and related debt issues. In 2006, OPPD had a net increase of $15,000,000 to this reserve to use in future years for the retirement of debt and the maintenance of adequate debt service coverage ratios. The balance of the Debt Retirement Reserve was $105,000,000 at December 31, 2006.

OPPD is required to have sulfur dioxide allowances equal to its emission levels. One sulfur dioxide allowance must be owned for each ton of sulfur emitted by the plants. Due to a surplus inventory of currently usable sulfur dioxide allowances, OPPD sold 25,000 current allowances and purchased 25,000 allowances usable between 2010 and 2014. This transaction increased other electric revenues by $18,555,000 for 2006, while maintaining an equivalent number of allowances to meet future requirements.

OPPD has a stable, diversified customer base which continues to grow steadily. Services to Offutt Air Force Base (Offutt) have been expanded with the transfer of ownership of its distribution system to OPPD in January 2007. In addition, OPPD began providing electric transmission and distribution services for Offutt's military housing area in 2006.

Specific performance measures addressing safety, return on the business, customer satisfaction and cost management continue to be used to align employees around a consistent, clear vision. Thanks to the contributions and teamwork of OPPD's employees, these measures were exceeded for 2006. This success translates into benefits for customer-owners and supports OPPD's main thing of exceeding customer expectations. As "your energy partner," OPPD will continue to work with its customer-owners to meet their energy needs safely, reliably, and affordably, as it has for the past 60 years.

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).

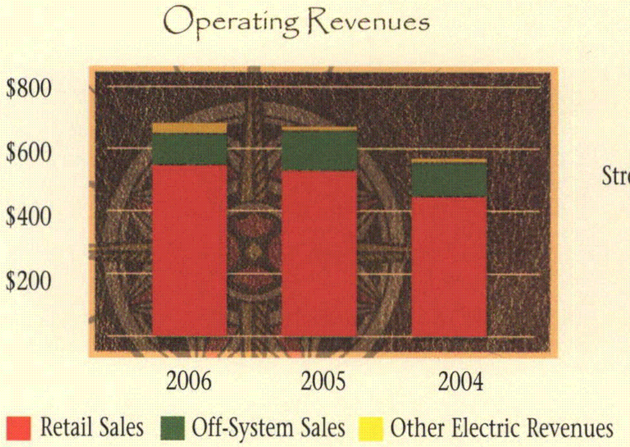
Condensed Balance Sheets	2006	2005
Current Assets	$ 561,411	$ 435,489
Capital Assets	2,655,755	2,224,529
Other Long-Term Assets	586,299	460,813
Total Assets	$3,803,465	$3,120,831
Current Liabilities	$ 413,766	$ 281,516
Long-Term Liabilities	1,939,260	1,473,166
Total Liabilities	2,353,026	1,754,682
Equity	1,450,439	1,366,149
Total Liabilities and Equity	$3,803,465	$3,120,831

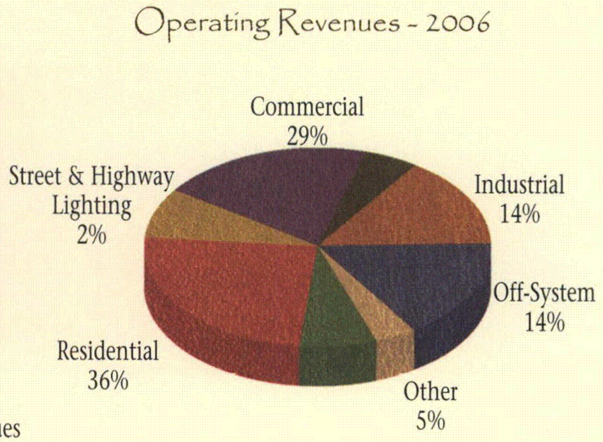
The following summarizes OPPD's operating results for the years ended December 31 (in thousands).

Operating Results	2006	2005	2004
Operating Revenues	$ 676,828	$ 666,552	$ 566,315
Operating Expenses	574,098	554,995	507,340
Operating Income	102,730	111,557	58,975
Other Income	47,755	21,313	10,995
Interest Expense	66,195	50,699	45,126
Net Income	$ 84,290	$ 82,171	$ 24,844

Operating Revenues

The following chart, left, illustrates the composition of OPPD's operating revenues (in millions) for the past three years. The following chart, right, illustrates the percentage share of revenues by customer class for 2006. Other electric revenues include proceeds from the sale of sulfur dioxide allowances, connection charges, customers' forfeited discounts, rent from electric property, transmission wheeling fees and miscellaneous revenues.





2006 Compared to 2005

Total operating revenues were $676,828,000 for 2006, an increase of $10,276,000 or 1.5% over 2005 operating revenues of $666,552,000.

- The increase in 2006 total operating revenues compared to 2005 was mainly due to the increase in other electric revenues. The increase was partly offset by an addition in 2006 to the Debt Retirement Reserve of $15,000,000 which reduced operating revenues for 2006.
- Prior to the reduction for the Debt Retirement Reserve, revenues from retail sales were $559,124,000 for 2006, an increase of $26,038,000 or 4.9% over 2005 revenues of $533,086,000. The increase in retail revenues was primarily due to the implementation of a 3.0% general rate increase on April 1, 2006, and increased energy sales from warmer weather in 2006 compared to 2005.

- Revenues from off-system sales were $96,500,000 for 2006, a decrease of $23,530,000 or 19.6% from 2005 revenues of $120,030,000. The decrease was primarily due to the 2006 major planned production outage at the Fort Calhoun Station that resulted in less energy available for off-system sales coupled with lower energy prices in 2006 compared to 2005.
- Other electric revenues were $36,204,000 for 2006, an increase of $22,768,000 over 2005 revenues of $13,436,000. The increase was primarily due to the $18,555,000 gain on the sale of sulfur dioxide allowances and several settlements.

2005 Compared to 2004

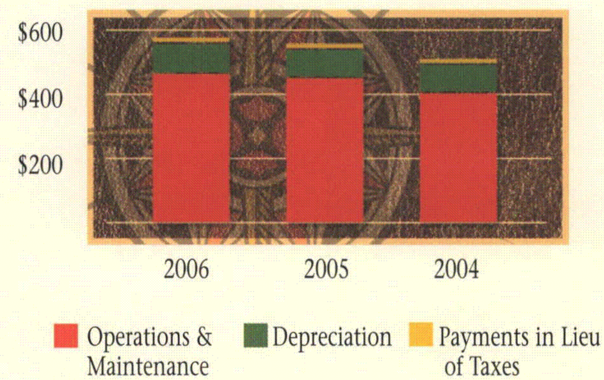
Total operating revenues were $666,552,000 for 2005, an increase of $100,237,000 or 17.7% over 2004 operating revenues of $566,315,000.

- The increase in 2005 total operating revenues compared to 2004 was partly due to an addition in 2004 to the Debt Retirement Reserve of $55,000,000 which reduced operating revenues for 2004.
- Revenues from retail sales were $533,086,000 for 2005, an increase of $36,636,000 or 7.4% over 2004 revenues of $496,450,000 (before adjustments to revenues for additions to the Debt Retirement Reserve). The increase in retail revenues was primarily due to increased energy sales from warmer weather in 2005 compared to 2004.
- Revenues from off-system sales were $120,030,000 for 2005, an increase of $10,507,000 or 9.6% over 2004 revenues of $109,523,000. The increase in revenues was due mainly to higher energy prices.
- Other electric revenues were $13,436,000 for 2005, a decrease of $1,906,000 or 12.4% from 2004 revenues of $15,342,000. The decrease was due mainly to the revenues realized from the sale of a bankruptcy claim in 2004.

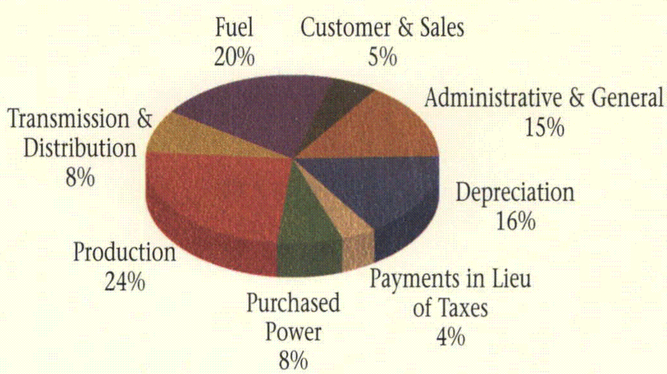
Operating Expenses

The following chart, top, illustrates the composition of OPPD's operating expenses (in millions) for the past three years. The following chart, bottom, illustrates the percentage share of operating expenses by expense classification for 2006.

Operating Expenses



Operating Expenses -2006



2006 Compared to 2005

Total operating expenses were $574,098,000 for 2006, an increase of $19,103,000 or 3.4% over 2005 operating expenses of $554,995,000.

- Fuel expense increased $15,377,000 over 2005 primarily due to the higher prices of fossil fuels and greater utilization of gas-fired peaking stations.
- Purchased power expense decreased $7,726,000 from 2005 primarily due to fewer energy purchases and lower energy prices.
- Customer service and information expense decreased $4,710,000 from 2005 due mainly to the completion of the amortization of the customer energy conservation costs in 2005.
- Administrative and general expense was $7,114,000 higher than in 2005 due mainly to increased costs of employee benefits.
- Depreciation expense was $4,724,000 higher than in 2005 due to an increase in plant assets.

2005 Compared to 2004

Total operating expenses were $554,995,000 for 2005, an increase of $47,655,000 or 9.4% over 2004 operating expenses of $507,340,000.

- Fuel expense increased $12,896,000 over 2004 primarily due to a larger share of fossil generation because of the extended outage at the Fort Calhoun nuclear station and higher fossil fuel prices.
- Purchased power expense increased $23,621,000 over 2004 due mainly to higher energy prices and additional purchases required during production outages.
- Production expense increased $7,412,000 over 2004 primarily due to higher maintenance expenses at the power stations.
- Distribution expense was $2,860,000 lower than in 2004 due to the allocation of more resources to capital projects.
- Administrative and general expense was $4,429,000 higher than in 2004 due mainly to increased costs of employee benefits.

Other Income

Other income was $47,755,000 in 2006, an increase of $26,442,000 over 2005 other income of $21,313,000. Investment income was $15,930,000 higher than in 2005 due to the increase in funds invested from participants and bond proceeds for the Nebraska City Station Unit 2. Allowances for funds used during construction increased $9,079,000 primarily due to significant construction expenditures for the Nebraska City Station Unit 2 and the Fort Calhoun Station. There was no impact on net income from the participants' share of the Nebraska City Station Unit 2 because allowances for funds used during construction was the actual interest cost of their funds.

