your energy partner®
OPPD
Omaha Public Power District

444 South 16th Street Mall
Omaha NE 68102-2247

April 7, 2009
LIC-09-0029

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

Reference: Docket No. 50-285

SUBJECT: 2008 Annual Report

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the 2008 Omaha Public Power District (OPPD) Annual Report.

If you should have any questions, please contact Mr. Bill R. Hansher at (402) 533-6894.

No commitments to the NRC are made in this letter.

Sincerely,

T. C. Matthews
Manager - Nuclear Licensing

TCM/mle

Enclosure: OPPD Annual Report

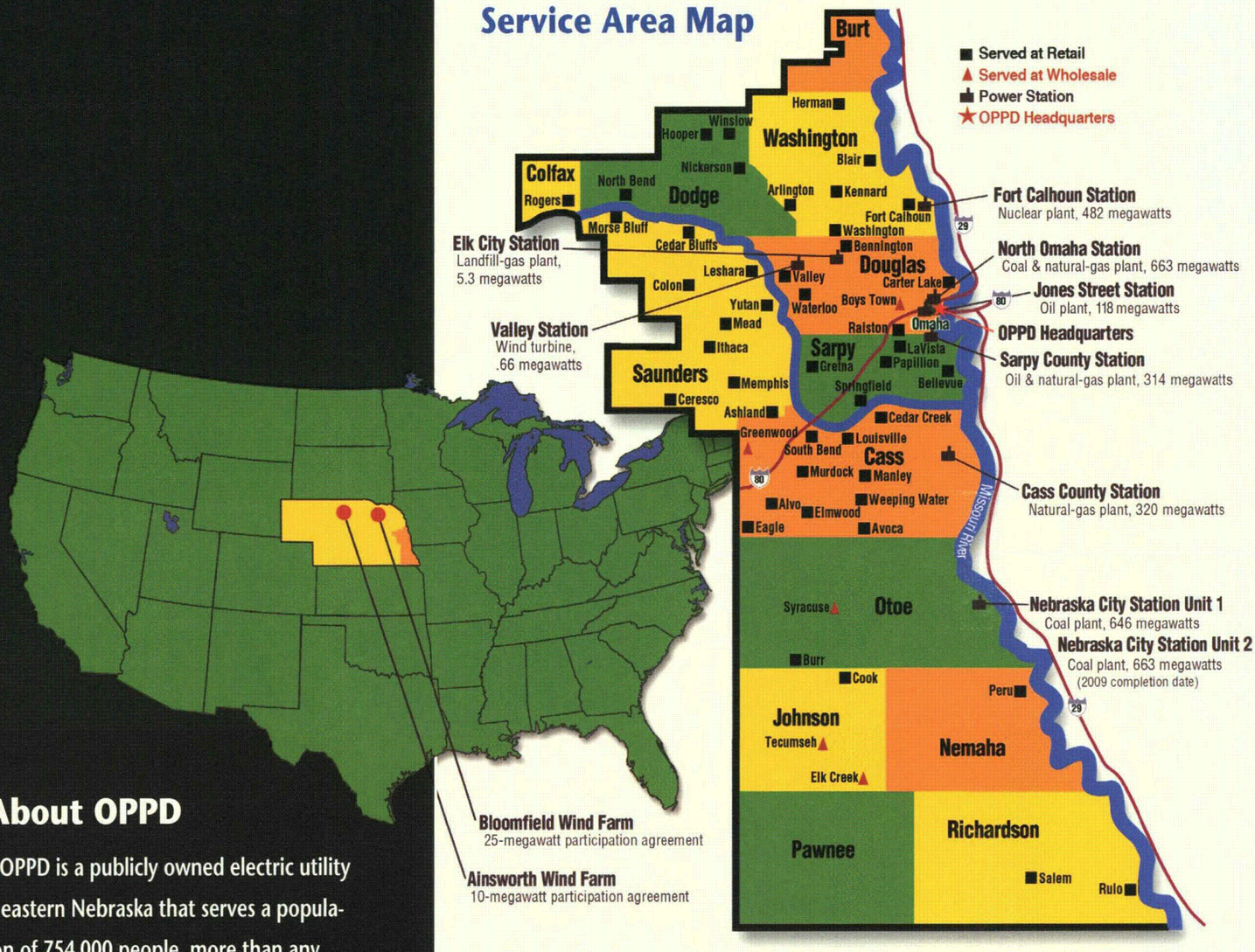
c: E. E. Collins, NRC Regional Administrator, Region IV
A. B. Wang, NRC Project Manager
J. D. Hanna, NRC Senior Resident Inspector

N004
A001
NRR

TRUE COLORS

2008 Omaha Public Power District Annual Report

Service Area Map



About OPPD

OPPD is a publicly owned electric utility in eastern Nebraska that serves a population of 754,000 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 in OPPD's 5,000-square-mile service territory.

OPPD's three baseload 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 operation in 2009.

Contents

TRUE COLORS

In 1666, English scientist Sir Isaac Newton discovered that when pure white light is passed through a prism, it separates into all of the visible colors. For years, scientists and others have studied and experimented with color.

Blue represents harmony and truth. It has been shown to slow the pulse rate, lower body temperature and reduce appetite. The warmer-toned red, by contrast, is the most energetic color. It's used on stop signs and emergency exit signs because it attracts attention. Red can raise blood pressure and make the heart beat faster.

It's no wonder that a new box of crayons brings a smile to students at the start of a school year. That box is full of possibilities.

That's how we feel at Omaha Public Power District. For more than 60 years, we have been providing reliable, affordable electric service for our southeast Nebraska customers. We provide a product that customers use for everything from brain scan imaging and Internet electronic financial transactions to manufacturing a biodegradable plastic from a corn-conversion process.

We're proud of our service and excited about what we have planned for the future. And, we're excited to show our true colors to our customer-owners – the colors of loyalty, enthusiasm and service.

Chairman and CEO Message

In keeping with the theme of this year's annual report, our employees showed their "true colors" again in 2008, when J.D. Power and Associates honored Omaha Public Power District for its service to residential customers for the eighth consecutive year. But service is less about awards and more about actions. After hurricane-force winds ripped through parts of OPPD's service area one Friday evening in June, our employees immediately started to restore service to 126,000 customers, safely and efficiently.

W. Gary Gates and Frederick J. Ulrich

OPPD also faced some strong headwinds in the financial arena in 2008, when we negotiated new contracts for coal supply and rail transportation of coal. The lowest bids for these costs skyrocketed by $107 million annually, compared to what we were paying previously. We cut budgets and took other actions to reduce the impact of these price hikes to $97 million annually. With no way to absorb the full blow of these cost increases, we added an across-the-board Fuel and Transportation Cost Adjustment to our customers' electric service bills.

When OPPD made $105 million in Electric System Revenue Bonds available on the bond market in the fall of 2008, the overwhelming response to our highly rated bonds enabled us to negotiate lower interest rates, yielding a significant cost savings for OPPD and its customer-owners.

The deft handling of OPPD's finances over the years is in large part a credit to the work of Vice President and Chief Financial Officer Charlie Moriarty, who is retiring after 41 years with us. We expect to benefit from the same level of expertise and sound judgment from Vice President Edward Easterlin, our new CFO.

As we make every effort to be good stewards of our financial resources, we continue to strengthen our environmental stewardship. Our steps in this direction range from expanding our use of renewable fuels to adding more hybrid vehicles to our fleet.

We took another major step forward in 2008 by pursuing membership in the Southwest Power Pool (SPP), a regional transmission organization headquartered in Little Rock, Ark. Along with Nebraska Public Power District and Lincoln Electric System, OPPD's membership in SPP becomes final on April 1, 2009. Being part of SPP will help strengthen the reliability of the transmission grid in this region and provide access to a larger marketplace, improving overall operational effectiveness.

We invite you to review our 2008 operational highlights in the pages that follow. As you do so, we trust you will come to appreciate the true colors that make up the people of OPPD.

W. Gary Gates
President and Chief Executive Officer

Frederick J. Ulrich
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.

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

John K. Green
Vice Chairman of the Board
Attorney at Law

John R. Thompson
Secretary
Land Developer

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

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 (Retired)

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

Senior Management

The OPPD senior management team includes, from the left: David J. Bannister, Dale F. Widoe, Adrian J. Minks, W. Gary Gates, Edward E. Easterlin and Timothy J. Burke.

W. Gary Gates
President,
Chief Executive Officer

Edward E. Easterlin
Vice President – Financial Services
Chief Financial Officer
Assistant Treasurer, Assistant Secretary

David J. Bannister
Vice President – Nuclear
Chief Nuclear Officer
Assistant Secretary

Timothy J. Burke
Vice President – Employee and Customer Relations
Assistant Secretary

Adrian J. Minks
Vice President – Essential Services
Assistant Secretary

Dale F. Widoe
Vice President – Operations
Assistant Secretary

GOLD STANDARD

The safety and health of employees are OPPD's most closely held values. We insist on a culture where all employees take responsibility for their own safety and that of their co-workers, and we promote healthy lifestyles for our employees, our most valuable asset.

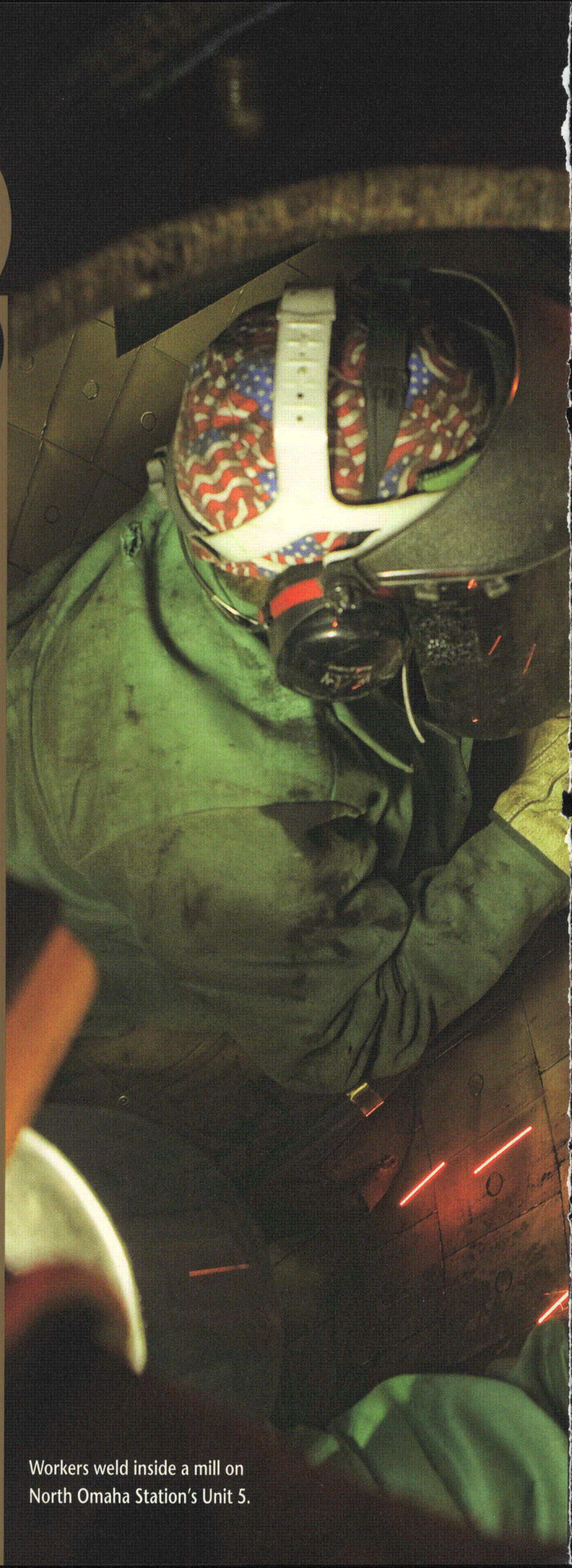
It's our gold standard.

Increased emphasis on safety in 2008 is making a difference in the power plants, in the field and at other OPPD work locations.

One reason is the creation of injury prevention supervisor positions in OPPD's Safety Division. Statistics show that the more visible and available safety personnel are, the better the injury rate. In fact, there were 24 percent fewer reportable injuries and about 64 percent less lost-time injuries than in 2007.

The injury prevention supervisors rotate through different areas of the company. They serve as a resource in the field and in power plants to answer safety-related questions and make sure employees have the tools and knowledge to work safely in all situations. They have strong knowledge of OPPD and Occupational Safety and Health Administration safety guidelines, and their diverse backgrounds cover the gamut of our operations.

With the help of these supervisors and other efforts, many OPPD work groups have reached milestones that move steadily closer to the gold standard of safety.



Workers weld inside a mill on North Omaha Station's Unit 5.

INTHEPINK

The picture of health is an appealing image. Rising healthcare costs and unexpected injuries or illnesses, however, can fade that picture.

OPPD provides a number of tools to encourage employees and their families to take charge of their health and well-being. This is good for employees and OPPD, which has a self-funded health insurance plan.

In addition to annual heath fairs, reduced-cost health screenings and various fitness programs and activities, OPPD beefed up its smoking-cessation campaign last year to give employees and their spouses help kicking the habit.