In 2006, contributions in aid of construction (CIAC) and the related offsetting expense, reduction of plant costs recovered through contributions in aid of construction, were $37,745,000 higher than in 2005 primarily due to capital contributions from the Nebraska City Station Unit 2 participants and a settlement from the Department of Energy for the reimbursement of construction costs for the dry-cask storage facility.

Other income was $21,313,000 in 2005, an increase of $10,318,000 over 2004 other income of $10,995,000 primarily due to higher allowances for funds used during construction for expenditures for the Fort Calhoun Station and 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 products such as Performance Contracting, Energy Information Services, Residential and Commercial Surge Protection and Energy Solutions. Offering these products and services provides opportunities to build strong relationships with customers by helping them efficiently and economically meet their energy needs.

- Income from products and services was $1,886,000 for 2006, an increase of $917,000 over 2005 income of $969,000. This was primarily due to greater revenues from sales of the Energy Solutions and Residential Surge Protection products.
- Income from products and services was $969,000 for 2005, a decrease of $43,000 from 2004 income of $1,012,000. This was primarily due to less revenue from sales of the Energy Solutions products.

Interest Expense

Interest expense was $66,195,000 for 2006, an increase of $15,496,000 over 2005 interest expense of $50,699,000. This increase was due to interest on additional borrowings for capital projects and interest accrued on construction deposits received from the Nebraska City Station Unit 2 participants. The interest expense accrued on the construction deposits was equivalent to the interest income earned on these funds, resulting in no impact on net income. In addition, there was no impact on net income from the participants' share of interest expense for the Nebraska City Station Unit 2 because allowances for funds used during construction was the actual interest cost of their funds.

Interest expense was $50,699,000 for 2005, an increase of $5,573,000 over 2004 interest expense of $45,126,000. This increase was due to higher interest rates for commercial paper, interest on bonds issued in 2005 for capital projects and interest accrued on construction deposits received from the Nebraska City Station Unit 2 participants.

Net Income

Net income, after revenue reductions for reserves, was $84,290,000, $82,171,000 and $24,844,000 for 2006, 2005 and 2004, respectively. Operating revenues and net income were reduced by $15,000,000 and $55,000,000 for additions made to the Debt Retirement Reserve in 2006 and 2004, respectively.

Number of Customers

OPPD has a stable, diverse 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 and load requirements.

- OPPD served an average of 331,370 customers in 2006, an increase of 8,223 or 2.5% over the average number of customers for 2005 of 323,147.
- OPPD served an average of 323,147 customers in 2005, an increase of 7,279 or 2.3% over the average number of customers for 2004 of 315,868.

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

Number of Customers	2006	2005	2004
Residential	289,713	282,310	275,854
Commercial	41,165	40,372	39,482
Industrial	132	133	135
Street and Highway Lighting	323	293	352
Off-System	37	39	45
Total	331,370	323,147	315,868

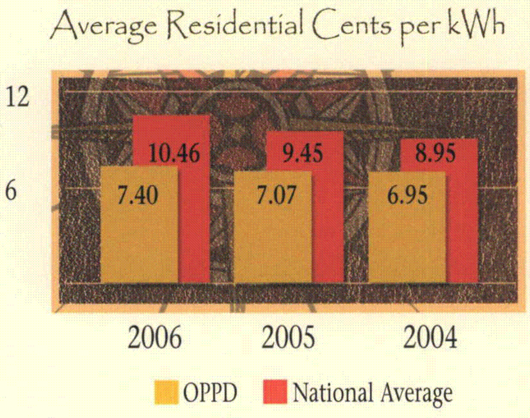
Additional services are being provided to Offutt Air Force Base. OPPD began providing transmission and distribution services for the military housing area in 2006 and will commence distribution services for the Base in 2007.

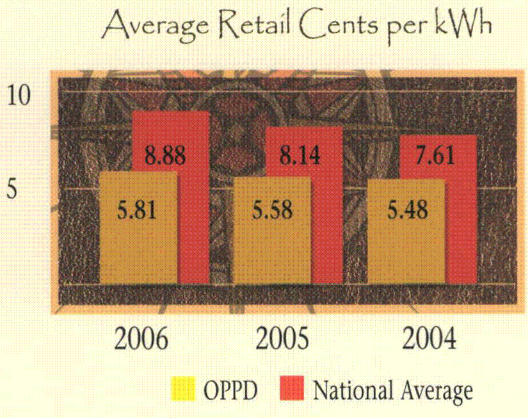
Cents per kWh

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 7.40, 7.07 and 6.95 cents per kWh in 2006, 2005 and 2004, respectively. The national average residential cents per kWh according to the Energy Information Administration, U.S. Department of Energy, was 10.46 for 2006 (preliminary year-to-date November 2006) and 9.45 and 8.95 cents per kWh for 2005 and 2004, respectively. Based on the preliminary data for 2006, OPPD residential rates were 29.2% below the national average.
- Retail customers paid an average of 5.81, 5.58 and 5.48 cents per kWh in 2006, 2005 and 2004, respectively. The national average retail cents per kWh according to the Energy Information Administration, U.S. Department of Energy, was 8.88 for 2006 (preliminary year-to-date November 2006) and 8.14 and 7.61 cents per kWh for 2005 and 2004, respectively. Based on the preliminary data for 2006, OPPD retail rates were 34.5% below the national average.

The following charts show OPPD's average residential and retail cents per kWh compared to the national average.





OPPD implemented a modest basic service charge rate increase effective January 1, 2006, and a general rate increase of 3.0% effective April 1, 2006. The general rate increase, along with the approval of a revenue strategy, provide for additional revenues of approximately $16,000,000 per year for 2007 and 2008 for capital financings. For 2007, these additional revenue requirements will be attained through a general rate increase of approximately 2.8%. Even with these increases, OPPD's rates will continue to remain well below the national average.

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 the lowest possible rates is very important for the success of its overall business plan for capital expenditures.

Financing

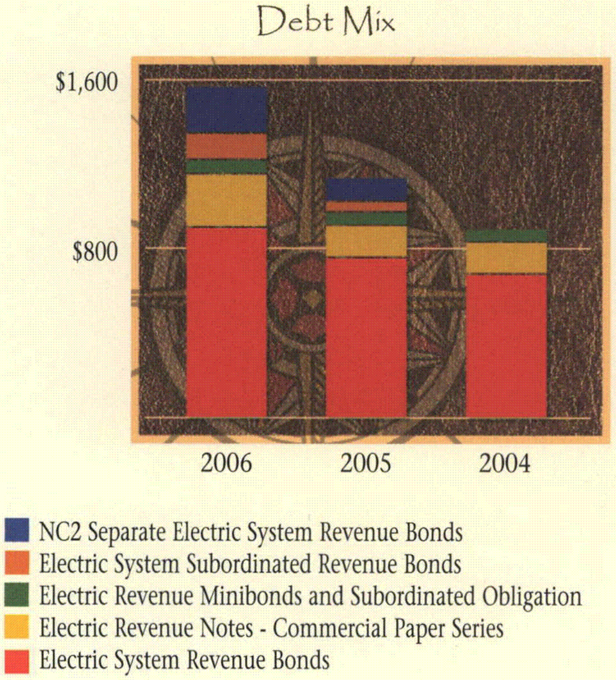
OPPD's financing plan included the issuance of additional debt in 2006 for capital expenditures. The plan optimizes the debt mix to ensure liquidity needs are met and OPPD's strong financial position is maintained by utilizing the lowest cost debt possible.

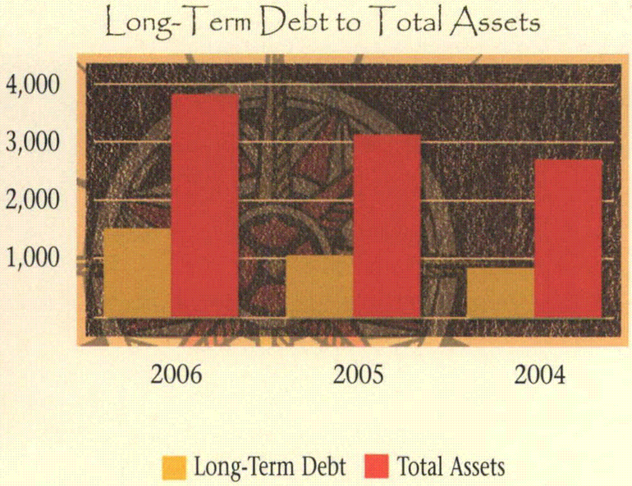
In 2006, OPPD issued $200,000,000 of Electric System Revenue Bonds, $75,000,000 of Periodically Issued Bonds (PIBS) and $100,000,000 of Commercial Paper to finance capital expenditures. OPPD plans to refinance this additional $100,000,000 of Commercial Paper with long-term bonds in 2007. OPPD repaid $58,200,000 of Electric System Revenue Bonds and reduced the amount available to borrow under its Revolving Credit Agreement (RCA) from $350,000,000 to $200,000,000. The RCA is a facility that allows for revolving loans during a five-year period from January 2005 through December 2009, which may be converted to term loans of up to three years. There were no amounts outstanding under the RCA at December 31, 2006.

In September 2006, OPPD issued $115,000,000 of NC2 Separate Electric System Revenue Bonds. The NC2 Separate Electric System is a 50% interest in the output of OPPD's new coal-fired unit, Nebraska City Station Unit 2, secured by revenues from Participation Agreements with seven public power and municipal utilities. Participants were given the choice to provide their own funds or to finance their respective funding requirements with separate system bonds issued by OPPD. The proceeds from the issuance of the Separate Electric System Revenue Bonds, together with additional funds provided by the participants, are used to pay the participants' portion of the construction costs of the Nebraska City Station Unit 2.

The 2007 financing plan for OPPD includes additional issues of Periodically Issued Bonds and other Electric System Subordinated Revenue Bonds.

The following chart, left, illustrates OPPD's debt mix (in millions) for the past three years. The following chart, right, illustrates OPPD's amount of Long-Term Debt compared to the Total Assets of OPPD (in millions).





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 Ratings 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 confirm the agencies' assessment of OPPD's strong ability to meet its debt service requirements.

The following ratings at December 31, 2006, are indicative of OPPD's solid financial strength.