The health hazards of smoking and chewing tobacco are serious and well-documented. Every year, more than 438,000 Americans die from tobacco-caused disease, making it the leading cause of preventable death, according to the American Lung Association. Millions of healthcare dollars go toward treating patients who have used tobacco products.

OPPD's own Puff & Pinch characters started to appear on posters and other materials in 2008, informing employees of the new tobacco-free worksite policy that becomes effective June 1, 2009. To support that policy, OPPD is offering tobacco-cessation assistance, much of it covered by OPPD's medical insurance plans.

No sniffs, cans or butts, OPPD wants a tobacco-free, healthy glow.


DURASTAR HYBRID
OPPD
Omaha Public Power District
Omaha, Nebraska

aim

GREEN

Customer expectations for environmental stewardship are on the rise, and we hear our customers loud and clear.

Aim Green.

That's our initiative. It focuses on renewable energy, energy efficiency and environmental stewardship, and these efforts flourished in 2008. OPPD is taking a leadership role to define solutions that help our customers and the environment.

For starters, OPPD set a goal to reduce energy demand on our system by 50 megawatts (MW) by the end of 2012, offering customers a variety of energy-efficiency programs. In addition, OPPD set a target of using renewable resources to produce 10 percent of its energy for customers by 2020.

To reach that target, OPPD plans to add approximately 400 MW of renewable energy to our portfolio of power, with around 118 MW of that coming within the next two years in the form of wind generation.

Another goal is that 45 percent of our electricity supply – or about 6.5 million megawatt-hours – will come from non-carbon-emitting generating resources by 2020. In addition to renewable energy, that includes power produced at Fort Calhoun Nuclear Station and hydroelectric power purchased from the Western Area Power Administration.

Other progress can be seen in OPPD's day-to-day operations and in programs for customers:

ENERGY STAR challenge – OPPD is taking this challenge, a national call-to-action to improve the energy efficiency of America's commercial and industrial buildings by 10 percent or more.

Hybrid vehicles – OPPD's fleet includes 17 gas/electric hybrid passenger vehicles, including the only plug-in hybrid in the state, and a hybrid aerial basket truck, with more to come.

Green Power Program – This voluntary program allows customers to financially support OPPD's production of renewable energy.

Continuous Commissioning℠ – OPPD offers commercial and industrial customers Continuous Commissioning, which can realize energy savings ranging from 15 to 50 percent. The patented technology integrates and optimizes heating and cooling systems, as well as other energy-related systems. In 2008, four Continuous Commissioning projects accounted for a savings of 3,000,000 kilowatt-hours, enough to power 227 homes.

Project GreenFlick – OPPD is reaching out to the You-Tube generation with its Project GreenFlick competition, seeking energy-efficiency or environmental-awareness videos from high school students.

Power Drive Program – Since 1998, hundreds of high school students have applied math, science and construction skills through this program. They designed, built and demonstrated their electric-powered vehicles at a series of rallies.

SILVERLINING

At a time when some organizations were having trouble borrowing money, OPPD had no trouble finding investors for a bond issue in November.

Despite turmoil in the bond market, and perhaps because of it, OPPD's highly rated bonds sold out within five hours of being offered.

OPPD's bonds – rated Aa1 from Moody's Investors Service and AA from Standard and Poor's – were of the highest quality bonds being issued in the market, and they were exactly what investors were seeking.

John Thurber, Division Manager - Finance, left, and Charles Moriarty, retiring Vice President and CFO, led OPPD bond efforts in recent years.

In total, OPPD received orders amounting to nearly $300 million for the $105 million bond issue, which meant many orders could not be filled. OPPD was able to negotiate lower interest costs because of the demand.

The high bond ratings and timing of our sale translates to savings to OPPD customer-owners over the life of the bonds.

Amid the darkness, we found a silver lining.

At left, OPPD troubleshooters are using Nebraska's first hybrid basket truck.


Mutual of Omaha

RED HOT

Southeast Nebraska is a good place for businesses to grow.

In fact, economic development activity in 2008 shows the area was red hot compared to other parts of the country.

One thing that sets us apart is the coordinated regional effort among local and state economic development organizations, city and state officials and the business community.

Electricity rates well below the national average, a comprehensive state economic development incentive program and a diverse employment base are other attractions.

A few years ago, the Omaha Chamber of Commerce created a partnership with area economic development corporations, with the intention of better coordinating development and business growth opportunities.

The Greater Omaha Economic Development Partnership includes OPPD's Economic Development team and economic development organizations in four counties. It essentially provides a one-stop shop for businesses and site-selection consultants looking for new locations for business facilities in the region. In 2008 the partnership attracted a record 42 different projects.

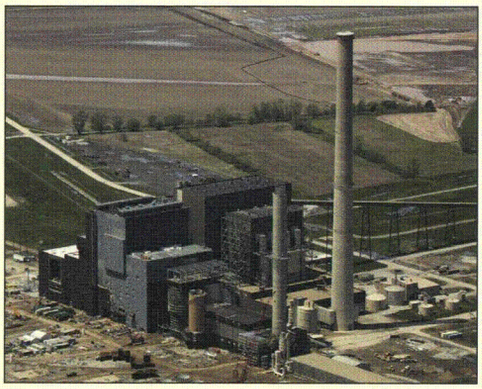
For example, Yahoo, TD Ameritrade, Midwest Manufacturing and Denmark-based Novozymes all announced major projects in southeast Nebraska after months – even years – of searching for the right spot, with the right conditions.

We're working diligently to maintain this red-hot pace.

ROSY OUTLOOK

OPPD adds another generating unit to its portfolio this spring.

Nebraska City Station Unit 2, a 663-megawatt coal plant, has been taking shape alongside Unit 1 on the Missouri River for several years.



A second generating unit at Nebraska City Station will become fully operational in May.

Electricity from the plant will be shared among seven other public power and municipal utilities in the area. OPPD will own and operate the plant and use half of its generation. The other utilities have long-term contracts to purchase the remaining portion of the plant's generating capacity.

The outlook is rosy for customers with growing energy demands.

Midtown Crossing, a $300 million development that includes office, retail and condo space, is taking shape east of the Mutual of Omaha campus.

TRUE

BLUE

OPPD has a special connection to its customers.

We are more than commodity providers to them. They are more than revenue sources to us. We are their partners, their energy partners.

We are loyal – true blue.

We show that by doing all we can to make sure customers have electricity when they need it. Sometimes that means making sacrifices and working long hours in the worst of weather conditions.

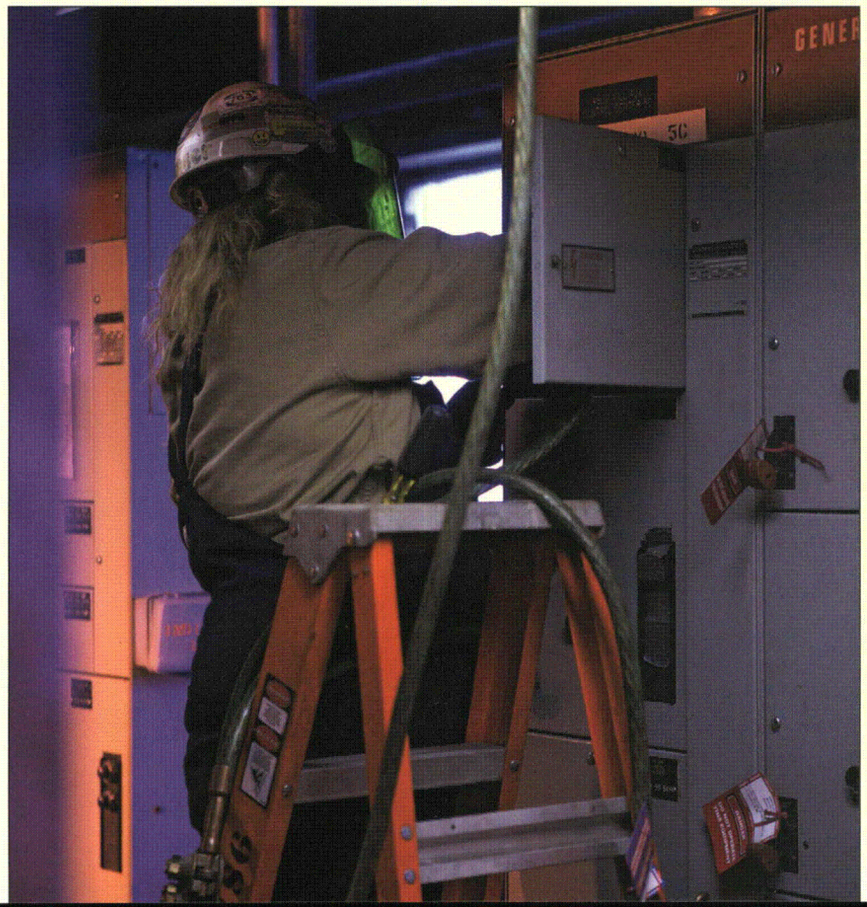
Take the spring and summer of 2008. Many employees missed graduations, kids' baseball games and other family outings as they worked long hours restoring power following a series of storms that pounded southeast Nebraska.

First, there were tornadoes in Ceresco, then in Omaha. About 17 days later, a straight-line windstorm tore through the area with the power of a coastal hurricane. That Friday evening in June, 126,000 customers lost power in a matter of minutes.

The 100-mile-per hour winds damaged more than 300 transmission and distribution poles and more than 100 transformers. Trees were uprooted. Businesses and homes were damaged. Spirits were dampened, but not broken.

OPPD immediately called in employees – as well as a small army of mutual aid crews and contractors – to repair its system, answer outage calls and keep customers apprised of the situation.

They restored power. They kept the faith. They showed their true colors.

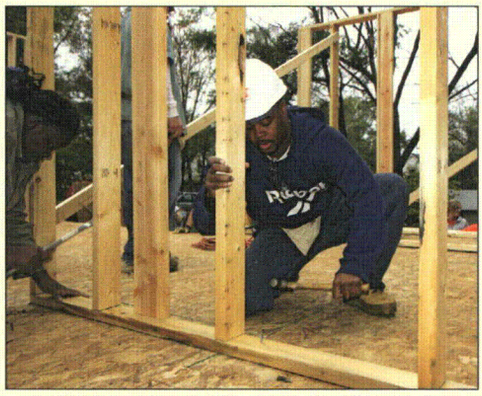


TRUECOLORS

It takes just one person to make a difference.

As a publicly owned organization, OPPD is limited as to the financial support it can give, so we support employees' endeavors to make their communities a better place.

Employees give generously of their time and talent. Some hold elected offices. Some serve as mentors for students. Others wield power tools for Habitat for Humanity, refurbish old computers that make their way to needy families or participate in a global women's leadership program.



OPPD employee Marcus McCaskill helps build a Habitat for Humanity house.

One employee, as part of an executive master's in business administration program, spent two weeks in South Africa, sharing research with a government struggling with daily electricity shortages.

Teams of employees band together for activities like the Leukemia and Lymphoma Society, United Way of the Midlands and Heartland Walk for Warmth, which raises funds for those who need help with energy-related expenses.

Employees shine in almost every aspect of life in southeast Nebraska, helping to brighten the lives of customers, literally and figuratively.

Far left, Line Technician Terry Ensor works on storm restoration. Left, Senior Electrician Dawn Munger installs grounds at North Omaha Power Station.

Statistics

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Total Utility Plant (at year end) (in thousands of dollars)	**4,561,815**	4,259,501	4,166,997	3,656,433	3,363,909	3,224,851	3,081,073	2,876,799	2,735,437	2,621,444
Total Indebtedness (at year end) (in thousands of dollars)	**1,902,403**	1,866,472	1,565,807	1,133,171	894,020	939,972	844,141	739,290	774,049	832,650
Operating Revenues (in thousands of dollars)										
Residential	**271,935**	267,042	249,174	237,798	211,913	208,426	214,447	202,984	196,923	188,187
Commercial	**238,496**	228,060	213,314	204,314	194,684	189,820	189,786	188,734	178,711	173,837
Industrial	**109,827**	100,239	94,109	90,344	90,987	85,406	75,946	76,197	75,976	76,513
Off-System Sales	**127,676**	110,399	96,500	120,030	109,523	108,795	65,885	91,045	110,300	78,741
Unbilled Revenues	**3,391**	1,742	2,527	630	(1,134)	4,086	(1,268)	104	2,541	1,650
Provision for Rate Stabilization	**—**	—	—	—	—	—	(10,500)	(5,000)	(11,500)	(5,000)
Provision for Debt Retirement	**20,000**	27,000	(15,000)	—	(55,000)	(35,000)	—	—	—	—
Other Electric Revenues	**16,648**	15,771	36,204	13,436	15,342	11,541	11,357	14,731	14,238	9,802
Total	**787,973**	750,253	676,828	666,552	566,315	573,074	545,653	568,795	567,189	523,730
Operations & Maintenance Expenses (in thousands of dollars)	**561,396**	508,524	461,101	447,270	401,778	404,040	339,750	353,767	345,378	329,323
Payments in Lieu of Taxes (in thousands of dollars)	**22,426**	21,398	20,241	19,693	18,591	18,067	18,553	18,234	17,645	16,852
Net Operating Revenues before Depreciation, Amortization and Decommissioning (in thousands of dollars)	**204,151**	220,331	195,486	199,589	145,946	150,967	187,350	196,794	204,166	177,555
Net Income (in thousands of dollars)	**79,186**	89,489	84,290	82,171	24,844	25,878	80,621	69,867	70,850	49,014
Energy Sales (in megawatt-hours)										
Residential	**3,486,858**	3,546,116	3,374,053	3,356,196	3,054,576	3,079,589	3,151,895	3,065,377	2,880,289	2,718,585
Commercial	**3,758,853**	3,750,634	3,577,436	3,535,036	3,369,713	3,347,214	3,353,621	3,362,665	3,179,103	3,095,070
Industrial	**2,877,282**	2,759,087	2,664,743	2,644,634	2,630,038	2,561,569	2,290,368	2,302,311	2,287,966	2,304,441
Off-System Sales	**3,003,888**	2,858,004	2,486,483	2,502,433	3,646,043	3,775,362	3,273,359	3,952,632	4,208,943	3,318,409
Unbilled Sales	**50,374**	13,858	9,628	21,285	6,890	61,165	(23,697)	(5,268)	52,739	23,168
Total	**13,177,255**	12,927,699	12,112,343	12,059,584	12,707,260	12,824,899	12,045,546	12,677,717	12,609,040	11,459,673
Number of Customers (average per year)										
Residential	**296,648**	293,642	289,713	282,310	275,854	270,579	266,464	261,286	256,541	251,057
Commercial	**42,867**	42,214	41,488	40,665	39,834	38,961	38,401	37,563	36,631	36,113
Industrial	**142**	134	132	133	135	127	117	116	110	105
Off-System	**32**	35	37	39	45	48	54	49	49	45
Total	**339,689**	336,025	331,370	323,147	315,868	309,715	305,036	299,014	293,331	287,320
Cents Per kWh (average)										
Residential	**7.78**	7.51	7.40	7.07	6.95	6.73	6.81	6.63	6.84	6.94
Commercial	**6.36**	6.07	5.99	5.77	5.76	5.69	5.41	5.38	5.37	5.37
Industrial	**3.82**	3.64	3.55	3.46	3.40	3.39	3.32	3.32	3.32	3.32
Retail	**6.12**	5.93	5.81	5.58	5.48	5.39	5.46	5.36	5.41	5.40
Generating Capability (at year end) (in megawatts)	**2,548.8**	2,548.8	2,544.1	2,542.5	2,540.5	2,540.5	2,220.5	2,205.0	2,203.0	2,093.4
System Peak Load (in megawatts)	**2,181.1**	2,197.4	2,271.9	2,223.3	2,143.8	2,144.8	2,037.4	1,994.1	1,976.9	1,965.6
Net System Requirements (in megawatt-hours)										
Generated	**12,477,032**	12,274,660	11,341,827	11,180,808	12,235,044	12,000,873	11,428,893	11,516,924	11,760,938	10,724,976
Purchased and Net Interchanged	**(1,864,214)**	(1,738,833)	(1,268,780)	(1,148,903)	(2,716,242)	(2,557,981)	(2,122,701)	(2,557,704)	(2,833,243)	(2,190,252)
Net	**10,612,818**	10,535,827	10,073,047	10,031,905	9,518,802	9,442,892	9,306,192	8,959,220	8,927,695	8,534,724

Investor Relations and 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
Barclays Capital Inc.
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 Mellon Trust Company, N.A.
New York, New York

Senior and Subordinate Bondholders

You may contact OPPD with questions about OPPD debt at:

Finance & Investor Relations
Omaha Public Power District
444 South 16th Street Mall
Omaha, NE 68102-2247
e-mail: finfo@oppd.com
402-636-3286

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

Senior and Subordinate Debt Paying Agents
The Bank of New York Mellon 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 Mellon Trust Company, N.A. You may contact The Bank of New York Mellon Trust Company, N.A. directly at:

The Bank of New York Mellon Trust Company, N.A.
Corporate Trust Division
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602

Email: corporate.bond.research@bankofny.com
Bondholder Relations: 800-254-2826

OPPD Minibond Holders

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*

Minibond Administrator
You may contact the Minibond Administrator at:

Finance & Investor Relations
Omaha Public Power District
444 South 16th Street Mall
Omaha, NE 68102-2247
Email: minibonds@oppd.com
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:
Finance Division
Omaha Public Power District
444 South 16th Street Mall
Omaha, NE 68102-2247

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

TRUE COLORS

2008 Annual Report
Omaha Public Power District

Financial Report

Contents

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 Omaha Public Power District (OPPD) as of December 31, 2008 and 2007, 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, 2008. 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 respective 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of OPPD as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years for the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the financial statements, in 2007 OPPD changed its method of accounting for postemployment benefits other than pensions to conform to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The Management's Discussion and Analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of OPPD's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2009, on our consideration of OPPD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska
March 19, 2009

Management's Discussion and Analysis (Unaudited)

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 steady, and the latest report to the Governor and Legislature does not support deregulation of the electric industry in Nebraska. Corporate headquarters is located in Omaha, Nebraska, with generating plants, service centers and customer service offices strategically located throughout the service territory.

The customers of OPPD rely on our product, and we are committed to providing reliable, low-cost energy. The District also realizes its impact on the environment and strives to be a good steward of our natural resources. OPPD is committed to increasing the use of renewable resources while ensuring that we meet the growing needs of our customer-owners.

Construction is progressing as planned and almost complete at the Nebraska City Station Unit 2, a 663-megawatt fossil fuel facility adjacent to the Nebraska City Station Unit 1. The District will use half of the output for its customers and has executed long-term Participation Power Agreements with seven public power and municipal utilities in Nebraska, Missouri and Minnesota for the remaining half of the output. The unit has begun testing and is scheduled for completion by May 2009.

In December 2008, OPPD entered into a contract with the Nebraska Public Power District to purchase wind energy from a facility in Bloomfield, Nebraska. The District also is investigating other wind projects to provide an additional 80 megawatts to expand our portfolio of renewable energy sources. However, the best savings of resources are those megawatts that are not produced. Through the Sustainable Energy and Environmental Stewardship program, OPPD is developing other initiatives that will encourage permanent reductions in energy usage.

Focused on the efficient utilization of resources, OPPD's mission is to deliver high-value electricity and other essential services to our customers. In 2008, OPPD began a 10-year program to upgrade the transmission and distribution infrastructure. These upgrades will improve system reliability and efficiency while providing important operational information.

OPPD is directly accountable to the people it serves, not to private stockholders. To ensure OPPD's customers realize the numerous benefits of public power, OPPD emphasizes solid strategic planning, effective risk management practices and sound financial policies and business practices. Its history of excellent bond ratings continues, and in February 2008, Moody's Investors Service upgraded the rating on OPPD's Electric System Revenue Bonds to Aa1 from Aa2 and the underlying rating on OPPD's Electric System Subordinated Revenue Bonds to Aa2 from Aa3. Few public power electric utilities have achieved this rating.

Public power is built on the premise of low electric rates. In January 2009, OPPD implemented a Fuel and Transportation Cost Adjustment, which resulted in an average increase in rates of 0.86 cents per kilowatt-hour. Even with this adjustment, OPPD's electric rates are still significantly below the regional and national averages.

Chief Financial Officer Charles P. Moriarty has provided substantial financial expertise to OPPD and its customer-owners. With over 41 years of experience, Mr. Moriarty is retiring in 2009. He has been instrumental in building and maintaining OPPD's strong financial position. Mr. Moriarty is being replaced by Edward E. Easterlin. Mr. Easterlin has 30 years of experience in various positions in the utility industry, at companies such as Colorado Springs Utilities, South Carolina Public Service Authority, Santee Cooper and Duke Power.

OPPD's successful operating and financial results are built on a foundation of core values: safety, accountability, commitment to customers, excellence, teamwork and family orientation. Specific performance measures are used to align employees around a consistent, clear vision. OPPD recognizes that its product is essential to the health and well-being of its customers and the community, and the utility remains committed to exceeding customer expectations for reliability, cost, service and citizenship.

The following unaudited Management's Discussion and Analysis should be read in conjunction with the audited 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	2008	2007
Current Assets	$ 605,931	$ 682,234
Capital Assets	3,056,127	2,839,431
Other Long-Term Assets	507,302	530,781
Total Assets	$4,169,360	$4,052,446
Current Liabilities	$ 277,209	$ 251,496
Long-Term Liabilities	2,273,712	2,261,022
Total Liabilities	2,550,921	2,512,518
Equity	1,618,439	1,539,928
Total Liabilities and Equity	$4,169,360	$4,052,446

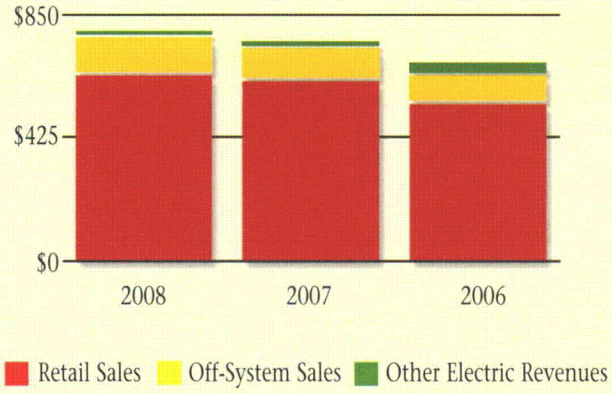
The following summarizes OPPD's operating results for the years ended December 31 (in thousands).

Operating Results	2008	2007	2006
Operating Revenues	$787,973	$750,253	$676,828
Operating Expenses	687,620	632,675	574,098
Operating Income	100,353	117,578	102,730
Other Income	63,189	55,280	47,755
Interest Expense	84,356	83,369	66,195
Net Income	$ 79,186	$ 89,489	$ 84,290

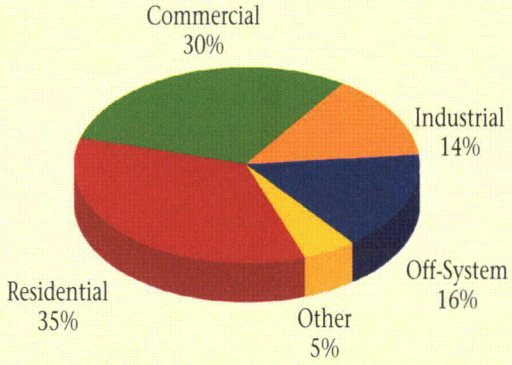
Operating Revenues

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 2008. 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.

Operating Revenues



Operating Revenues - 2008



2008 Compared to 2007

Total operating revenues were $787,973,000 for 2008, an increase of $37,720,000 or 5.0% over 2007 operating revenues of $750,253,000.

- The increase in 2008 total operating revenues compared to 2007 was mainly due to higher retail and off-system sales volume and a rate adjustment.
- Prior to the net increase of $20,000,000 from the Debt Retirement Reserve, revenues from retail sales were $623,649,000 for 2008, an increase of $26,566,000 or 4.4% over 2007 revenues of $597,083,000. This increase in retail revenues was primarily due to the implementation of a rate adjustment on January 1, 2008, and increased energy sales in 2008 compared to 2007.
- Revenues from off-system sales were $127,676,000 for 2008, an increase of $17,277,000 or 15.6% over 2007 revenues of $110,399,000. The increase was primarily due to higher sales volume.
- Other electric revenues were $16,648,000 for 2008, an increase of $877,000 or 5.6% from 2007 revenues of $15,771,000.

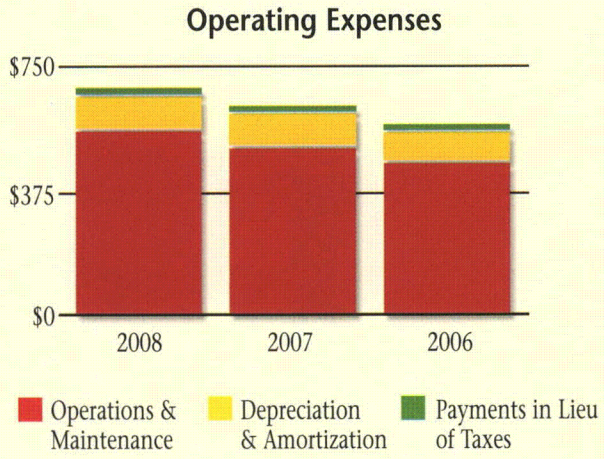
2007 Compared to 2006

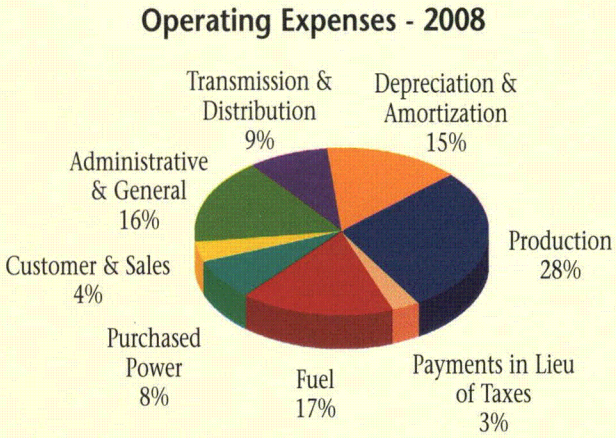
Total operating revenues were $750,253,000 for 2007, an increase of $73,425,000 or 10.8% over 2006 operating revenues of $676,828,000.