	Electric System Revenue Bonds	Minibonds*	Commercial Paper	Periodically Issued Bonds*	NC2 Separate System Bonds*
S&P	AA	AAA	A-1+	AAA	AAA
Moody's	Aa2	Aaa	P-1	Aaa	Aaa

** Payment of the principal and interest on the Minibonds, Periodically Issued Bonds and NC2 Separate System Bonds, when due, is insured by financial guaranty bond insurance policies.*

Cash Flows

OPPD experienced a net decrease in cash of $11,371,000 for 2006, a net increase in cash of $28,163,000 for 2005 and a net decrease in cash of $9,288,000 for 2004. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2006	2005	2004
Cash Flows from Operating Activities	$203,999	$189,697	$227,038
Cash Flows from Capital and Financing Activities	(36,802)	(34,865)	(257,402)
Cash Flows from Investing Activities	(178,568)	(126,669)	21,076
Increase (Decrease) in Cash and Cash Equivalents	$(11,371)	$ 28,163	$ (9,288)

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 2006 increased $14,302,000 over 2005 primarily due to an increase in cash receipts from the sale of sulfur dioxide allowances and retail customers. The increase was partially offset by higher payments for fuel, payroll and other operating expenses.
- Cash flows for 2005 decreased $37,341,000 from 2004 primarily due to an increase in cash payments for operating expenses for fuel, purchased power and maintenance expenses. The increase in cash payments for operating expenses was partially offset by increases in cash receipts from retail and off-system customers.

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 2006 increased $1,937,000 over 2005 primarily due to greater capital expenditures. Cash flows used for 2005 decreased $222,537,000 from 2004 due to additional bond proceeds and CIAC from certain Nebraska City Station Unit 2 participants. These additional cash flows for 2005 were partially offset by increased expenditures for capital assets.

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

- Cash flows used for 2006 increased $51,899,000 over 2005 and cash flows used for 2005 increased $147,745,000 over 2004 cash received of $21,076,000. Changes for both years were due to more purchases of investment securities. These additional cash flows were partially offset by maturities and sales of investments.

Debt Service Coverage

OPPD is required by Electric System Revenue Bonds 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 on Electric System Revenue Bonds (in thousands).

Debt Service Coverage	2006	2005	2004
Operating revenues [1]	$676,828	$666,552	$566,315
Operations and maintenance expenses	(461,101)	(447,270)	(401,778)
Payments in lieu of taxes	(20,241)	(19,693)	(18,591)
Net operating revenues	195,486	199,589	145,946
Investment income of related reserve fund	1,612	1,110	1,093
Net receipts	$197,098	$200,699	$147,039
Total debt service [2]	$ 95,237	$ 91,021	$ 86,975
Debt service coverage	2.06	2.20	1.69

[1] *Operating revenues were reduced by $15,000,000 and $55,000,000 for additions to the Debt Retirement Reserve for 2006 and 2004, respectively.*

[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). This ratio does not include the NC2 Separate Electric System Debt as it is secured by revenues of the separate system. OPPD's debt ratio was 48.0% and 42.8% as of December 31, 2006 and 2005, respectively. The 2006 debt ratio was higher than 2005 due to an increase in debt from additional issuances of bonds.

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 retirement plan actuary projects Plan assets and the liability for future benefits. Actuarial assumptions are reviewed annually and changed, when appropriate. The investment return (discount rate) assumption was lowered to 8.2% in 2006 from 8.4% for 2005 and 2004. 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. The valuation cost method used was the Entry Age Normal (EAN) method which is a level percentage of pay method.

OPPD contributed $32,361,000, $25,934,000 and $22,907,000 to the Plan for the years 2006, 2005 and 2004, respectively. OPPD's contributions are estimated at $30,584,000 and $31,535,000 for 2007 and 2008, respectively. The estimated employer contributions for 2007 and 2008 are lower than the contributions for 2006 because of the anticipated implementation of Plan design changes. Participating OPPD employees contributed 4.0% of their covered payroll to the Plan, which was $6,270,000, $6,072,000 and $5,832,000 for the years 2006, 2005 and 2004, respectively.

The Plan's funded status, based on the actuarial value of assets to the present value of accrued plan benefits was 100.4%, 104.4% and 105.9% for 2006, 2005 and 2004, respectively. The net assets of the Plan available for benefits increased to $620,500,000 at December 31, 2006, from $574,287,000 at December 31, 2005, due to additional contributions and favorable market conditions.

Other Post Employment Benefits (OPEB)

Prior to 2007, OPPD recognized the cost of other post employment benefits on a pay-as-you-go basis. Because of new accounting standards, OPPD is required to recognize OPEB costs using an actuarial approach similar to OPPD's Retirement Plan in 2007. A preliminary actuarial valuation was completed by an independent actuary in 2006 using 2005 demographic data. The valuation indicated that OPPD had an actuarial accrued liability (AAL) of approximately $300,000,000 as of December 31, 2006. The accounting standard requires recognition of an OPEB liability on the balance sheet only for unfunded annual required contributions (ARC).

In 2006, OPPD decided to fully fund the ARC to reduce OPEB costs, avoid the recognition of a liability on the financial statements and address its obligations to employees. The ARC, in excess of the pay-as-you-go costs, are estimated at $18,306,000 and $18,452,000 for 2007 and 2008, respectively. These costs include anticipated reductions from the implementation of plan design changes. An irrevocable grantor trust for OPEB was established in 2006.

Risk Management Practices

OPPD has an Enterprise Risk Management (ERM) program for identifying, quantifying, prioritizing and managing the risks of the entire company. As part of the ERM program, specific risk mitigation plans and procedures are maintained to provide for concentrated, consistent efforts for various risk exposures which require specific forms of mitigation strategies.

Negotiating power marketing and fuel purchase activities are within the normal course of OPPD's business. Risks associated with power marketing and fuel contracting are managed within the 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 related to power marketing and fuel purchase activities. Periodic reports are made to the Board of Directors regarding these activities.

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 planned capital expenditures and related debt issuances planned in future years. OPPD will use this reserve to meet future challenges in retiring debt and maintaining adequate debt service coverage ratios. In May 2006, OPPD used $5,000,000 of the reserve, as planned, to provide additional revenues and funding for capital expenditures. In December 2006, $20,000,000 was added to the reserve as a result of strong financial performance. The balance of the reserve was $105,000,000 and $90,000,000 at December 31, 2006 and 2005, respectively.

A Rate Stabilization Reserve was established in 1999 to help OPPD maintain stable customer electric rates. This 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. In June 2005, $12,400,000 of the Rate Stabilization Reserve was used to offset increased purchased power expenses that resulted from extended production outages. As a result of strong operating results in the latter half of 2005, the reserve balance was restored to $32,000,000 in December 2005. The balance of the reserve was $32,000,000 at December 31, 2006 and 2005, respectively.

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. As a public utility, OPPD is not required to comply with the Act, but the application of these requirements ensures the continued public trust in OPPD, protects the interest of its stakeholders, and is a sound business practice. One of the most significant requirements of the Act pertains to management's documentation and assessment of internal controls. OPPD's management assesses 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 contracts with a third-party vendor to provide a process for the receipt and retention of employee concerns regarding business and financial practices.

Other Reserves

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

- The Uncollectible Accounts Reserve is established for estimated uncollectible accounts 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 because OPPD is self-insured for healthcare costs. The reserve is based on health insurance claims that have been incurred but not yet presented for payment.

CAPITAL RESOURCES

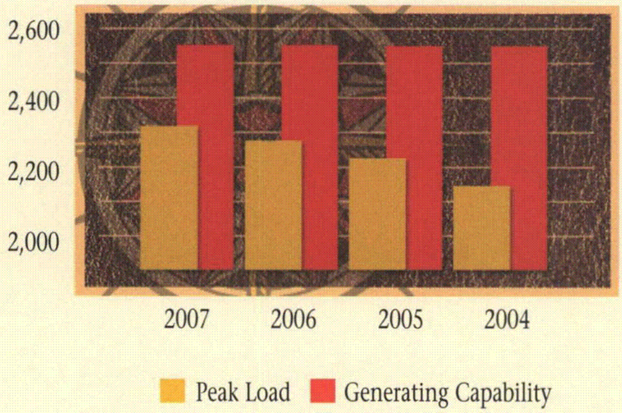
Generating Capability

OPPD's power requirements are provided from its generating stations, from leased generation and from purchases of power. OPPD owns and operates nine generating stations, seven of which have a maximum summer net capability of 2,544.1 MW. (The net capability of the Valley Station wind turbine and the Henry Doorly Zoo fuel cell is not accredited.) Additionally, OPPD has power purchase contracts with the Western Area Power Administration for 82 MW (hydro), the Nebraska Public Power District for approximately 10 MW (wind) and the City of Tecumseh for 6.6 MW (natural gas/oil). The following table illustrates the diverse fuel mix and maximum summer net accredited capability (in MW) of OPPD's generating facilities for 2006.

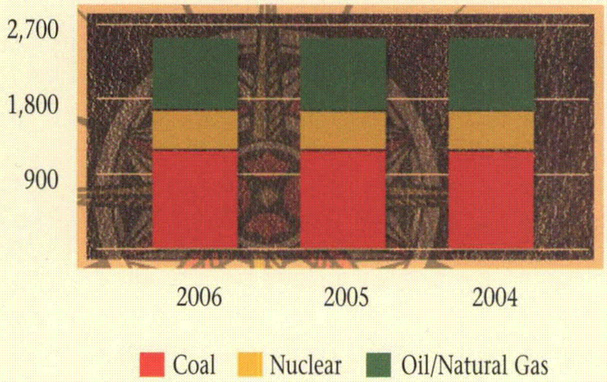
		Capability	% of Total
Coal	Nebraska City Station	646.0	
	North Omaha Station	534.2	
	Subtotal Coal	1,180.2	46.4
Nuclear	Fort Calhoun Station	478.0	18.8
Oil/Natural Gas	Cass County Station	320.0	
	Jones Street Station	118.4	
	North Omaha Station	128.6	
	Sarpy County Station	314.3	
	Subtotal Oil/Natural Gas	881.3	34.6
Other	Elk City Station (landfill-gas)	4.6	0.2
Total Owned Generation		2,544.1	100.0

The following chart, top, illustrates OPPD's growing system peak load for the past three years, along with a projection for 2007 (in MW), indicating that these increasing loads can be met by current generating capability. The following chart, bottom, represents the diversity of OPPD's generating capability by fuel type (in MW).

Generating Capability and System Peak Load



Generating Capability



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 the last three years and projected expenditures for 2007 and 2008 (in millions). OPPD finances its capital program with revenues from operations, financing proceeds, investment income and cash on hand.

Capital Program	Projected 2008	2007	2006	Actual 2005	2004
Production	$170.4	$227.2	$417.4	$252.7	$ 94.7
Transmission and distribution	51.2	69.0	69.7	52.4	50.8
General plant	26.2	9.4	11.0	13.4	20.6
Total	$247.8	$305.6	$498.1	$318.5	$166.1

Production includes expenditures for the Nebraska City Station Unit 2, the life-extension capital projects at the Fort Calhoun Station and the expansion of the Elk City Station.

- Construction of the Nebraska City Station Unit 2 is progressing well. The project is on schedule and within budget, with construction 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 and has secured 40-year contracts with seven public power and municipal utilities for the remaining half of the output. OPPD will own the entire plant and will build, operate and maintain the plant. Construction costs will be recovered from the participants for their portion of the plant's capacity. The amounts above were reduced by CIAC from participants who have provided their own funds for the construction of Nebraska City Station Unit 2. The 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 completed work in 2006 on several major modifications related to the life-extension capital projects for the Fort Calhoun Station, including the replacement of the steam generators and several related projects.
- The Elk City Station landfill-gas facility expansion increased the capacity to 4.6 MW of power when commercial operation began in June 2006. In 2007, the landfill is expected to generate sufficient methane gas for the Station to reach its full capacity of 6.1 MW.

OPPD purchased Offutt's distribution system for $3,009,000 in January 2007. Offutt will be paid for the system over a 15-year period through the contract rate.

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.

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 (DOE) facility is not expected to be operational until at least 2017. OPPD remains responsible for the safe storage of spent nuclear fuel until the federal government takes delivery of this waste. Construction of a dry-cask storage facility was completed in 2006 and will provide adequate spent-fuel storage capacity for continued operation of the Fort Calhoun Station to the year 2033. A settlement agreement was reached in 2006 between OPPD and the DOE. The DOE has agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste incurred due to the DOE's delay in accepting waste. OPPD received $4,948,000 from the DOE in June 2006 as reimbursement for construction costs incurred for the dry-cask storage facility through June 2005. The receivable from the DOE for costs incurred by OPPD from July 2005 through December 2006 was $13,000,000 as of December 31, 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 2006. Six states have suspended or repealed retail choice since January 2001.

Transmission Access Issues

OPPD is a participant in a Memorandum of Understanding to develop a Transmission Services Coordinator (TSC). This agreement is intended to investigate options regarding the formation of a regional tariff. All non-Midwest Independent Transmission System Operators, transmission-owning members of the Mid-Continent Area Power Pool, are participants in the TSC, including MidAmerican Energy, Western Area Power Administration, Basin Electric, Nebraska Public Power District and Lincoln Electric System.

Environmental Issues

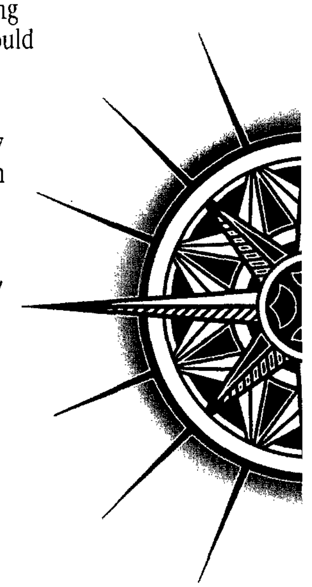
OPPD and other electric utilities are subject to numerous current and proposed environmental regulations in the normal course of their business. OPPD continues to both monitor and influence, to the extent possible, the effects of proposed legislation and regulations, some of which could have a material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

Public Entities Mandated Project Charges Act

OPPD and other electric utilities are subject to numerous federal, state or regulatory mandates. The Public Entities Mandated Project Charges Act of 2006 authorizes public entities in the State of Nebraska to finance mandated projects through the use of bonds secured by revenues from a separate customer charge. Debt service would be paid exclusively from the separate charge. The intent of the bill is to establish a structure that will secure the lowest cost financing for the public entity.

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 affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.



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

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

Accounting Policies	**Judgments/Uncertainties Affecting Application**
Regulatory Mechanisms 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
Reserves	• Economic conditions affecting customers • Changes due to assumptions used in computing the liabilities
Unbilled Revenue	• Estimates for customer energy use and prices

SUMMARY OF THE FINANCIAL STATEMENTS

The financial statements, related notes and Management's Discussion and Analysis provide information regarding OPPD's financial position and activities. The Balance Sheets present OPPD's assets, liabilities and equity as of December 31, 2006 and 2005, with the 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 each of the three years in the period ended December 31, 2006. The Statements of Cash Flows provide information about the flow of cash within OPPD by activities for each of the three years in the period ended December 31, 2006. 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 financial position. 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. OPPD'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 strong internal controls, 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 auditors 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 accounting principles generally accepted in the United States of America. During the audit, they considered OPPD's internal controls over financial reporting 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 auditors, 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 auditors have for improving the internal control structure. The Board of Directors, on the recommendation of the Audit Committee, engages the independent auditors who have unrestricted access to the Audit Committee.

W. Gary Gates
President and Chief Executive Officer

Charles P. Moriarty
Vice President and Chief Financial Officer

Independent Auditors' Report

Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying balance sheets of the Omaha Public Power District (OPPD) as of December 31, 2006 and 2005, 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, 2006. 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, the financial statements referred to above present fairly, in all material respects, the financial position of OPPD as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, 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 February 28, 2007, on our consideration of OPPD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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

February 28, 2007

Balance Sheets
as of December 31, 2006 and 2005

ASSETS	2006	2005
	(thousands)	
UTILITY PLANT - at cost (Notes 10 and 16)		
Electric plant	$ 4,133,718	$ 3,633,937
Less accumulated depreciation	1,511,242	1,431,904
Electric plant - net	2,622,476	2,202,033
Nuclear fuel - at amortized cost	33,279	22,496
Total utility plant - net	2,655,755	2,224,529
SPECIAL PURPOSE FUNDS - primarily at fair value (Notes 3 and 4)		
Electric system revenue bond fund - net of current	41,757	34,641
Segregated fund - debt retirement	105,000	90,000
Segregated fund - rate stabilization	32,000	19,600
Segregated fund - other	25,566	25,850
Decommissioning funds	268,098	254,744
NC2 separate electric system revenue bond fund - net of current	19,699	14,520
NC2 separate system construction fund - net of current	51,552	-
Total special purpose funds	543,672	439,355
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	44,852	56,223
Electric system revenue bond fund - current (Notes 3 and 4)	71,116	67,779
Electric system subordinated revenue bond fund (Notes 3 and 4)	2,354	451
Electric system construction fund (Notes 3 and 4)	64,600	-
NC2 separate electric system revenue bond fund - current (Notes 3 and 4)	9,748	3,501
NC2 separate system construction fund - current (Notes 3 and 4)	166,374	127,068
Accounts receivable - net	96,280	89,463
Fossil fuels - at average cost	25,857	19,237
Materials and supplies - at average cost	72,435	64,948
Other	7,795	6,819
Total current assets	561,411	435,489
DEFERRED CHARGES (Note 5)	42,627	21,458
TOTAL	$ 3,803,465	$ 3,120,831

See notes to financial statements

LIABILITIES	2006	2005
	(thousands)	
LONG-TERM DEBT (Note 2)		
Electric system revenue bonds - net of current	$ 840,370	$ 697,510
Electric system subordinated revenue bonds	125,000	50,000
Electric revenue notes - commercial paper series	250,000	150,000
Electric revenue minibonds - net of currrent	50,879	62,572
Subordinated obligation - net of currrent	2,425	2,667
NC2 separate electric system revenue bonds	227,000	112,000
Total	1,495,674	1,074,749
Unamortized discounts and premiums	9,345	6,076
Unamortized loss on refunded debt	(15,297)	(17,792)
Total long-term debt - net	1,489,722	1,063,033
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)		
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Notes 3 and 9)	159,567	145,105
CURRENT LIABILITIES		
Electric system revenue bonds - current (Note 2)	57,140	58,200
Electric revenue minibonds - current (Note 2)	12,751	-
Subordinated obligation - current (Note 2)	242	222
Accounts payable	167,401	97,945
Accrued payments in lieu of taxes	19,185	18,638
Accrued interest	26,387	17,384
Accrued payroll	19,249	17,459
Accrued production outage costs	- -	6,978
Construction deposits (Note 12)	102,019	55,656
Other	9,392	9,034
Total current liabilities	413,766	281,516
OTHER LIABILITIES		
Decommissioning costs	268,098	254,744
Other (Note 8)	21,873	10,284
Total other liabilities	289,971	265,028
EQUITY		
Invested in capital assets, net of related debt	1,343,991	1,226,700
Restricted	56,761	56,094
Unrestricted	49,687	83,355
Total equity	1,450,439	1,366,149
TOTAL	$3,803,465	$3,120,831

Statements of Revenues, Expenses and Changes in Equity

for each of the Three Years in the Period Ended December 31, 2006

	2006	2005 *(thousands)*	2004
OPERATING REVENUES			
Retail sales (Note 13)	$ 544,124	$ 533,086	$ 441,450
Off-system sales	96,500	120,030	109,523
Other electric revenues (Notes 14 and 15)	36,204	13,436	15,342
Total operating revenues	676,828	666,552	566,315
OPERATING EXPENSES			
Operations and maintenance			
Fuel	114,137	98,760	85,864
Purchased power (Note 13)	45,178	52,904	29,283
Production	139,047	140,359	132,947
Transmission	7,033	6,597	6,373
Distribution	41,119	37,482	40,342
Customer accounts	17,265	16,250	15,817
Customer service and information	11,603	16,313	16,976
Administrative and general	85,719	78,605	74,176
Total operations and maintenance	461,101	447,270	401,778
Depreciation and amortization	92,756	88,032	86,971
Payments in lieu of taxes	20,241	19,693	18,591
Total operating expenses	574,098	554,995	507,340
OPERATING INCOME	102,730	111,557	58,975
OTHER INCOME (EXPENSES)			
Contributions in aid of construction (Note 16)	80,284	42,539	12,006
Reduction of plant costs recovered through contributions in aid of construction (Note 16)	(80,284)	(42,539)	(12,006)
Decommissioning funds - investment income	13,354	5,445	8,766
Decommissioning funds - reinvestment	(13,354)	(5,445)	(8,766)
Investment income	23,432	7,502	3,927
Allowances for funds used during construction	22,057	12,978	5,340
Products and services - net	1,886	969	1,012
Other - net (Note 17)	380	(136)	716
Total other income - net	47,755	21,313	10,995
INTEREST EXPENSE	66,195	50,699	45,126
NET INCOME	84,290	82,171	24,844
EQUITY, BEGINNING OF YEAR	1,366,149	1,283,978	1,259,134
EQUITY, END OF YEAR	$ 1,450,439	$ 1,366,149	$ 1,283,978