- The increase in 2007 total operating revenues compared to 2006 was mainly due to higher retail and off-system sales volume and changes related to the Debt Retirement Reserve. These increases were offset by a decrease in Other Electric Revenues of $20,433,000.
- Prior to the increase from the Debt Retirement Reserve of $27,000,000, revenues from retail sales were $597,083,000 for 2007, an increase of $37,959,000 or 6.8% over 2006 revenues of $559,124,000. This increase in retail revenues was primarily due to the implementation of a rate adjustment on April 1, 2007, and increased energy sales in 2007 compared to 2006.
- Revenues from off-system sales were $110,399,000 for 2007, an increase of $13,899,000 or 14.4% over 2006 revenues of $96,500,000. The increase was primarily due to the increased availability of energy in 2007 from the Fort Calhoun Station. In 2006, a major planned refueling outage at the Fort Calhoun Station resulted in less energy available for off-system sales. There was no refueling outage in 2007 at the Fort Calhoun Station.
- Other electric revenues were $15,771,000 for 2007, a decrease of $20,433,000 or 56.4% from 2006 revenues of $36,204,000. The decrease was primarily due to the $18,555,000 gain on the sale of sulfur dioxide allowances realized in 2006.

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 2008.





2008 Compared to 2007

Total operating expenses were $687,620,000 for 2008, an increase of $54,945,000 or 8.7% over 2007 operating expenses of $632,675,000.

- Production expense increased $30,204,000 over 2007 primarily due to higher expenses related to extended outages at the power stations.
- Transmission and Distribution expense increased $11,139,000 over 2007 primarily due to additional costs for repairs to our system from storms and planned upgrades to the system. Certain storm damage costs are partially reimbursable by the Federal Emergency Management Agency.
- Purchased Power expense increased $8,233,000 over 2007 due to the increase in the price and volume of purchased power.

2007 Compared to 2006

Total operating expenses were $632,675,000 for 2007, an increase of $58,577,000 or 10.2% over 2006 operating expenses of $574,098,000.

- Production expense increased $21,227,000 over 2006 primarily due to higher expenses at the power stations for outage-related activities.
- Administrative and general expense was $20,569,000 higher than in 2006 primarily due to additional costs for other post employment benefits as a result of the implementation of a new accounting standard.
- Depreciation and amortization expense was $9,997,000 higher than in 2006 due to an increase in plant assets.

Other Income

Other income was $63,189,000 in 2008, an increase of $7,909,000 over 2007 other income of $55,280,000. This includes reimbursements for storm damages from the Federal Emergency Management Agency of $9,871,000 for a series of summer storms.

In 2008, contributions in aid of construction (CIAC) and the related offsetting expense, reduction of plant costs recovered through CIAC, were $31,394,000 lower than in 2007 primarily due to the Nebraska City Station 2 project nearing completion.

Other income was $55,280,000 in 2007, an increase of $7,525,000 over 2006 other income of $47,755,000. Investment income was $6,254,000 higher in 2007 due to the increase in funds invested from bond proceeds.

In 2007, CIAC and the related offsetting expense, reduction of plant costs recovered through CIAC, were $15,751,000 lower than in 2006 primarily due to a settlement in 2006 from the Department of Energy for the reimbursement of construction costs for the dry-cask storage facility at the Fort Calhoun Station.

OPPD offers a variety of products and services, which provide value both to the customer and OPPD. These products include Performance Contracting, Energy Information Services, Residential and Commercial Surge Protection, Uninterruptible Power Supply, Continuous Commissioning and Geothermal Loop Heat Exchangers. 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 $2,402,000 for 2008, an increase of $344,000 over 2007 income of $2,058,000. This increase was primarily due to greater income from sales of the Residential Surge Protection and Continuous Commissioning products.
- Income from products and services was $2,058,000 for 2007, an increase of $172,000 over 2006 income of $1,886,000. This increase was primarily due to greater income from sales of the Residential Surge Protection product.

Interest Expense

Interest expense was $84,356,000 for 2008, an increase of $987,000 over 2007 interest expense of $83,369,000. This increase was due to interest on additional borrowings.

Interest expense was $83,369,000 for 2007, an increase of $17,174,000 over 2006 interest expense of $66,195,000. This increase was due to interest on additional borrowings.

Net Income

Net income, after revenue adjustments for changes to the Debt Retirement Reserve, was $79,186,000, $89,489,000 and $84,290,000 for 2008, 2007 and 2006, respectively. Operating revenues and net income were increased by $20,000,000 and $27,000,000 and reduced by $15,000,000 for changes made to the Debt Retirement Reserve in 2008, 2007 and 2006, respectively.

Number of Customers

OPPD has a stable, diverse customer base that continues to grow. The economy of OPPD's service territory is steady, which is expected to support continued growth of OPPD's customer base and load requirements.

- OPPD served an average of 339,689 customers in 2008, an increase of 3,664 or 1.1% over the average number of customers for 2007 of 336,025.
- OPPD served an average of 336,025 customers in 2007, an increase of 4,655 or 1.4% over the average number of customers for 2006 of 331,370.

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

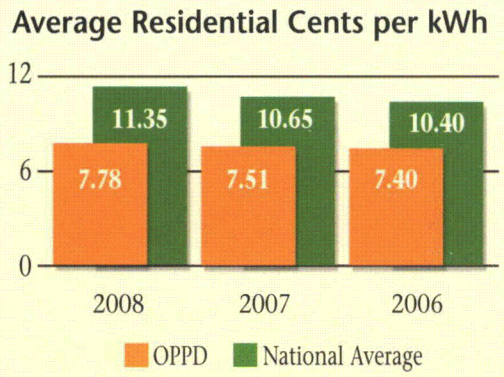
Number of Customers	2008	2007	2006
Residential	296,648	293,642	289,713
Commercial	42,867	42,214	41,488
Industrial	142	134	132
Off-System	32	35	37
Total	339,689	336,025	331,370

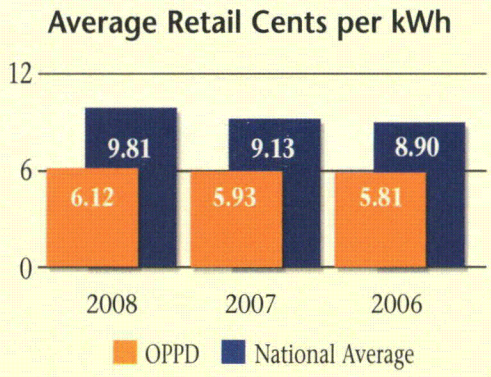
Cents per kWh

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 7.78, 7.51 and 7.40 cents per kWh in 2008, 2007 and 2006, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 11.35 for 2008 (preliminary year-to-date, November 2008) and 10.65 and 10.40 cents per kWh for 2007 and 2006, respectively. Based on the preliminary EIA data for 2008, OPPD residential rates were 31.5% below the national average.
- Retail customers paid an average of 6.12, 5.93 and 5.81 cents per kWh in 2008, 2007 and 2006, respectively. The national average retail cents per kWh according to the EIA, was 9.81 for 2008 (preliminary year-to-date, November 2008) and 9.13 and 8.90 cents per kWh for 2007 and 2006, respectively. Based on the preliminary EIA data for 2008, OPPD retail rates were 37.6% below the national average.

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





OPPD implemented general rate adjustments of 3.0%, 2.8% and 3.0% in 2008, 2007 and 2006, respectively. OPPD also implemented a 1.0% rate adjustment in 2008 for projects related to renewable energy, energy conservation and environmental stewardship. The general rate adjustments were part of a revenue strategy to provide additional revenues for capital financings. A Fuel and Transportation Cost Adjustment of 14.5% was implemented, effective January 1, 2009. Even with these increases, OPPD's rates are well below the regional and national averages.

CASH AND LIQUIDITY

OPPD has a high degree of liquidity as a result of maintaining strong credit ratings, availability of 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 by cash from operations. OPPD's ability to obtain required capital at the lowest possible rates has been a key reason for the success of its overall business plan for capital expenditures.

Financing

OPPD's financing plan included the issuance of additional debt in 2008 for capital expenditures. The plan optimizes the debt mix to ensure liquidity needs are met and OPPD's strong financial position is maintained.

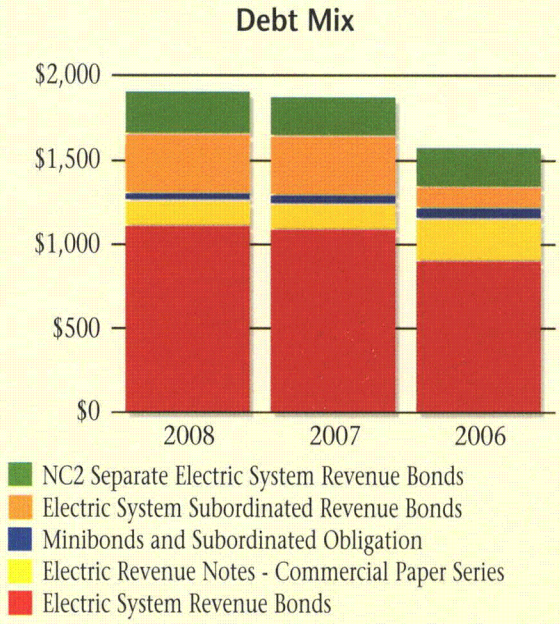
In 2008, OPPD issued $105,000,000 of Electric System Revenue Bonds to finance capital expenditures. OPPD repaid $56,620,000 of Electric System Revenue Bonds and $12,487,000 of Minibonds and defeased $21,340,000 of Electric System Revenue Bonds in 2008. OPPD reduced the amount available to borrow under its Revolving Credit Agreement (RCA) from $100,000,000 to $50,000,000. There were no amounts outstanding under the RCA at December 31, 2008.

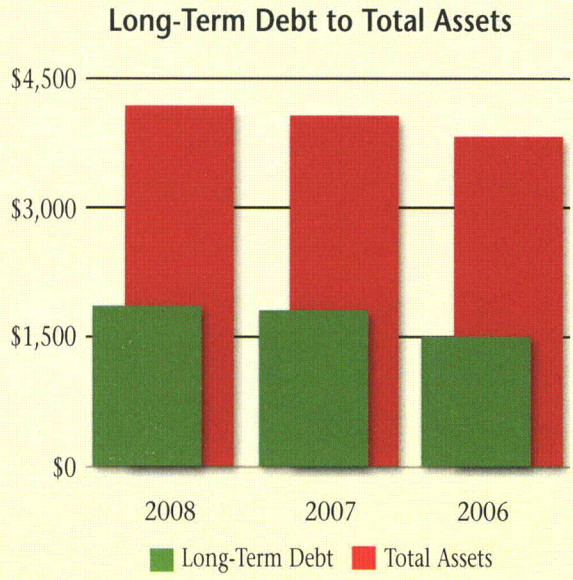
In 2008, OPPD issued $21,000,000 of NC2 Separate Electric System Revenue Bonds. The NC2 Separate Electric System is a half interest in the output of OPPD's new coal-fired unit, Nebraska City Station Unit 2, secured by revenues from Participation Agreements with seven public power and municipal utilities. 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 NC2 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.

In 2007, OPPD issued $245,000,000 of Electric System Revenue Bonds, $25,000,000 of Periodically Issued Bonds (PIBs), and $200,000,000 of Electric System Subordinated Revenue Bonds to finance capital expenditures. OPPD repaid $100,000,000 of Commercial Paper, $57,140,000 of Electric System Revenue Bonds and $9,062,000 of Minibonds in 2007. OPPD reduced the amount available to borrow under its RCA from $200,000,000 to $100,000,000. There were no amounts outstanding under the RCA at December 31, 2007.

The 2009 financing plan for OPPD includes an additional issue of Electric System 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 (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 bond issues, 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, 2008, are indicative of OPPD's solid financial strength.

	S&P	Moody's
Electric System Revenue Bonds	AA	Aa1
Electric System Subordinated Revenue Bonds (including PIBs) *	AA-	Aa2
Electric Revenue Notes - Commercial Paper Series	A-1+	P-1
Minibonds *	AA-	Aa2
NC2 Separate Electric System Revenue Bonds (2005A, 2006A) *	A	A1
NC2 Separate Electric System Revenue Bonds (2008A)	A	A1

* *Payment of the principal and interest on the Electric System Subordinated Revenue Bonds, Minibonds and NC2 Separate Electric System Revenue Bonds 2005 Series A and 2006 Series A, when due, is insured by financial guaranty bond insurance policies. In 2008, rating agencies reduced the ratings of certain financial guaranty bond insurance companies.*

On February 1, 2008, Moody's raised the rating on the Electric System Revenue Bonds to Aa1 and raised the underlying rating on the Electric System Subordinated Revenue Bonds to Aa2. Among the reasons cited by Moody's for the upgrade was OPPD's successful completion of the life-extension activities for the Fort Calhoun Station and the pending completion of the Nebraska City Station Unit 2, while meeting budgeting and scheduling forecasts. Moody's noted that the plant upgrades positioned OPPD to meet future energy needs at competitive costs. Additional factors for the new ratings included OPPD's relatively low debt, strong management team, stable financial and risk management practices, continued growth in the customer base and steady service area economy. There are few public power utilities with this high of a bond rating.