See notes to financial statements

Statements of Cash Flows
for each of the Three Years in the Period Ended December 31, 2006

	2006	2005 (thousands)	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from retail customers	**$ 573,346**	$ 537,172	$ 517,944
Cash received from the sale of sulfur dioxide allowances (Note 14)	18,750	-	-
Cash received from off-system customers	**114,522**	117,678	113,834
Cash paid to operations and maintenance suppliers	**(306,412)**	(277,954)	(243,613)
Cash paid to off-system suppliers	**(48,972)**	(56,872)	(37,975)
Cash paid to employees	**(119,416)**	(111,692)	(104,949)
Cash paid for the purchase of sulfur dioxide allowances (Note 14)	(8,125)	-	-
Cash paid for in lieu of taxes and other taxes	**(19,694)**	(18,635)	(18,203)
Net cash provided from operating activities	**203,999**	189,697	227,038
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**490,000**	362,000	-
Principal reduction of long-term debt	**(58,698)**	(127,424)	(47,168)
Interest paid on long-term debt	**(53,533)**	(41,374)	(37,481)
Acquisition and construction of capital assets	**(501,483)**	(324,394)	(172,436)
Proceeds from NC2 participants (Note 12)	**95,030**	84,061	-
Contributions in aid of construction	**12,715**	16,558	12,006
Acquisition of nuclear fuel	**(20,833)**	(4,292)	(12,323)
Net cash used for capital and related financing activities	**(36,802)**	(34,865)	(257,402)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	**(1,187,970)**	(883,743)	(426,342)
Maturities and sales of investments	**993,088**	752,323	444,124
Purchases of investments for decommissioning funds	**(68,798)**	(84,927)	(107,903)
Maturities and sales of investments in decommissioning funds	68,798	84,927	107,903
Investment income	**16,314**	4,751	3,294
Net cash provided from (used for) investing activities	**(178,568)**	(126,669)	21,076
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,371)	28,163	(9,288)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	56,223	28,060	37,348
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 44,852**	$ 56,223	$ 28,060
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Operating income	**$ 102,730**	$ 111,557	$ 58,975
Adjustments to reconcile operating income to net cash provided from operating activities			
Depreciation and amortizaton	**92,756**	88,032	86,971
Amortization of nuclear fuel	**10,220**	9,245	13,300
Changes in assets and liabilities			
Accounts receivable	**(6,817)**	(16,556)	5
Fossil fuels	**(6,620)**	(244)	(1,189)
Materials and supplies	**(7,487)**	(4,538)	(7,830)
Accounts payable	**5,869**	4,144	6,768
Accrued payments in lieu of taxes	**547**	1,059	389
Accrued payroll	**1,790**	(219)	1,509
Accrued production outage costs	**(6,978)**	(10,438)	17,416
Other	**17,989**	7,655	50,724
Net cash provided from operating activities	**$ 203,999**	$ 189,697	$ 227,038

See notes to financial statements

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 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). This guidance 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 to 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, *Regulated Enterprises - 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. There were no write-downs of regulatory assets for each of the three years in the period ended December 31, 2006.

Revenue Recognition – OPPD recognizes electric operating revenues as earned. 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 $27,322,000 and $24,795,000 in unbilled revenues as of December 31, 2006 and 2005, 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. The profit from joint marketing activities is reported in off-system sales revenues and purchased power expense includes only power purchased for OPPD's operations.

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 $5,566,000 and $5,476,000 as of December 31, 2006 and 2005, respectively.

Utility Plant – Utility plant is stated at cost, which includes property additions, replacements of units of property and betterments. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric plant retired are eliminated from electric plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account. Electric plant includes both tangible and intangible assets. Intangible assets include the costs of software and licenses. Electric plant includes construction work in progress of $569,527,000 and $442,110,000 as of December 31, 2006 and 2005, respectively.

Electric plant activity for 2006 was as follows (in thousands):

	2005	Additions	Retirements	2006
Electric plant	$ 3,633,937	$ 518,393	$ (18,612)	$ 4,133,718
Nuclear fuel	49,953	23,971	(18,642)	55,282
Less accumulated depreciation and amortization	1,459,361	109,647	(35,763)	1,533,245
Total	$ 2,224,529	$ 432,717	$ (1,491)	$ 2,655,755

Allowances for funds used during construction, approximating OPPD's current weighted average cost of debt, were capitalized as a component of the cost of utility plant. These allowances were computed at 4.4%, 4.3% and 4.1% for both construction work in progress and nuclear fuel for the years ended December 31, 2006, 2005 and 2004, respectively. Allowances for funds used during construction for the participants' share of Nebraska City Station Unit 2 were offset by the actual interest cost of their funds, resulting in no impact on net income.

OPPD periodically reviews the carrying amount of long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. There were no impairments for each of the three years in the period ended December 31, 2006.

Contributions in Aid of Construction (CIAC) – OPPD receives payments from customers for construction costs primarily relating to the expansion of OPPD's electric system. OPPD follows FERC guidelines in the recording of CIAC, which directs the reduction of utility plant assets 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. CIAC from participants for the construction of Nebraska City Station Unit 2 was $54,569,000 and $25,981,000 for the years ended December 31, 2006 and 2005, respectively. CIAC from the United States Department of Energy (DOE) for reimbursement of capital costs incurred for the construction of a dry-cask storage facility for high-level nuclear waste was $17,948,000 for the year ended December 31, 2006.

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 2.8% of depreciable property for the year ended December 31, 2006, and 2.9% of depreciable property for the years ended December 31, 2005 and 2004.

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 $4,280,000, $3,052,000 and $3,015,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

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 $14,228,000 and $9,048,000 as of December 31, 2006 and 2005, respectively, and was recorded in deferred charges on the balance sheet.

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 $3,694,000, $2,791,000 and $3,489,000 for the years ended December 31, 2006, 2005 and 2004, 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 2017. 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 2006, the DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste that OPPD incurred due to the DOE's delay in accepting waste. In June 2006, OPPD received a reimbursement of $4,948,000 for capital costs incurred through June 2005 for the construction of a dry-cask storage facility, which is recorded in electric plant. Construction of the facility and loading of the first storage canisters was completed in 2006. This facility will provide adequate spent-fuel storage capacity for continued operation of the Fort Calhoun Station to the year 2033. A receivable from the DOE for costs incurred from July 2005 through December 2006 for the facility was $13,000,000 as of December 31, 2006. OPPD will periodically submit applications to the DOE for reimbursement of costs incurred.

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. Based on cost estimates, inflation rates and fund earnings projections, no funding has been necessary since 2001. Decommissioning funds are reported at fair value. The decommissioning cost liability is adjusted for interest income and changes in fair value, resulting in no impact on net income. Interest income was $11,573,000, $9,779,000 and $10,849,000 for the years ended December 31, 2006, 2005 and 2004, respectively. The fair value of the decommissioning funds increased $1,781,000 for the year ended December 31, 2006, and decreased $4,334,000 and $2,083,000 for the years ended December 31, 2005 and 2004, respectively. The decommissioning estimates, which exceed the Nuclear Regulatory Commission's (NRC) minimum funding requirements, totaled $533,299,000, $519,884,000 and $503,492,000 for the fiscal years ending June 30, 2006, 2005 and 2004, respectively.

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 through customer rates over some future period, and regulatory liabilities are reductions in earnings (or costs recovered) to cover future expenditures.

The regulatory asset is included in deferred charges (Note 5), and consists of deferred depreciation expense for Fort Calhoun's production assets. 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 $14,228,000 and $9,048,000 as of December 31, 2006 and 2005, 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 (Note 13). The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure (Note 13). 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 uncollectible accounts from off-system sales customers. The balance of the Debt Retirement Reserve was $105,000,000 and $90,000,000 as of December 31, 2006 and 2005, respectively. The balance of the Rate Stabilization Reserve was $32,000,000 as of December 31, 2006 and 2005. The balance of the Reserve for Uncollectible Accounts from off-system sales was $5,000,000 as of December 31, 2006 and 2005.

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. The Fort Calhoun Station completed a major refueling and maintenance outage in 2006. Outage activities included the replacement of the pressurizer, reactor vessel head and two steam generators. The next major planned production outage is scheduled to begin in April 2008 at the Fort Calhoun Station. The balance of accrued production outage costs was $758,000 long-term and $6,978,000 short-term as of December 31, 2006 and 2005, respectively.

Natural Gas Inventories and Contracts – 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 ensure financial protection on these purchases, OPPD enters into futures contracts and purchases options to manage the risk of volatility in the market price of gas on anticipated purchase transactions.

OPPD had natural gas futures contracts with the New York Mercantile Exchange (NYMEX) based on the notional amount of 2,010,000 mmBtu as of December 31, 2006. The contracts will mature in the months of June, July and August of 2007 through 2009. OPPD had futures contracts based on the notional amount of 300,000 mmBtu as of December 31, 2005. These contracts had an unrealized loss of $1,630,000 and an unrealized gain of $1,328,000 as of December 31, 2006 and 2005, respectively.

At December 31, 2004, OPPD also had purchased option contracts with Tenaska Marketing Ventures for $195,000. The option contracts were 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. These options were exercised in 2005.

As a result of hedging contracts and the exercise of options, there was an increase in fuel expense of $1,802,000 and $111,000 for the years ended December 31, 2006 and 2005, respectively, and a decrease in fuel expense of $670,000 for the year ended December 31, 2004. In accordance with generally accepted accounting principles for proprietary funds of government entities, the futures contracts are not recorded on the balance sheet.

Equity – Equity is reported in three separate components on the Balance Sheets. Equity 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.

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

Recent Accounting Pronouncements – In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Prior to 2007, OPPD recognized the cost of other post employment benefits (OPEB) on a pay-as-you-go basis. This statement requires the accounting for OPEB costs using an actuarial approach similar to OPPD's Retirement Plan (Note 6). The annual required contribution (ARC) for OPEB, in excess of the pay-as-you-go costs are expected to be $18,306,000 and $18,452,000 for the years ended December 31, 2007 and 2008, respectively (Note 9).