Cash Flows

OPPD experienced a net increase in cash of $285,000 for 2008 and a net decrease of $5,633,000 for 2007. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2008	2007	2006
Cash Flows from Operating Activities	$194,793	$182,070	$203,999
Cash Flows from Capital and Financing Activities	(350,829)	(178,683)	(36,802)
Cash Flows from Investing Activities	156,321	(9,020)	(178,568)
Change in Cash and Cash Equivalents	$ 285	$ (5,633)	$ (11,371)

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 2008 increased $12,723,000 over 2007 primarily due to an increase in cash received from retail customers.
- Cash flows for 2007 decreased $21,929,000 from 2006 primarily due to higher payments for operating expenses. The decrease was partially offset by an increase in cash received from retail 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 2008 increased $172,146,000 over 2007 primarily due to lower proceeds from long-term borrowings.
- Cash flows used for 2007 increased $141,881,000 over 2006 primarily due to larger principal and interest repayments for long-term debt.

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

- Cash flows for 2008 increased $165,341,000 over 2007 primarily due to a decrease in the purchases of investments.
- Cash flows used for 2007 decreased $169,548,000 from 2006 primarily due to an increase in the maturities and sales of investments.

Debt Service Coverage

OPPD's bond indenture provides that additional bonds may not be issued unless estimated net receipts for each future year shall equal or exceed 1.4 times the debt service on all bonds outstanding, including the additional bonds being issued. 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	2008	2007	2006
Operating revenues [1]	$787,973	$750,253	$676,828
Operations and maintenance expenses	(561,396)	(508,524)	(461,101)
Payments in lieu of taxes	(22,426)	(21,398)	(20,241)
Net operating revenues	204,151	220,331	195,486
Investment income of related reserve fund	2,249	1,922	1,612
Net receipts	$206,400	$222,253	$197,098
Total debt service [2]	$ 85,184	$ 97,821	$ 95,237
Debt service coverage	2.42	2.27	2.06

[1] *Operating revenues were increased by $20,000,000 and $27,000,000 and reduced by $15,000,000 for changes to the Debt Retirement Reserve for 2008, 2007 and 2006, 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 since this debt is secured by revenues of the separate system. OPPD's debt ratio was 50.5% and 51.6% as of December 31, 2008 and 2007, respectively.

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 8.2% in 2008, 2007 and 2006. 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.

OPPD contributed $33,448,000, $32,016,000 and $32,361,000 to the Plan for the years 2008, 2007 and 2006, respectively. Participating OPPD employees contributed to the Plan 4.8% of their covered annual payroll for the year ended December 31, 2008, and 4.0% of their covered annual payroll for the years ended December 31, 2007 and 2006. Employee contributions to the Plan were $8,153,000, $6,462,000 and $6,270,000 for the years 2008, 2007 and 2006, respectively. The contribution by OPPD employees will increase to 5.6% and 6.2% of their covered payroll for 2009 and 2010, respectively.

The Plan's funded status as of January 1, based on the actuarial value of assets to the present value of accrued plan benefits, was 99.1% for 2008 and 100.4% for both 2007 and 2006. The net assets of the Plan available for benefits decreased to $505,449,000 at December 31, 2008, from $659,738,000 at December 31, 2007, due to unfavorable market conditions.

Other Post Employment Benefits (OPEB)

In 2008 and 2007, OPPD fully funded the Annual Required Contribution (ARC) to reduce OPEB costs for employees hired before January 1, 2008, to avoid the recognition of a liability on the financial statements and address its obligations to employees. The ARC was $23,089,000 and $27,304,000 for December 31, 2008 and 2007, respectively. The accounting standard requires recognition of an OPEB liability on the balance sheet only for the unfunded ARC. An irrevocable grantor trust for the OPEB costs was established in 2006. The market value of the Plan's investments was $20,290,000 and $15,265,000 at December 31, 2008 and 2007, respectively.

In 2008, a separate trust was established for employees hired on or after January 1, 2008. For each employee hired on or after January 1, 2008, OPPD will fund $10,000 into a trust upon commencement of full-time employment and fund an additional $1,000 for each year of service completed. Participants of this plan will earn interest at a rate of 5.0% annually. The ARC on the

OPEB plan covering employees hired on or after January 1, 2008, was $550,000 for the year ended December 31, 2008. The market value of the Plan's investments was $1,340,000 as of December 31, 2008.

Prior to 2007, OPPD recognized the cost of other post employment benefits on a pay-as-you-go basis. Because of a new accounting standard, OPPD was required in 2007 to recognize OPEB costs using an actuarial approach similar to OPPD's Retirement Plan.

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 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 supply and demand 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 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. The balance of the reserve was $32,000,000 at December 31, 2008 and 2007.

A Debt Retirement Reserve was established in 2003 to help manage the long-term risks associated with significant capital expenditures and related debt issuances. OPPD uses this reserve to meet challenges in retiring debt and maintaining adequate debt service coverage ratios. OPPD used $20,000,000 and $27,000,000 of the reserve to provide additional revenues and funding for capital expenditures and debt retirements as of December 31, 2008 and 2007, respectively. The balance of the reserve was $58,000,000 and $78,000,000 at December 31, 2008 and 2007, 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, where appropriate, 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 state law since 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

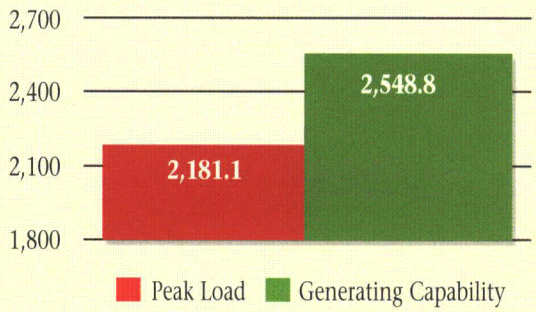
Generating Capability

OPPD's power requirements are provided from its generating stations, leased generation and purchases of power. OPPD owns and operates eight generating stations, seven of which have a maximum summer net accredited capability of 2,548.8 megawatts (MW). (The net capability of the Valley Station wind turbine 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 (oil/natural gas). The following table illustrates the diverse fuel mix and maximum summer net accredited capability (in MW) of OPPD's generating facilities for 2008.

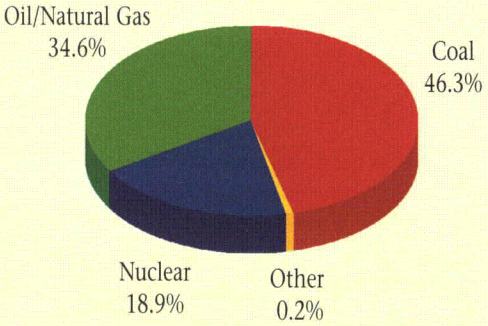
		Capability	% of Total
Coal	Nebraska City Station	646.0	
	North Omaha Station	534.2	
	Subtotal Coal	1,180.2	46.3
Nuclear	Fort Calhoun Station	482.0	18.9
Oil/Natural Gas	Cass County Station	320.0	
	Jones Street Station	118.4	
	North Omaha Station	128.6	
	Sarpy County Station	314.3	
	Subtotal Oil/Natural Gas	881.3	34.6
Other	Elk City Station (landfill gas)	5.3	0.2
Total Owned Generation		2,548.8	100.0

The following chart, left, illustrates OPPD's generating capability and system peak load for 2008 (in MW), indicating that peak loads can be met by current generating capability. The following chart, right, illustrates the diversity of OPPD's 2008 generating capability by fuel type.

Generating Capability and System Peak Load - 2008



Generation Fuel Mix - 2008



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. OPPD finances its capital program with revenues from operations, financing proceeds, investment income and cash on hand. The following table shows OPPD's actual capital program expenditures for the last three years and projected expenditures for 2009 and 2010 (in millions).

	Projected		Actual		
Capital Program	2010	2009	2008	2007	2006
Production	$192.8	$103.0	$187.5	$158.5	$417.4
Transmission and distribution	85.4	90.7	78.4	118.9	69.7
General	27.7	30.8	17.6	5.8	11.0
Total	$305.9	$224.5	$283.5	$283.2	$498.1

Production plant includes expenditures for the Nebraska City Station Unit 2 and the Fort Calhoun Station.

- Construction of the Nebraska City Station Unit 2 is progressing as planned. 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 contributions in aid of construction from participants who have provided their own funds for the construction of Nebraska City Station Unit 2.
- The Fort Calhoun Station activities included the expansion of the maintenance building, the extended power uprate and other plant improvement projects.

For the last few years, OPPD has focused its efforts to secure its future power supply. OPPD will shift its focus over the next few years to its aging infrastructure by replacing and upgrading portions of the transmission and distribution system. This initiative will improve the system of delivering electricity and include new technologies to ensure reliability and efficiency, while providing important operational information.

General Plant expenditures for 2008 and projections for 2009 include the purchase of vehicles for the transportation fleet that had been postponed for several years due to the emphasis on the power supply projects.

FACTORS AFFECTING OPPD AND THE ELECTRIC UTILITY INDUSTRY GENERALLY

OPPD and the electric industry continue to be affected by a number of factors that 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 after 2020. OPPD remains responsible for the safe storage of spent nuclear fuel until the federal government takes delivery of this waste. The DOE has agreed to reimburse OPPD for allowable costs incurred for managing and storing spent nuclear fuel and high-level waste due to the DOE's delay in accepting waste. OPPD received $761,000 and $15,063,000 from the DOE in 2008 and 2007, respectively.

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 2008. Eight states have suspended, repealed or delayed retail choice since January 2001.

Transmission Access Issues

OPPD performed an assessment to determine which Regional Transmission Organization would be the most cost-effective and provide the best value for its customers. Study results indicated that the Southwest Power Pool (SPP) would be the best option for OPPD. OPPD signed a membership agreement with SPP on September 22, 2008, and the agreement was approved by the Federal Energy Regulatory Commission. OPPD is a Transmission Using Member of SPP as of December 1, 2008, and will become a Transmission Owning Member effective April 1, 2009. During the transition period, services and functions will continue to be provided through the Mid-Continent Area Power Pool in accordance with the extension agreement with the Midwest Independent System Operator.

As part of the transition to SPP, OPPD has proposed to change its North American Electric Reliability Corporation (NERC) reliability region from the Midwest Reliability Organization to SPP, effective April 1, 2009. NERC has not acted to approve the change, but is expected to in 2009. A reliability region is responsible for reliability standards and compliance for the interconnected utilities.

Environmental Issues

OPPD and other electric utilities are subject to numerous environmental regulations in the normal course of their business. OPPD, individually and collectively through industry organizations and research, continues to monitor and influence, to the extent possible, the impacts of proposed federal, state and local legislation and regulations, some of which could have a material financial effect on OPPD and most electric utilities.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 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 may have a significant effect on the operation of the business and 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
Environmental Issues and Pollution Remediation Obligations	• Approved methods for cleanup • Governmental regulations and standards • Cost estimates for future remediation options
Nuclear Plant Decommissioning	• Cost estimates for future decommissioning • Availability of facilities for waste disposal • Approved methods for waste disposal • Useful life of nuclear power plant
Regulatory Mechanisms and Cost Recovery - (SFAS No. 71)	• External regulatory requirements • Anticipated future regulatory decisions and their impact
Retirement Plan and Other Post Employment Benefits	• Changes in assumptions used in computing the actuarial liability, including expected rate of return on Plan assets • Changes in Plan design
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, 2008 and 2007, 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 the three years ended December 31, 2008. The Statements of Cash Flows provide information about the flow of cash within OPPD by activities for the three years ended December 31, 2008. The Notes to Financial Statements provide additional detailed information to support the financial statements. 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.

Balance Sheets
as of December 31, 2008 and 2007

ASSETS	2008	2007
	(thousands)	
UTILITY PLANT - at cost (Notes 13, 20 and 22)		
Electric plant	**$4,520,464**	$4,235,428
Less accumulated depreciation and amortization	**1,505,688**	1,420,070
Electric plant - net	**3,014,776**	2,815,358
Nuclear fuel - at amortized cost	**41,351**	24,073
Total utility plant - net	**3,056,127**	2,839,431
SPECIAL PURPOSE FUNDS - at fair value (Notes 3 and 4)		
Electric system revenue bond fund - net of current	**55,348**	51,916
Segregated fund - debt retirement	**48,000**	73,000
Segregated fund - rate stabilization	**32,000**	32,000
Segregated fund - other	**27,907**	27,948
Decommissioning funds	**278,179**	281,363
NC2 separate electric system revenue bond fund - net of current	**1,123**	7,711
Total special purpose funds	**442,557**	473,938
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	**39,504**	39,219
Electric system revenue bond fund (Notes 3 and 4)	**53,305**	71,435
Electric system subordinated revenue bond fund (Notes 3 and 4)	**6,497**	6,482
Electric system construction fund (Notes 3 and 4)	**195,200**	255,792
NC2 separate electric system revenue bond fund (Notes 3 and 4)	**23,083**	13,272
NC2 separate system construction fund (Notes 3 and 4)	**52,568**	90,202
Accounts receivable - net	**106,132**	90,925
Fossil fuels - at average cost	**41,337**	29,862
Materials and supplies - at average cost	**82,017**	77,364
Other (Note 5)	**6,288**	7,681
Total current assets	**605,931**	682,234
DEFERRED CHARGES (Note 6)	**64,745**	56,843
TOTAL ASSETS	**$4,169,360**	$4,052,446

See notes to financial statements

LIABILITIES	2008	2007
	(thousands)	
LONG-TERM DEBT (Note 2)		
Electric system revenue bonds - net of current	**$1,076,960**	$ 1,028,750
Electric system subordinated revenue bonds	**349,615**	350,000
Electric revenue notes - commercial paper series	**150,000**	150,000
Minibonds - net of currrent	**26,984**	39,576
Subordinated obligation - net of currrent	**1,874**	2,161
NC2 separate electric system revenue bonds	**248,000**	227,000
Total long-term debt	**1,853,433**	1,797,487
Unamortized discounts and premiums	**8,038**	12,398
Unamortized loss on refunded debt	**(12,203)**	(13,711)
Total long-term debt - net	**1,849,268**	1,796,174
COMMITMENTS AND CONTINGENCIES (Notes 13 and 14)		
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Notes 3, 9 and 15)	**113,768**	133,996
CURRENT LIABILITIES		
Electric system revenue bonds (Note 2)	**35,450**	56,620
Minibonds (Note 2)	**13,233**	12,101
Subordinated obligation (Note 2)	**287**	264
Accounts payable	**95,374**	51,007
Accrued payments in lieu of taxes	**21,370**	20,340
Accrued interest	**33,682**	31,526
Accrued payroll	**29,957**	19,667
Accrued production outage costs	**9,586**	13,888
Pollution remediation obligations (Note 21)	**1,010**	-
Construction deposits (Note 16)	**29,709**	38,370
Other (Note 11)	**7,551**	7,713
Total current liabilities	**277,209**	251,496
OTHER LIABILITIES		
Decommissioning costs	**278,179**	281,363
Pollution remediation obligations - net of current (Note 21)	**140**	-
Other (Note 12)	**32,357**	49,489
Total other liabilities	**310,676**	330,852
EQUITY		
Invested in capital assets, net of related debt	**1,438,466**	1,350,311
Restricted	**37,673**	57,193
Unrestricted	**142,300**	132,424
Total equity	**1,618,439**	1,539,928
TOTAL LIABILITIES AND EQUITY	**$4,169,360**	$ 4,052,446

Statements of Revenues, Expenses and Changes in Equity

for the Three Years Ended December 31, 2008

	2008	2007	2006
		(thousands)	
OPERATING REVENUES			
Retail sales (Note 17)	**$ 643,649**	$ 624,083	$ 544,124
Off-system sales	**127,676**	110,399	96,500
Other electric revenues (Notes 18 and 19)	**16,648**	15,771	36,204
Total operating revenues	**787,973**	750,253	676,828
OPERATING EXPENSES			
Operations and maintenance			
Fuel	**118,286**	117,573	114,137
Purchased power	**50,636**	42,403	45,178
Production	**190,477**	160,274	139,047
Transmission	**10,173**	7,713	7,033
Distribution	**53,604**	44,925	41,119
Customer accounts	**16,324**	16,712	17,265
Customer service and information	**13,761**	12,636	11,603
Administrative and general	**108,135**	106,288	85,719
Total operations and maintenance	**561,396**	508,524	461,101
Depreciation and amortization	**103,798**	102,753	92,756
Payments in lieu of taxes	**22,426**	21,398	20,241
Total operating expenses	**687,620**	632,675	574,098
OPERATING INCOME	**100,353**	117,578	102,730
OTHER INCOME (EXPENSES)			
Contributions in aid of construction (Note 20)	**33,139**	64,533	80,284
Reduction of plant costs recovered through contributions in aid of construction (Note 20)	**(33,139)**	(64,533)	(80,284)
Decommissioning funds - investment income (loss)	**(3,184)**	13,265	13,354
Decommissioning funds - reinvestment	**3,184**	(13,265)	(13,354)
Investment income	**20,152**	29,686	23,432
Allowances for funds used during construction	**30,472**	22,347	22,057
Products and services - net	**2,402**	2,058	1,886
Other - net (Note 22)	**10,163**	1,189	380
Total other income - net	**63,189**	55,280	47,755
INTEREST EXPENSE	**84,356**	83,369	66,195
NET INCOME	**79,186**	89,489	84,290
EQUITY, BEGINNING OF YEAR	**1,539,928**	1,450,439	1,366,149
POLLUTION REMEDIATION OBLIGATIONS (Note 21)	**(675)**	-	-
EQUITY, END OF YEAR	**$ 1,618,439**	$ 1,539,928	$ 1,450,439

See notes to financial statements

Statements of Cash Flows

for the Three Years Ended December 31, 2008

	2008	2007	2006
		(thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from retail customers	**$ 652,079**	$ 609,427	$ 562,958
Cash received from the sale of sulfur dioxide allowances (Note 18)	-	-	18,750
Cash received from off-system customers	**119,801**	112,901	114,522
Cash paid to operations and maintenance suppliers	**(367,326)**	(351,904)	(296,024)
Cash paid to off-system suppliers	**(48,566)**	(40,386)	(48,972)
Cash paid to employees	**(139,799)**	(127,726)	(119,416)
Cash paid for the purchase of sulfur dioxide allowances (Note 18)	-	-	(8,125)
Cash paid for in lieu of taxes and other taxes	**(21,396)**	(20,242)	(19,694)
Net cash provided from operating activities	**194,793**	182,070	203,999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**126,000**	470,000	490,000
Principal reduction of long-term debt	**(87,028)**	(166,790)	(58,698)
Interest paid on long-term debt	**(89,209)**	(77,221)	(53,533)
Acquisition and construction of capital assets	**(309,756)**	(425,207)	(501,483)
Proceeds from NC2 participants (Note 16)	**27,985**	-	95,030
Contributions in aid of construction and other reimbursements	**9,871**	22,298	12,715
Acquisition of nuclear fuel	**(28,692)**	(1,763)	(20,833)
Net cash used for capital and related financing activities	**(350,829)**	(178,683)	(36,802)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	**(1,075,171)**	(1,350,027)	(1,187,970)
Maturities and sales of investments	**1,208,393**	1,317,538	993,088
Purchases of investments for decommissioning funds	**(148,511)**	(100,868)	(68,798)
Maturities and sales of investments in decommissioning funds	**148,511**	100,868	68,798
Investment income	**23,099**	23,469	16,314
Net cash provided from (used for) investing activities	**156,321**	(9,020)	(178,568)
CHANGE IN CASH AND CASH EQUIVALENTS	**285**	(5,633)	(11,371)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**39,219**	44,852	56,223
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 39,504**	$ 39,219	$ 44,852
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Operating income	**$ 100,353**	$ 117,578	$ 102,730
Adjustments to reconcile operating income to net cash provided from operating activities			
Depreciation and amortizaton	**103,798**	102,753	92,756
Amortization of nuclear fuel	**12,221**	13,961	10,220
Changes in assets and liabilities			
Accounts receivable	**(21,926)**	5,355	(6,817)
Fossil fuels	**(11,475)**	(4,005)	(6,620)
Materials and supplies	**(4,653)**	(4,929)	(7,487)
Accounts payable	**12,928**	(21,878)	5,869
Accrued payments in lieu of taxes	**1,030**	1,155	547
Accrued payroll	**10,290**	418	1,790
Accrued production outage costs	**(4,302)**	13,888	(6,978)
Debt retirement reserve	**(20,000)**	(27,000)	15,000
Other	**16,529**	(15,226)	2,989
Net cash provided from operating activities	**$ 194,793**	$182,070	$ 203,999
NONCASH CAPITAL ACTIVITIES			
Utility plant additions from outstanding liabilities	**$ 53,652**	$ 44,951	$ 129,176

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* and SFAS No. 90, *Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs*, 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 ended December 31, 2008.

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 $32,456,000 and $29,065,000 in unbilled revenues as of December 31, 2008 and 2007, 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 $5,805,000 and $5,730,000 as of December 31, 2008 and 2007, 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 $773,937,000 and $620,222,000 as of December 31, 2008 and 2007, respectively. Electric plant activity for 2008 was as follows (in thousands):

	2007	Additions	Retirements	2008
Electric plant	$4,235,428	$319,445	$ (34,409)	$ 4,520,464
Less accumulated depreciation and amortization	1,420,070	120,024	(34,406)	1,505,688
Electric plant - net	$ 2,815,358	$ 199,421	$ (3)	$ 3,014,776

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 for both construction work in progress and nuclear fuel were computed at 4.5% for the years ended December 31, 2008 and 2007, and 4.4% for the year ended December 31, 2006. 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 write-downs for impairments for each of the three years ended December 31, 2008.

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 $26,371,000 and $55,165,000 for the years ended December 31, 2008 and 2007, 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 $1,371,000 and $2,303,000 for the years ended December 31, 2008 and 2007, respectively.

Depreciation and Amortization – Depreciation for assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. Depreciation expense for depreciable property has averaged approximately 2.9% for the years ended December 31, 2008 and 2007, and 2.8% for the year ended December 31, 2006.

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 these financial statements was $4,198,000, $4,616,000 and $4,280,000 for the years ended December 31, 2008, 2007 and 2006, 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 $30,427,000 and $22,308,000 as of December 31, 2008 and 2007, respectively, and was recorded in deferred charges on the balance sheet (Note 6).

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 $3,362,000, $3,386,000 and $3,694,000 for the years ended December 31, 2008, 2007 and 2006, 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 after 2020. 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. The dry-cask storage facility, which is recorded in electric plant, is designed to meet storage needs for approximately 10 years. OPPD received $761,000 and $15,063,000 from the DOE in 2008 and 2007, respectively, as reimbursement for construction costs incurred for the facility. The receivable from the DOE for costs incurred by OPPD for the dry-cask storage facility was $850,000 and $240,000 as of December 31, 2008 and 2007, respectively. 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 required 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 $14,936,000, $13,206,000 and $11,573,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The fair value of the decommissioning funds decreased $18,120,000 and increased $59,000 and $1,781,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The decommissioning estimates, which exceed the Nuclear Regulatory Commission's (NRC) minimum funding requirements, totaled $652,009,000 and $549,222,000 for the fiscal years ending June 30, 2009 and 2008, respectively.

Regulatory Assets and Liabilities – OPPD is a regulated utility and applies the provisions of SFAS No. 71. Under this guidance, 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 6) 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 $30,427,000 and $22,308,000 as of December 31, 2008 and 2007, 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 17). The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure (Note 17). 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 $58,000,000 and $78,000,000 as of December 31, 2008 and 2007, respectively. The balance of the Rate Stabilization Reserve was $32,000,000 as of December 31, 2008 and 2007. The balance of the Reserve for Uncollectible Accounts from off-system sales was $5,000,000 as of December 31, 2008 and 2007.

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 2008. The next major planned production outage is scheduled to begin in November 2009 at the Fort Calhoun Station. The balance of accrued production outage costs was $9,586,000 and $13,888,000 as of December 31, 2008 and 2007, respectively.

Natural Gas Inventories and Contracts – Natural gas inventories are maintained for the Cass County Station. 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 1,760,000 mmBtu as of December 31, 2008. The contracts will mature in the months of June, July and August of 2009 through 2011. OPPD had futures contracts based on the notional amount of 1,850,000 mmBtu as of December 31, 2007. These contracts had unrealized losses of $3,152,000 and unrealized gains of $354,000 as of December 31, 2008 and 2007, respectively.

As a result of hedging contracts there was a decrease in fuel expense of $4,961,000 for the year ended December 31, 2008, and an increase of $1,831,000 and $1,802,000 for the years ended December 31, 2007 and 2006, respectively. In accordance with generally accepted accounting principles for proprietary funds of governmental 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. On January 1, 2008, beginning equity was reduced $675,000 for pollution remediation obligations (Note 21).

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 November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement requires the accounting for and disclosures of potential liabilities related to the cleanup and removal of pollution. The statement was effective for fiscal years beginning after December 15, 2007. OPPD had an estimated liability of $675,000 for pollution remediation obligations at January 1, 2008. In 2008, the liability was recorded with a corresponding reduction to beginning equity. OPPD had an estimated liability of $1,150,000 for pollution remediation obligations as of December 31, 2008 (Note 21).

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. In addition, the statement establishes guidance specific to intangible assets related to recognition and amortization. This statement is effective for financial statements for periods beginning after June 15, 2009. This statement is not expected to have a significant impact on the financial statements because OPPD's accounting policies for intangible assets are consistent with this statement.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is effective for financial statements for periods beginning after June 15, 2009. OPPD is reviewing this guidance to determine the impact on its financial statements.