In June 2006, GASB issued Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Provisions of Medicare Part D*. This technical bulletin clarifies guidance for reporting payments received from the Federal Government under provisions of Medicare Part D. Payments from the Federal Government are recorded as revenues. Other electric revenues included $501,000 for Medicare Part D payments from the Federal Government for the year ended December 31, 2006.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires the accounting for reporting of potential liabilities related to the cleanup and removal of pollution. The statement is effective for fiscal years beginning after December 15, 2007. OPPD is reviewing this guidance to determine the impact, if any, on the financial statements.

Reclassifications – Certain amounts in the prior year's financial statements have been reclassified to conform to the 2006 presentation. These reclassifications were insignificant individually and in the aggregate and had no effect on previously reported net income, cash flows or equity. For the Statements of Revenues, Expenses and Changes in Equity, maintenance expenses were reported within the functional area. For the Statements of Cash Flows, investing activities related to decommissioning funds were reported as a gross presentation rather than a net presentation.

2. LONG-TERM DEBT

OPPD utilizes the proceeds of debt issued primarily in financing its construction program. Long-term debt activity, including the current portion, for 2006 was as follows (in thousands):

	2005	Additions	Retirements	2006
Electric system revenue bonds	$ 755,710	$ 200,000	$ (58,200)	$ 897,510
Electric system subordinated revenue bonds	50,000	75,000	-	125,000
Electric revenue notes - commercial paper series	150,000	100,000	-	250,000
Electric revenue minibonds	62,572	1,335	(277)	63,630
Subordinated obligation	2,889	-	(222)	2,667
NC2 separate electric system revenue bonds	112,000	115,000	-	227,000
Total	$1,133,171	$ 491,335	$ (58,699)	$ 1,565,807

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

	Principal	Interest
2007	$ 57,140	$ 40,331
2008	56,620	37,689
2009	35,450	35,560
2010	36,830	33,934
2011	36,340	32,236
2012-2016	222,110	130,815
2017-2021	156,620	85,830
2022-2026	91,400	60,368
2027-2031	72,000	39,941
2032-2036	45,000	25,162
2037-2041	30,000	17,287
2042-2046	58,000	10,244
Total	$ 897,510	$ 549,397

On February 1, 2006, a principal payment of $58,200,000 was made for the Electric System Revenue Bonds. On May 24, 2006, OPPD issued 2006 Series A Electric System Revenue Bonds for $200,000,000. This issue consists of serial bonds of $62,000,000, with maturity dates between 2018 and 2044, with interest rates between 4.25%, and 4.75%, and term bonds of $138,000,000, with maturity dates between 2029 and 2046, with interest rates between 4.65% and 5.0%.

On April 28, 2005, OPPD issued 2005 Series A Electric System Revenue Bonds for $128,000,000 and 2005 Series B Bonds for $72,000,000. The 2005 Series A issue consists of $95,000,000 of serial bonds, with maturity dates between 2009 and 2026, with interest rates between 3.1% and 4.6%, and $33,000,000 of term bonds, with maturity dates between 2027 and 2030, with an interest rate of 4.7%. The 2005 Series B issue consists of serial bonds, with maturity dates between 2012 and 2022, with interest rates between 3.5% and 5.0%.

At December 31, 2006, Electric System Revenue Bonds consisted of $636,590,000 of serial bonds, with interest rates between 2.25% and 5.5%, due annually from 2007 to 2044, and $260,920,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046. At December 31, 2005, Electric System Revenue Bonds consisted of $632,790,000 of serial bonds, with interest rates between 1.8% and 5.5%, due annually from 2006 to 2026, and $122,920,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2030.

The 2002 Series A Bonds maturing in 2012, 2017 and 2022 for $67,500,000 were refunded with proceeds from the 2005 Series B Bonds. The advance refunding reduced total debt service payments over the next 17 years by $5,470,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $2,197,000. The following Electric System Revenue Bonds, with outstanding principal amounts of $285,440,000 and $292,750,000 as of December 31, 2006 and 2005, respectively, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B Term Bonds and 2002 Series A maturing in 2012, 2017 and 2022. 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.

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 interest rates were 4.6% for each of the three years ended December 31, 2006.

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

	Principal	Interest
2007	$ -	$ 5,647
2008	-	5,631
2009	-	5,631
2010	-	5,631
2011	-	5,631
2012-2016	-	28,156
2017-2021	-	28,156
2022-2026	-	28,156
2027-2031	-	28,156
2032-2036	50,000	25,969
2037-2042	75,000	15,284
Total	$125,000	$182,048

OPPD is authorized to offer up to $300,000,000 of Electric System Subordinated Revenue Bonds, or Periodically Issued Bonds (PIBS). OPPD intends to issue the PIBS on a series-by-series basis through August 1, 2009. Payment of the principal and interest on the PIBS will be secured by a subordinate lien on the revenues of OPPD's Electric System and will be subject to the prior payment of operations and maintenance expenses of the Electric System and the prior payment of OPPD's Electric System Revenue Bonds.

On February 24, 2006, OPPD issued 2006 Series A Electric System Subordinated Revenue Bonds for $25,000,000. The 2006 Series A issue is term bonds due 2040 with an interest rate of 4.375%. On March 23, 2006, OPPD issued 2006 Series B Electric System Subordinated Revenue Bonds for $25,000,000. The 2006 Series B issue is term bonds due 2036, with an interest rate of 4.75%. On July 26, 2006, OPPD issued 2006 Series C Electric System Subordinated Revenue Bonds for $25,000,000. The 2006 Series C issue is term bonds due 2042, with an interest rate of 4.65%.

On October 4, 2005, OPPD issued 2005 Series A Electric System Subordinated Revenue Bonds for $25,000,000. The 2005 Series A issue is term bonds due 2035, with an interest rate of 4.25%. On October 28, 2005, OPPD issued 2005 Series B Electric System Subordinated Revenue Bonds for $25,000,000. The 2005 Series B issue is term bonds due 2041, with an interest rate of 4.5%.

Electric Revenue Notes - Commercial Paper Series – OPPD has a Commercial Paper Program supported by a credit agreement for $250,000,000 which expires on October 1, 2007. OPPD intends to extend this credit agreement on a long-term basis before its expiration. In November 2006, OPPD sold an additional $100,000,000 of Commercial Paper to meet interim financing needs for the fourth quarter of 2006. OPPD plans to refinance this additional $100,000,000 of Commercial Paper with the issuance in 2007 of subordinated revenue bonds. The average borrowing rates were 3.5%, 2.4% and 1.2% for the years ended December 31, 2006, 2005 and 2004, respectively. The outstanding balances were $250,000,000 and $150,000,000 as of December 31, 2006 and 2005, respectively.

Electric Revenue Minibonds – The minibonds consist of current interest-bearing and capital appreciation minibonds, which are payable on a parity with OPPD's Electric System Revenue Notes and Electric Revenue Notes - Commercial Paper Series, all of which are subordinated to the Electric System Revenue Bonds. The minibonds may be redeemed prior to their maturity dates at the request of a holder, subject to certain conditions as outlined in the Minibond Official Statements. The current balance at December 31, 2006, was $12,751,000, which was principal and accreted interest due on October 1, 2007, for the 1992 minibonds. The outstanding balances at December 31 were as follows (in thousands):

Principal	2006	2005
1992 minibonds, due 2007 (6.00%)	$ 9,102	$ 9,118
1993 minibonds, due 2008 (5.35%)	9,215	9,274
1994 minibonds, due 2009 (5.95%)	9,473	9,496
2001 minibonds, due 2021 (5.05%)	24,563	24,741
Subtotal	52,353	52,629
Accreted interest on capital appreciation minibonds	11,277	9,943
Total	$63,630	$62,572

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

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. In December 2006, OPPD reduced the amount available to borrow under the RCA to $200,000,000. There were no amounts outstanding under the RCA at December 31, 2006.

Promissory Note – In February 2006, OPPD renewed 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. There are no amounts outstanding under the Note. The Note was not renewed in 2007.

NC2 Separate Electric System Revenue Bonds – OPPD executed Participation Power Agreements with seven public power and municipal utilities for 50% of the output of its new coal-fired unit, Nebraska City Station Unit 2 (NC2). The Participants' rights to receive, and obligations to pay costs related to, 50% of the output is the "Separate System."

On September 28, 2006, OPPD issued $115,000,000 of NC2 Separate Electric System Revenue Bonds. The issue consists of $19,890,000 of serial bonds, with maturity dates between 2011 and 2026, with interest rates between 3.55% and 4.2% and $95,110,000 of term bonds, with maturity dates between 2027 and 2049, with interest rates between 4.25% and 5.0%.

On December 1, 2005, OPPD issued $112,000,000 of NC2 Separate Electric System Revenue Bonds. The issue consists of $31,535,000 of serial bonds, with maturity dates between 2011 and 2031, with interest rates between 3.55% and 4.75%, and $80,465,000 of term bonds, with maturity dates between 2027 and 2046, with an interest rate of 5.0%.

NC2 Separate Electric System Revenue Bond payments are as follows (in thousands):

	Principal	Interest
2007	$ -	$ 9,908
2008	-	10,761
2009	-	10,761
2010	-	10,761
2011	2,245	10,721
2012-2016	12,575	52,261
2017-2021	15,380	49,490
2022-2026	19,090	45,805
2027-2031	24,085	40,878
2032-2036	30,695	34,500
2037-2041	39,180	26,026
2042-2046	50,000	14,931
2047-2051	33,750	2,469
Total	$227,000	$319,272

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

2006		2005	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
$1,575,152	$1,623,832	$1,139,247	$1,165,294

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:

Electric System Revenue Bond Fund, Electric System Subordinated Revenue Bond Fund and NC2 Separate Electric System Revenue Bond Fund – These funds are to be used for the retirement of their respective revenue bonds and the payment of the related interest and reserves as required.

Electric System Construction Fund and NC2 Separate System Construction Fund – These funds are to be used for capital improvements, additions and betterments to and extensions of their respective electric system.

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. As there is no funding requirement for the Debt Retirement Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Debt Retirement Fund was $105,000,000 and $90,000,000 as of December 31, 2006 and 2005, respectively (Note 13).

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. As there is no funding requirement for the Rate Stabilization Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Rate Stabilization Fund was $32,000,000 and $19,600,000 as of December 31, 2006 and 2005, respectively (Note 13).