2. DEBT

OPPD utilizes the proceeds of debt issued primarily to finance its construction program. Debt activity for 2008 was as follows (in thousands):

	2007	Additions	Retirements	2008
Electric system revenue bonds	$1,085,370	$ 105,000	$ (77,960)	$ 1,112,410
Electric system subordinated revenue bonds	350,000	–	(385)	349,615
Electric revenue notes - commercial paper series	150,000	–	–	150,000
Minibonds	51,677	1,027	(12,487)	40,217
Subordinated obligation	2,425	–	(264)	2,161
NC2 separate electric system revenue bonds	227,000	21,000	–	248,000
Total	$1,866,472	$ 127,027	$ (91,096)	$ 1,902,403

Bond Ratings – On February 1, 2008, Moody's Investors Service announced that it had upgraded the rating on OPPD's Electric System Revenue Bonds to Aa1 from Aa2 and the underlying rating on OPPD's Electric System Subordinated Revenue Bonds to Aa2 from Aa3.

Electric System Revenue Bonds – These bonds are payable from and secured by a pledge of and lien upon the revenues of the Electric System, subject to the prior payment therefrom of the operations and maintenance expenses of the Electric System. The Electric System Revenue Bonds are OPPD's Senior Bonds.

On February 1, 2008, a principal payment of $56,620,000 was made for the Electric System Revenue Bonds. On November 14, 2008, OPPD issued 2008 Series A Electric System Revenue Bonds for $105,000,000. This issue consists of serial bonds of $34,710,000, with maturity dates between 2018 and 2028, with interest rates between 4.6% and 5.5%, and term bonds of $70,290,000, with maturity dates between 2033 and 2039, with an interest rate of 5.5%.

On February 1, 2007, a principal payment of $57,140,000 was made for the Electric System Revenue Bonds. On November 1, 2007, OPPD issued 2007 Series A Electric System Revenue Bonds for $245,000,000. This issue consists of serial bonds of $108,705,000, with maturity dates between 2018 and 2027, with interest rates between 4.0% and 5.0%, and term bonds of $136,295,000, with maturity dates between 2029 and 2043, with interest rates between 4.75% and 5.0%.

At December 31, 2008, Electric System Revenue Bonds consisted of $644,905,000 of serial bonds, with interest rates between 2.95% and 5.5%, due annually from 2009 to 2044, and $467,505,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046.

At December 31, 2007, Electric System Revenue Bonds consisted of $688,155,000 of serial bonds, with interest rates between 2.65% and 5.5%, due annually from 2008 to 2044, and $397,215,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046.

In February 2008, OPPD defeased a portion of the 2005 Series B Electric System Revenue Bonds with District funds. The defeased 2005 Series B issue consists of serial bonds of $13,340,000, with a maturity date of February 1, 2012, with an interest rate of 3.5%, and serial bonds of $8,000,000, with a maturity date of February 1, 2017, with an interest rate of 5.0%. The following

Electric System Revenue Bonds, with outstanding principal amounts of $285,265,000 and $277,700,000 as of December 31, 2008 and 2007, respectively, were legally defeased: 1986 Series A, 1992 Series B, 1993 Series B Term Bonds, a portion of 2002 Series A and a portion of 2005 Series B. 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.

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

	Principal	Interest
2009	$ 35,450	$ 50,205
2010	36,830	50,206
2011	36,340	48,508
2012	37,970	46,745
2013	39,690	44,852
2014-2018	228,350	194,368
2019-2023	204,710	141,810
2024-2028	116,485	108,182
2029-2033	132,780	77,872
2034-2038	94,295	50,968
2039-2043	91,510	22,888
2044-2046	58,000	4,528
Total	$1,112,410	$841,132

The average interest rate for Electric System Revenue Bonds was 4.7% for the years ended December 31, 2008 and 2007.

Electric System Subordinated Revenue Bonds – These bonds are payable from and secured by a pledge of revenues of the Electric System, subject to the prior payment of the operations and maintenance expenses of the Electric System and the prior payment of the Electric System Revenue Bonds. The payment of the principal and interest on these bonds is insured by a municipal bond insurance policy.

The Electric System Subordinated Revenue Bonds include Periodically Issued Bonds (PIBs). OPPD is authorized to offer up to $300,000,000 of PIBs on a series-by-series basis through August 1, 2009.

There were no Electric System Subordinated Revenue Bonds, including PIBs, issued in 2008.

On March 6, 2007, OPPD issued 2007 Series A PIBs for $25,000,000. The 2007 Series A issue consists of serial bonds due 2037, with an interest rate of 4.3%.

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

	Principal	Interest
2009	$ -	$ 6,689
2010	-	6,689
2011	-	6,689
2012	-	6,689
2013	-	6,689
2014-2018	-	33,446
2019-2023	-	33,446
2024-2028	-	33,446
2029-2033	-	33,446
2034-2038	75,000	25,146
2039-2042	74,615	8,492
Total	$149,615	$200,867

On April 3, 2007, OPPD issued 2007 Series AA Electric System Subordinated Revenue Bonds for $200,000,000. This issue consists of serial bonds of $78,000,000, with maturity dates between 2018 and 2031, with interest rates between 3.8% and 4.5%, and term bonds of $122,000,000, with maturity dates between 2032 and 2038, with an interest rate of 4.5%.

Electric System Subordinated Revenue Bond payments for the 2007 Series AA are as follows (in thousands):

	Principal	Interest
2009	$ -	$ 8,902
2010	-	8,902
2011	-	8,902
2012	-	8,902
2013	-	8,902
2014-2018	1,000	44,489
2019-2023	8,000	43,763
2024-2028	42,000	38,995
2029-2033	67,000	27,171
2034-2038	82,000	8,952
Total	$200,000	$207,880

The average interest rate for the Electric System Subordinated Revenue Bonds (PIBs and the 2007 Series AA) was 4.5% for the years ended December 31, 2008 and 2007.

Electric Revenue Notes - Commercial Paper Series – OPPD has a Commercial Paper Program supported by a credit agreement for $150,000,000, which expires on October 1, 2010. In June 2007, OPPD repaid $100,000,000 of Commercial Paper refinanced by the issuance of the 2007 Series AA Electric System Subordinated Revenue Bonds. The average borrowing rates were 1.9% and 3.6% for the years ended December 31, 2008 and 2007, respectively. The outstanding balance was $150,000,000 as of December 31, 2008 and 2007.

Minibonds – 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. On October 1, 2008, the 1993 minibonds matured with a payment of $12,478,000 for principal and interest. On October 1, 2007, the 1992 minibonds matured with a payment of $12,966,000 for principal and interest. The balance of the current portion at December 31, 2008, was $13,233,000, which was principal and accreted interest for the 1994 minibonds. The average interest rate was 5.3% for the years ended December 31, 2008 and 2007. The payment of the principal and interest on these bonds is insured by a municipal bond insurance policy.

The outstanding balances at December 31 were as follows (in thousands):

Principal	2008	2007
1993 minibonds, due 2008 (5.35%)	$ -	$ 9,180
1994 minibonds, due 2009 (5.95%)	9,415	9,440
2001 minibonds, due 2021 (5.05%)	24,291	24,403
Subtotal	33,706	43,023
Accreted interest on capital appreciation minibonds	6,511	8,654
Total	$40,217	$51,677

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

Revolving Credit Agreement – On June 30, 2008, OPPD reduced the amount available to borrow under the Revolving Credit Agreement (RCA) from $100,000,000 to $50,000,000. There were no amounts outstanding under the RCA as of December 31, 2008 and 2007.

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

On December 2, 2008, OPPD issued $21,000,000 of NC2 Separate Electric System Revenue Bonds. The issue consists of $10,210,000 of serial bonds, with maturity dates between 2011 and 2028, with interest rates between 2.85% and 5.4% and $10,790,000 of term bonds, with maturity dates between 2033 and 2039, with interest rates between 5.6% and 5.8%.

There were no NC2 Separate Electric System Revenue Bonds issued in 2007.

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

	Principal	Interest
2009	$ –	$ 11,484
2010	–	11,850
2011	2,675	11,804
2012	2,765	11,709
2013	2,865	11,607
2014-2018	16,040	56,255
2019-2023	19,635	52,549
2024-2028	24,455	47,584
2029-2033	30,860	41,013
2034-2038	39,090	32,554
2039-2043	44,415	21,945
2044-2048	54,950	9,685
2049	10,250	256
Total	$248,000	$320,295

The payment of principal and interest on the 2005 Series A and 2006 Series A Bonds is insured by municipal bond insurance policies. The average interest rates for NC2 Separate Electric System Revenue Bonds were 4.8% and 4.7% for the years ended December 31, 2008 and 2007, respectively.

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):

2008		2007	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
$1,910,578	$1,776,390	$1,878,870	$1,925,057

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 $48,000,000 and $73,000,000 as of December 31, 2008 and 2007, respectively (Note 17). In January 2009, there was an increase of $10,000,000 to the fund for the addition made to the Debt Retirement Reserve in December 2008.

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 as of December 31, 2008 and 2007.

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 (Notes 9 and 15). The balances of the funds at December 31 were as follows (in thousands):

	2008	2007
Segregated Fund - self-insurance	$ 5,360	$ 5,554
Segregated Fund - other	22,547	22,394
Total	$27,907	$27,948

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):

	2008	2007
Decommissioning Trust - 1990 Plan	$213,224	$215,592
Decommissioning Trust - 1992 Plan	64,955	65,771
Total	$278,179	$281,363

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, OPPD's investments were as follows (in thousands):

	2008		2007	
Investment Type	**Fair Value**	**Weighted Average Maturity (Years)**	**Fair Value**	**Weighted Average Maturity (Years)**
Money markets	$ 810	-	$ 1,095	-
U.S. agencies	665,864	1.3	829,441	1.3
Corporate bonds	13,041	1.6	1,569	1.0
Mutual funds	126,551	-	114,072	-
Total	$806,266		$946,177	
Portfolio weighted average maturity		1.1		1.1

Interest Rate Risk – OPPD's investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 1.1 years as of December 31, 2008 and 2007. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

Credit Risk – OPPD's investment policy is to comply with its 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, 2008 and 2007.

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, 2008 and 2007. OPPD delivers all of its investment securities under contractual trust agreements.

5. OTHER CURRENT ASSETS

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

	2008	2007
Interest receivable	$1,893	$3,852
Prepayments	4,316	3,787
Other	79	42
Total	$6,288	$7,681

6. DEFERRED CHARGES

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

	2008	2007
Deferred depreciation expense	$30,427	$22,308
Deferred financing costs	20,021	19,607
Sulfur dioxide allowance inventory - long-term	8,125	8,125
Other	6,172	6,803
Total	$64,745	$56,843

7. RETIREMENT PLAN

Plan Description – Substantially all employees are covered by OPPD's Retirement Plan (Retirement Plan). It is a single-employer, defined benefit plan that provides retirement and death benefits to Retirement Plan members and beneficiaries. As of January 1, 2008, 1,403 of the 4,163 total participants were receiving benefits. 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 Retirement Plan was established and may be amended under the direction of OPPD's Board of Directors and is administered by OPPD. Employees hired on or after January 1, 2008, have the option of joining this Retirement Plan or a new Cash Balance Plan. Employees hired before January 1, 2008, have the option until December 31, 2009, to transfer to the Cash Balance Plan. As of December 31, 2008, no employees have selected the Cash Balance Plan.

Funding Policy – Employees contributed 4.8% of their covered payroll to the Retirement Plan in 2008 and 4.0% in 2007 and 2006. The contribution rate for employees will increase to 5.6% and 6.2% for 2009 and 2010, respectively. Contribution rates for employees after 2010 will be based on the Retirement Plan's funded ratio. 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 Retirement Plan would owe participants if the Retirement Plan was frozen on the valuation date. The PVAPB is presented in the table below based on the actuarial valuation as of January 1 (dollars in thousands):

	Actuarial Value of Assets	Present Value of Accrued Plan Benefits (PVAPB)	Over/(Under) Funded PVAPB	Funded Ratio	Covered Payroll	Over/(Under) Funded PVAPB as a Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
2008	$695,742	$702,388	$(6,646)	99.1%	$166,760	(4.0%)
2007	$656,474	$653,802	$ 2,672	100.4%	$163,124	1.6%
2006	$611,925	$609,285	$ 2,640	100.4%	$154,082	1.7%

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 Retirement 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 (dollars in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2008	$695,742	$868,898	$173,156	80.1%	$166,760	103.8%
2007	$656,474	$819,314	$162,840	80.1%	$163,124	99.8%
2006	$611,925	$771,907	$159,982	79.3%	$154,082	103.8%

Annual Pension Cost and Actuarial Assumptions – The annual pension cost and required contribution by OPPD was $33,448,000, $32,016,000 and $32,361,000 for the years ended December 31, 2008, 2007 and 2006, respectively. There was no net pension obligation as of December 31, 2008, 2007 and 2006. Retirement Plan contributions by OPPD employees for their covered annual payroll were $8,153,000, $6,462,000 and $6,270,000 for the years ended December 31, 2008, 2007 and 2006, respectively.

The Entry Age Normal (Level Percent of Pay) cost method was used to determine contributions to the Retirement 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. The actuarial value of Retirement 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. The Board of Directors authorized a 1.0% cost-of-living adjustment effective January 1, 2009, for retirees and beneficiaries. Other actuarial assumptions are presented in the table below, based on the actuarial valuation as of January 1:

	2008	2007	2006
Investment return (discount rate)	8.20%	8.20%	8.20%
Average rate of compensation increase	5.20%	5.20%	5.20%
Ad-hoc cost-of-living adjustment	1.00%	1.00%	1.50%

Audited financial statements for the Retirement Plan may be reviewed by contacting the Pension Administrator at OPPD's Corporate Headquarters.

OPPD provides for other employee benefit obligations to allow certain current and former employees to retain the benefits to which they would have been entitled under OPPD's Retirement Plan, except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation were not material for the three years ended December 31, 2008.

8. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – OPPD's Other Post Employment Benefits Plan (OPEB Plan) provides health care and life insurance benefits to retirees, surviving spouses, former employees on long-term disability and their dependents. As of January 1, 2008, 1,288 of the 3,623 total participants were receiving benefits. There were several OPEB Plan design changes approved in 2007 to reduce the costs of these benefits including the establishment of a separate funding policy for employees hired on or after January 1, 2008, who retire directly from active service with OPPD.

Funding Policy – Participants hired before January 1, 2008, pay a monthly premium for coverage and OPPD contributes the balance of the funds needed on an actuarially determined basis. For each employee hired on or after January 1, 2008, OPPD will fund $10,000 into a trust upon commencement of full-time employment and fund an additional $1,000 for each year of service completed. Participants of this plan earn interest at the rate of 5.0% annually.

Prior to 2007, OPPD recognized the cost of OPEB on a pay-as-you-go basis. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, required OPPD to recognize OPEB costs in 2007 using an actuarial approach similar to OPPD's Retirement Plan (Note 7).

The Actuarial Accrued Liability (AAL) is the present value of benefits attributable to past accounting periods. The AAL was $280,845,000 as of January 1, 2008. The AAL was $305,428,000 as of January 1, 2007. After the approval of the design changes in June 2007, the AAL decreased $18,324,000 to $287,104,000. The annual contributions to the OPEB 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 (in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2008	$16,657	$280,845	$264,188	5.9%	$166,760	158.4%
2007	$ -	$287,104	$287,104	0.0%	$163,124	176.0%

Annual OPEB Cost and Actuarial Assumptions – The annual required contribution (ARC) on the OPEB Plan covering employees hired before January 1, 2008, was $23,089,000 and $27,304,000 for the years ended December 31, 2008 and 2007, respectively. The amount in excess of the pay-as-you-go cost was $11,595,000 and $14,996,000 for 2008 and 2007, respectively. An irrevocable grantor trust for the OPEB costs was established in 2006. The accounting standard requires recognition of an OPEB liability on the balance sheet only for the amount of any unfunded ARC. Since OPPD funded the entire ARC, there was no net OPEB obligation for the years ended December 31, 2008 and 2007. Contributions by participants were $1,506,000 and $1,354,000 for the years ended December 31, 2008 and 2007, respectively.

The ARC on the OPEB Plan covering employees hired on or after January 1, 2008, was $550,000 for the year ended December 31, 2008. A trust for the OPEB costs was established in 2008. The accounting standard requires recognition of an OPEB asset on the balance sheet for the amount of any funding in excess of the actuarially determined ARC. Due to contractual obligations, OPPD funded $10,000 per employee hired in 2008 less any forfeiture for a total funding of $1,569,000, resulting in an OPEB asset of $1,019,000.

For the OPEB Plan covering employees hired before January 1, 2008, the actuarial assumptions and methodologies were as follows:

- The pre-Medicare health care trend rates ranged from 9.0% initial to 5.0% ultimate.
- The post-Medicare health care trend rates ranged from 10.5% initial to 5.0% ultimate.
- The discount rate used was 7.85%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The average rate of compensation increase was 5.2%.
- The actuarial cost method used was the Projected Unit Credit.

- Amortization for the initial unfunded AAL and OPEB Plan changes was determined using a period of 30 years and the increasing method at a rate of 3% per year.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.

Market Value of Plan Investments – The market value of the investments in the OPEB Plan, which covers employees hired before January 1, 2008, was $20,290,000 and $15,265,000 for the years ended December 31, 2008 and 2007, respectively. The market value of the investments in the OPEB Plan which covers employees hired on or after January 1, 2008, was $1,340,000 as of December 31, 2008.

Audited financial statements for the OPEB Plan may be reviewed by contacting the Pension Administrator at OPPD's Corporate Headquarters.

9. SELF-INSURANCE HEALTH PROGRAM

OPPD provides employee health care and life insurance benefits to nearly all active employees. There were 2,311 employees with medical coverage as of December 31, 2008. 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 has been purchased to cover claims in excess of 120% of expected levels.

Commencing in 2007, OPEB costs were accounted for and reported separately from active employees. Health care expenses for active employees (reduced by premium payments from participants) were $19,320,000 and $21,910,000 for the years ended December 31, 2008 and 2007, respectively. Health care expenses for both OPEB and active employees (reduced by premium payments from participants) were $28,796,000 for the year ended December 31, 2006.

The total cost of life and long-term disability insurance for active employees was $1,632,000 and $1,608,000 for the years ended December 31, 2008 and 2007, respectively. The total cost of life and long-term disability insurance for both OPEB and active employees was $2,159,000 for the year ended December 31, 2006.

Because of the funding for OPEB in a separate trust commencing in 2007, OPPD's Incurred but not Presented Reserve (IBNP) does not include a liability for retirees. The IBNP Reserve was $2,067,000 at December 31, 2008, which was a decrease from the IBNP Reserve of $2,385,000 at December 31, 2007. The IBNP Reserve was recorded in liabilities payable from segregated funds (Note 15).

10. DEFINED CONTRIBUTION RETIREMENT SAVINGS PLANS – 401(k)/457

OPPD sponsors a Defined Contribution Retirement Savings Plan – 401(k) and a Defined Contribution 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 $6,581,000, $5,809,000 and $5,763,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The employer maximum annual match on employee contributions was $3,500 for the year ended December 31, 2008, and $3,000 for the years ended December 31, 2007 and 2006. The employer maximum annual match will be $4,000 for 2009 and 2010.

11. OTHER CURRENT LIABILITIES

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

	2008	2007
Payroll taxes and other employee liabilities	$3,281	$3,961
Deposits	1,066	1,079
Deferred revenues	723	370
Other	2,481	2,303
Total	$7,551	$7,713

12. OTHER LIABILITIES

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

	2008	2007
Deferred revenues	$25,422	$14,430
Capital purchase agreement	3,098	3,263
Workers' compensation reserve	2,034	2,288
Public liability reserve	908	2,386
Contractors' retention - long-term	-	26,522
Other	895	600
Total	$32,357	$49,489

13. COMMITMENTS

OPPD's obligation for the uncompleted portion of construction contracts was approximately $70,528,000 at December 31, 2008.

OPPD has power sales commitments which extend through 2027 of $158,083,000 at December 31, 2008. OPPD has power purchase commitments that extend through 2020 of $104,020,000 at December 31, 2008. These amounts do not include the Participation Power Agreements (PPAs) for the Nebraska City Station Unit 2 (NC2) or OPPD's portion of the Nebraska Public Power District (NPPD) wind-turbine facility.

OPPD has 40-year PPAs with seven public power and municipal utilities (the Participants) for the sale of half of the 663-MW net capacity of the 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 a Participant. The Participants are subject to a step-up provision, whereby in the event of a Participant default, the remaining Participants are obligated to pay a share of any deficit in funds resulting from the default. OPPD has an NC2 Transmission Facilities Cost Agreement with the Participants that addresses the cost allocation, payment and cost recovery for delivery of their respective power.

OPPD has a PPA with 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 $30,150,000 at December 31, 2008.

OPPD has coal supply contracts that extend through 2013, with minimum future payments of $361,763,000 at December 31, 2008. OPPD also has coal transportation contracts that extend through 2013, with minimum future payments of $506,415,000 at December 31, 2008. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect until 2016, with estimated future payments of $60,000,000 at December 31, 2008. Contracts for the enrichment of nuclear fuel are in effect through 2013, with estimated future payments of $71,700,000 at December 31, 2008. Additionally, OPPD has contracts through 2012 for the fabrication of nuclear fuel assemblies, with estimated future payments of $16,600,000 at December 31, 2008.

In 2006, OPPD entered into an agreement with the University of Nebraska-Omaha (UNO) to fund an Energy Saving Potential 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.

14. CONTINGENCIES

Under the provisions of the Price-Anderson Act, at December 31, 2008, 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 $117,495,000 per reactor per incident, with a maximum of $17,500,000 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.

15. LIABILITIES PAYABLE FROM SEGREGATED FUNDS

The composition of liabilities payable from segregated funds at December 31 was as follows (in thousands):

	2008	2007
Debt retirement reserve	$ 58,000	$ 78,000
Rate stabilization reserve	32,000	32,000
Customer deposits	19,120	18,207
Incurred but not presented reserve	2,067	2,385
Customer advances for construction	1,531	1,724
Other	1,050	1,680
Total	$113,768	$133,996

16. CONSTRUCTION DEPOSITS

NC2 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 of the Participants' own funds, including interest, that exceeds their share of the construction costs incurred to date. Construction deposits were $29,709,000 and $38,370,000 as of December 31, 2008 and 2007, respectively.

17. ADDITIONS TO AND UTILIZATIONS OF RESERVES

The Debt Retirement Reserve was used as planned in April and October 2008 to provide additional revenues and funding for capital expenditures and debt retirement in the amounts of $16,000,000 and $14,000,000, respectively. In December 2008, $10,000,000 was added to the Debt Retirement Reserve as a result of strong financial performance in 2008. The net impact on retail sales revenues and net income was an increase of $20,000,000 from changes to the Debt Retirement Reserve for the year ended December 31, 2008.

The Debt Retirement Reserve was used as planned in April and October 2007 to provide additional revenues and funding for capital expenditures and debt retirement in the amounts of $18,000,000 and $14,000,000, respectively. In December 2007, $5,000,000 was added to the Debt Retirement Reserve as a result of strong financial performance in 2007. The net impact on retail sales revenues and net income was an increase of $27,000,000 from changes to the Debt Retirement Reserve for the year ended December 31, 2007.

18. 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. This transaction increased other electric revenues by $18,555,000 for the year ended December 31, 2006. There were no sales and purchases of sulfur dioxide allowances in 2008 and 2007.

19. LOW-LEVEL RADIOACTIVE WASTE SETTLEMENT

The Central Interstate Low-Level Radioactive Waste Commission (the 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 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 that have provided funding for the activities of the Commission) requested reimbursement from the Commission from the proceeds of the settlement payment.

OPPD received an additional payment of $1,348,000 in April 2006, which was included in other electric revenues for the year ended December 31, 2006. There was no activity related to this issue in 2008 or 2007.

20. 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 November 2008, OPPD received a reimbursement of $761,000 from the DOE for capital expenditures incurred during 2007 for the construction of the dry-cask storage facility. OPPD also received $15,063,000 in August 2007 for costs incurred from July 2005 through December 2006. The receivable from the DOE for costs incurred for the dry-cask storage facility was $850,000 and $240,000 as of December 31, 2008 and 2007, respectively. OPPD periodically submits applications to the DOE for reimbursement of the costs incurred. Utility plant assets were reduced by and contributions in aid of construction included $1,371,000 and $2,303,000 for the years ended December 31, 2008 and 2007, respectively, for these reimbursements.

21. POLLUTION REMEDIATION OBLIGATIONS

OPPD implemented the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2008. Beginning equity was reduced $675,000 for pollution remediation obligations as of January 1, 2008. OPPD's pollution remediation obligations for current liabilities were $1,010,000 and the long-term portion (net of current) was $140,000 for a total of $1,150,000 as of December 31, 2008. The estimated outlays were based on engineering estimates and previous contracts for similar services. Additional information on these obligations is provided below.

Petroleum hydrocarbons have been found in the soil and groundwater at the Sarpy County Station. To comply with regulatory requirements of the Nebraska Department of Environmental Quality (NDEQ), OPPD commenced full-scale remediation in July 2008, using a vacuum extraction system. This system is expected to be in operation through 2012, with projected outlays of $205,000.

The Fort Calhoun Station has two sanitation lagoons containing residual sludge that is slightly above normal background radiation levels typically found in the environment. OPPD will remove this sludge using a vacuum extraction system. The remediation will occur in 2009 and 2014, with expected outlays of $140,000 for each lagoon, for a total of $280,000.

Due to elevated sulfate and pH levels in the groundwater at the North Omaha Station, OPPD was required by the NDEQ to remove contributing wastes (coal ash, water treatment wastes and coal dust) and reline an ash-water decanting and retention pond. There is a high probability that the waste will be used for beneficial purposes and a small probability that OPPD will need to pay to dispose of this waste in a landfill. This remediation is expected to occur in 2009 with outlays, measured by the probability-weighted average of possible outcomes, of $665,000.

22. OTHER - NET

There was a series of storms in May and June 2008, which caused significant damage to OPPD's transmission and distribution system and resulted in a loss of service to over 126,000 OPPD customers. Certain related expenses are reimbursable by the Federal Emergency Management Agency (FEMA). For the year ended December 31, 2008, Other – net included $3,152,000 received and $6,719,000 accrued for storm restoration efforts.

For the year ended December 31, 2007, Other – net included $1,010,000 accrued for reimbursements from FEMA for storm restoration efforts completed in December.

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