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 (Note 9). The balances of the funds at December 31 were as follows (in thousands):

	2006	2005
Segregated Fund - self-insurance	$ 5,832	$ 5,785
Segregated Fund - other	19,734	20,065
Total	$25,566	$25,850

Decommissioning Funds – These funds are for the costs 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 (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 follows (in thousands):

	2006	2005
Decommissioning Trust -1990 Plan	$205,536	$195,280
Decommissioning Trust -1992 Plan	62,562	59,464
Total	$268,098	$254,744

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, 2006 and 2005, OPPD investments were as follows (in thousands):

	2006		2005	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money markets	$ 970	-	$ 773	0.1
U.S. agencies	782,843	1.1	584,424	1.1
Corporate bonds	1,564	2.0	1,586	3.0
Mutual funds	111,958	-	105,581	-
Total	$897,335		$692,364	
Portfolio weighted average maturity		1.0		1.0

Interest Rate Risk – OPPD's investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 1.0 year as of December 31, 2006 and 2005. 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 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 was rated AAA by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service at December 31, 2006 and 2005.

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, 2006 and 2005. OPPD delivers all of its investment securities under contractual trust agreements.

5. DEFERRED CHARGES

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

	2006	2005
Deferred financing costs	$15,274	$ 9,199
Sulfur dioxide allowance inventory - long-term	8,125	-
Deferred depreciation expense	14,228	9,048
Other	5,000	3,211
Total	$42,627	$21,458

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.

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, 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.

The Present Value of Accrued Plan Benefits (PVAPB) is the present value of benefits based on compensation and service to that date. This is the amount the Plan would owe participants if the Plan were frozen on the valuation date. 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)*	
2006	$611,925	$609,285	$2,640	100.4%	$154,082	1.7%
2005	$577,885	$553,592	$24,293	104.4%	$148,682	16.3%
2004	$545,565	$515,351	$30,214	105.9%	$145,094	20.8%

The Actuarial Accrued Liability (AAL) is the present value of retirement benefits adjusted for assumptions for future increases in compensation and service attributable to past accounting periods. The funded ratio for the AAL was lower than 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 AAL is presented in the table below based on the actuarial valuation as of January 1:

	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)*	
2006	$611,925	$771,907	$159,982	79.3%	$154,082	103.8%
2005	$577,885	$702,300	$124,415	82.3%	$148,682	83.7%
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 $32,361,000, $25,934,000 and $22,907,000 for the years ended December 31, 2006, 2005 and 2004, respectively. There was no net pension obligation as of December 31, 2006, 2005 and 2004. Plan contributions by OPPD employees were $6,270,000, $6,072,000 and $5,832,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

The Entry Age Normal (Level Percent of Pay) cost method was used to determine contributions to the Plan. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. Other actuarial assumptions used in the valuation are shown in the following table. The investment return assumption, net of administrative expenses, was reduced to 8.2% for the 2006 valuation from 8.4% for the 2005 and 2004 valuations. The actuarial value of plan assets was determined using a method which smoothes 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. Ad-hoc cost-of-living increases granted to retirees and beneficiaries are amortized in the year for which the increase is 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. Effective January 1, 2007, the Board of Directors authorized a 1.0% cost-of-living adjustment for retirees and beneficiaries.

	2006	2005	2004
Investment return (discount rate)	8.20%	8.40%	8.40%
Average rate of compensation increase	5.20%	5.20%	5.20%
Ad-hoc cost-of-living adjustment	1.50%	1.25%	1.25%

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, 2006.

7. SUPPLEMENTAL RETIREMENT SAVINGS PLAN

OPPD sponsors a Defined Contribution Supplemental Retirement Savings Plan – 401(k) and a Defined Contribution Supplemental Retirement Savings Plan – 457. Both Plans cover all full-time employees and allow contributions by employees that are partially matched by OPPD. Each of these Plan's assets and income are held in an external trust account in the employee's name. OPPD's matching share of contributions was $5,763,000, $5,617,000 and $5,601,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

8. OTHER LIABILITIES

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

	2006	2005
Contractors' retention - long-term	$ 15,268	$ 4,880
Workers' compensation reserve	2,727	2,644
Deferred revenues	1,424	1,468
Public liability reserve	1,086	629
Accrued production outage costs - long-term	758	-
Other	610	663
Total	$ 21,873	$10,284

9. SELF-INSURANCE HEALTH PROGRAM AND POST EMPLOYMENT 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 (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 $28,796,000, $28,253,000 and $24,540,000 for the years ended December 31, 2006, 2005 and 2004, respectively. The claim payments during those years did not exceed 120% of the expected claims levels. As of December 31, 2006, 2,311 active employees, 27 employees on long-term disability and 1,182 retirees and beneficiaries had health care coverage through OPPD. The total cost of life and long-term disability insurance was $2,159,000, $1,725,000 and $2,238,000 for the years ended December 31, 2006, 2005 and 2004, respectively. The Incurred but not Presented Reserve was $2,702,000 and $2,899,000 as of December 31, 2006 and 2005, respectively, and was recorded in liabilities payable from segregated funds.

Health care and life insurance benefits provided to retirees and their dependents are considered other post employment benefits (OPEB). Prior to 2007, OPPD recognized the cost of OPEB on a pay-as-you-go basis. Because of a new accounting standard, OPPD is required to recognize OPEB costs using an actuarial approach similar to OPPD's Retirement Plan (Note 6) in 2007. A preliminary actuarial valuation was completed by an independent actuary in 2006 using 2005 demographic data. The valuation indicated that OPPD had an actuarial accrued liability (AAL) of approximately $300,000,000 as of December 31, 2006. The accounting standard requires recognition of an OPEB liability on the balance sheet only for unfunded annual required contributions (ARC).

In 2006, OPPD decided to fully fund the ARC to reduce OPEB costs, avoid the recognition of a liability on the financial statements and address its obligations to employees. The ARC, in excess of the pay-as-you-go costs, are expected to be $18,306,000 and $18,452,000 for the years ended December 31, 2007 and 2008, respectively. These costs include anticipated reductions from the implementation of plan design changes. An irrevocable grantor trust for OPEB was established in 2006.

10. COMMITMENTS

OPPD's obligation for the uncompleted portion of construction contracts was approximately $306,449,000 at December 31, 2006. Most of this obligation was for the engineering, procurement and construction contract for the Nebraska City Station Unit 2.

OPPD has power sales commitments which extend through 2027 of $65,750,000 at December 31, 2006. OPPD has power purchase commitments which extend through 2020 of $103,455,000 at December 31, 2006. These amounts do not include the Participation Power Agreements (PPAs) for the Nebraska City Station Unit 2 or OPPD's portion of the NPPD wind-turbine facility.

OPPD has 40-year 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. On September 7, 2006, OPPD executed a NC2 Transmission Facilities Cost Agreement with the Participants which addresses the cost allocation, payment and cost recovery for delivery of their respective power.

OPPD has a PPA with the Nebraska Public Power District (NPPD) for a 16.8% share, or approximately 10 MW, of a 59.4-MW wind-turbine facility 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 $29,122,000 at December 31, 2006. Commercial operation of the facility began on September 15, 2005.

OPPD has coal supply contracts which extend through 2008 with minimum future payments of $68,158,000 at December 31, 2006. OPPD also has coal transportation contracts which extend through 2008 with minimum future payments of $55,608,000 at December 31, 2006. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect until 2016 with estimated future payments of $59,400,000 at December 31, 2006. Contracts for the enrichment of nuclear fuel are in effect through 2008 with estimated future payments of $13,400,000 at December 31, 2006. Additionally, OPPD has contracts through 2012 for the fabrication of nuclear fuel assemblies with estimated future payments of $21,100,000 at December 31, 2006.

In 2006, OPPD entered into an agreement with the University of Nebraska-Omaha (UNO) to fund an Energy Saving Potential (ESP) program to be administered by UNO for five years. This program is designed to reduce energy usage by residential consumers through conservation. OPPD committed up to $500,000 per year for the five-year program until 2011.

In 2006, OPPD entered into a 50-year contract with the Department of Defense (DOD) to provide distribution services to Offutt Air Force Base (Offutt). The electricity for Offutt is provided by the Western Area Power Administration.

11. CONTINGENCIES

Under the provisions of the Price-Anderson Act at December 31, 2006, 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 $15,000,000 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 or payable from OPPD, taking into account amounts provided in the financial statements, are not significant.

12. CONSTRUCTION DEPOSITS

Participants were given the option to provide their own funds or to finance with OPPD separate electric system revenue bonds their share of the construction costs of Nebraska City Station Unit 2. This liability represents the amount the Participants' own funds, including interest, exceeded their share of the incurred construction costs. Construction deposits were $102,019,000 and $55,656,000 as of December 31, 2006 and 2005, respectively.

13. ADDITIONS TO AND UTILIZATIONS OF RESERVES

In May 2006, $5,000,000 of the Debt Retirement Reserve was used, as planned, to provide additional revenues and funding for capital expenditures. In December 2006, $20,000,0000 was added to the Debt Retirement Fund as a result of strong financial performance. The net impact on retail sales revenues and net income for changes to the Debt Retirement Reserve was a reduction of $15,000,000 for the year ended December 31, 2006.

Additional purchased power expense attributed to extended outages at the Fort Calhoun and Nebraska City stations in the first half of 2005 was offset in June 2005 by the use of $12,400,000 of the Rate Stabilization Reserve. As a result of strong financial performance in the latter half of 2005, the Rate Stabilization Reserve was restored to $32,000,000 in December 2005. Accordingly, there was no impact on purchased power expense or net income from the Rate Stabilization Reserve for the year ended December 31, 2005.

Retail sales revenues and net income were reduced for an addition to the Debt Retirement Reserve of $55,000,000 for the year ended December 31, 2004.

14. SALE AND PURCHASE OF SULFUR DIOXIDE ALLOWANCES

OPPD is required to have sulfur dioxide allowances equal to its emission levels. One sulfur dioxide allowance must be owned for each ton of sulfur emitted by the plants. In April 2006, due to a surplus inventory of currently usable sulfur dioxide allowances, OPPD sold 25,000 current allowances and purchased 25,000 allowances usable between 2010 and 2014. The transaction increased other electric revenues by $18,555,000 for the year ended December 31, 2006.

15. LOW-LEVEL RADIOACTIVE WASTE SETTLEMENT

The Central Interstate Low-Level Radioactive Waste (LLRW) Commission was awarded damages in 2002 from a lawsuit against the State of Nebraska for the denial of a site-specific license application by the Nebraska Departments of Environmental Quality and Health. The Commission and the State entered into a settlement agreement for a single payment on August 1, 2005. The Major Generators (i.e., OPPD and other owners and operators of nuclear power generating units within the Compact region which have provided funding for the activities of the Commission) requested reimbursement from the Commission from the proceeds of the settlement payment. In July 2005, the Commission adopted a resolution to pay Major Generators $114,746,000 and to retain $15,000,000 to cover potential future expenses. OPPD received its share, $15,468,000, on August 1, 2005. The settlement proceeds received by OPPD were returned to its customer-owners prior to the end of 2005 as authorized by the Board of Directors. Accordingly, there was no impact on net income from this settlement for the year ended December 31, 2005. In February 2006, the Commission voted to release $10,000,000 of the $15,000,000 previously retained as an additional settlement. OPPD's share, $1,348,000, was received in April 2006 and was included in other electric revenues for the year ended December 31, 2006.

16. HIGH-LEVEL RADIOACTIVE WASTE SETTLEMENT

In 2006, a settlement agreement was reached between OPPD and the Department of Energy (DOE) related to DOE's responsibilities under the terms of the Nuclear Waste Disposal Act. The DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste incurred due to the DOE's delay in accepting waste. In June 2006, OPPD received a reimbursement of $4,948,000 from the DOE for capital expenditures incurred through June 2005 for the construction of a dry-cask storage facility. The receivable from the DOE for costs incurred from July 2005 through December 2006 for the dry-cask storage facility was $13,000,000 as of December 31, 2006. OPPD will periodically submit applications to the DOE for reimbursement of costs incurred. Utility plant assets were reduced by and contributions in aid of construction included $17,948,000 for the year ended December 31, 2006, for these reimbursements.

17. OTHER - NET

For the year ended December 31, 2005, $837,000 of costs related to a steam supply study for industrial use were expensed since the project was not implemented. In 2006, this study was resumed with an agreement by the customer to reimburse OPPD for $310,000 of expenses from 2005 as well as future expenses. The reimbursement for 2005 expenses was included in other income for the year ended December 31, 2006.

18. SUBSEQUENT EVENT

OPPD purchased Offutt Air Force Base's distribution system for $3,009,000 in January 2007, which will be paid over a 15-year period through contract rates.

Statistics

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1
Total Utility Plant (at year end) (in thousands of dollars)	4,166,997	3,656,433	3,363,909	3,224,851	3,081,073	2,876,799	2,735,437	2,621,444	2,455,004	2,36
Bonded Indebtedness (at year end) (in thousands of dollars)	1,249,510	917,710	679,315	726,130	631,135	577,010	637,235	696,040	745,630	81
Operating Revenues (in thousands of dollars)										
Residential	249,174	237,798	211,913	208,426	214,447	202,984	196,923	188,187	192,481	18
Commercial	198,089	190,128	180,867	176,664	177,063	176,145	166,441	161,901	159,844	15
Industrial	94,109	90,344	90,987	85,406	75,946	76,197	75,976	76,513	79,359	7
Street and Highway Lighting	15,225	14,186	13,817	13,156	12,723	12,589	12,270	11,936	11,687	1
Off-System Sales	96,500	120,030	109,523	108,795	65,885	91,045	110,300	78,741	62,550	4
Accrued Unbilled Revenues	2,527	630	(1,134)	4,086	(1,268)	104	2,541	1,650	282	
Provision for Rate Stabilization	—	—	—	—	(10,500)	(5,000)	(11,500)	(5,000)	—	
Provision for Debt Retirement	(15,000)	—	(55,000)	(35,000)	—	—	—	—	—	
Other Electric Revenues	36,204	13,436	15,342	11,541	11,357	14,731	14,238	9,802	8,747	
Total	676,828	666,552	566,315	573,074	545,653	568,795	567,189	523,730	514,950	48
Operations & Maintenance Expenses (in thousands of dollars)	461,101	447,270	401,778	404,040	339,750	353,767	345,378	329,323	306,864	28
Payments in Lieu of Taxes (in thousands of dollars)	20,241	19,693	18,591	18,067	18,553	18,234	17,645	16,852	16,638	1
Net Operating Revenues before Depreciation and Decommissioning (in thousands of dollars)	195,486	199,589	145,946	150,967	187,350	196,794	204,166	177,555	191,448	18
Net Income (in thousands of dollars)	84,290	82,171	24,844	25,878	80,621	69,867	70,850	49,014	63,993	4
Energy Sales (in megawatt-hours)										
Residential	3,374,053	3,356,196	3,054,576	3,079,589	3,151,895	3,065,377	2,880,289	2,718,585	2,796,585	2,68
Commercial	3,489,241	3,449,908	3,285,896	3,264,369	3,272,028	3,279,890	3,097,835	3,014,202	2,971,390	2,89
Industrial	2,664,743	2,644,634	2,630,038	2,561,569	2,290,368	2,302,311	2,287,966	2,304,441	2,443,625	2,32
Street and Highway Lighting	88,195	85,128	83,817	82,845	81,593	82,775	81,268	80,868	80,286	7
Off-System Sales	2,486,483	2,502,433	3,646,043	3,775,362	3,273,359	3,952,632	4,208,943	3,318,409	3,105,942	2,54
Accrued Unbilled MWh	9,628	21,285	6,890	61,165	(23,697)	(5,268)	52,739	23,168	9,369	5
Total	12,112,343	12,059,584	12,707,260	12,824,899	12,045,546	12,677,717	12,609,040	11,459,673	11,407,197	10,58
Number of Customers (average per year)										
Residential	289,713	282,310	275,854	270,579	266,464	261,286	256,541	251,057	245,890	24
Commercial	41,165	40,372	39,482	38,525	37,807	37,008	36,088	35,553	34,932	3
Industrial	132	133	135	127	117	116	110	105	103	
Street and Highway Lighting	323	293	352	436	594	555	543	560	567	
Off System	37	39	45	48	54	49	49	45	40	
Total	331,370	323,147	315,868	309,715	305,036	299,014	293,331	287,320	281,532	27
Cents Per kWh (average)										
Residential	7.40	7.07	6.95	6.73	6.81	6.63	6.84	6.94	6.89	
Commercial	5.99	5.77	5.76	5.69	5.41	5.38	5.37	5.37	5.38	
Industrial	3.55	3.46	3.40	3.39	3.32	3.32	3.32	3.32	3.24	
Retail	5.81	5.58	5.48	5.39	5.46	5.36	5.41	5.40	5.34	
Generating Capability (at year end) (in megawatts)	2,544.1	2,542.5	2,540.5	2,540.5	2,220.5	2,205.0	2,203.0	2,093.4	2,082.9	2,
System Peak Load (in megawatts)	2,271.9	2,223.3	2,143.8	2,144.8	2,037.4	1,994.1	1,976.9	1,965.6	1,914.0	1,
Net System Requirements (in megawatt-hours)										
Generated	11,341,827	11,180,808	12,235,044	12,000,873	11,428,893	11,516,924	11,760,938	10,724,976	10,679,310	9,69
Purchased and Net Interchanged	(1,268,780)	(1,148,903)	(2,716,242)	(2,557,981)	(2,122,701)	(2,557,704)	(2,833,243)	(2,190,252)	(1,960,844)	(1,281
Net	10,073,047	10,031,905	9,518,802	9,442,892	9,306,192	8,959,220	8,927,695	8,534,724	8,718,466	8,41

Certain amounts have been reclassified to conform with the 2006 presentation.

Investor Relations Corporate Information

Corporate Headquarters
Energy Plaza
444 South 16th Street Mall
Omaha, Nebraska 68102-2247
402-636-2000
www.oppd.com

General Counsel
Fraser Stryker PC LLO
Omaha, Nebraska

Financial Advisor
Lehman Brothers
New York, New York

Consulting Engineer
R.W. Beck, Inc.
Seattle, Washington

Independent Auditors
Deloitte & Touche LLP
Omaha, Nebraska

Bond Counsel
Kutak Rock LLP
Omaha, Nebraska

Commercial Paper Issuing and Paying Agent
The Bank of New York Trust Company, N.A.
New York, New York

Senior and Subordinate Bondholders
You may contact OPPD with questions about OPPD debt at the following address and telephone number:

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

Senior and Subordinate Debt Trustee
The Bank of New York Trust Company, N.A.
New York, New York

Senior and Subordinate Debt Paying Agents
The Bank of New York Trust Company, N.A.
Chicago, Illinois
New York, New York

Wells Fargo Bank, N.A.
Omaha, Nebraska

The Trustee and Paying Agent on OPPD's Senior Lien Debt, Subordinated Revenue Bonds and Separate System Revenue Bonds is The Bank of New York Trust Company, N.A. You may contact The Bank of New York Trust Company, N.A. directly at the following address and telephone number:

The Bank of New York Trust Company, N.A.
Corporate Trust Division
2 North LaSalle Street, 7th Floor
Chicago, Illinois 60602
Investor Relations: 800-275-2048

OPPD Minibondholders
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 or through the following address and telephone numbers:

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

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

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

Corporate Officers

Del D. Weber
Chairman of the Board

Frederick J. Ulrich
Vice Chairman of the Board

N.P. Dodge Jr.
Secretary

John K. Green
Treasurer

W. Gary Gates
President
Chief Executive Officer

Charles P. Moriarty
Vice President
Chief Financial Officer
Assistant Treasurer
Assistant Secretary

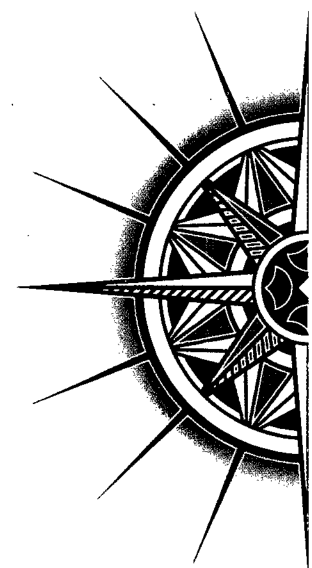
Ross T. Ridenoure
Vice President
Chief Nuclear Officer
Assistant Secretary

Timothy J. Burke
Vice President
Assistant Secretary

Adrian J. Minks
Vice President
Assistant Secretary

Roger L. Sorenson
Vice President
Assistant Secretary

Dale F. Widoe
Vice President
Assistant Secretary



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Omaha Public Power District

Energy Plaza
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Omaha, Nebraska 68102

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