Nebraska Public Power District
"Always there when you need us"

NLS2009058 140.21
July 28, 2009

Attention: Document Control Desk
Director, Office of Nuclear Reactor Regulation
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555-0001

Subject: Licensee Guarantees of Payment of Deferred Premiums
Cooper Nuclear Station, Docket No. 50-298, DPR-46

Dear Sir or Madam:

The purpose of this letter is to transmit information in accordance with the requirements of 10 CFR Part 140.21, relative to deferred insurance premiums, for the Nebraska Public Power District (NPPD). NPPD believes this information demonstrates our ability to obtain funds in the amount of $17.5 million for payment of such premiums within the specified three month period.

To demonstrate the ability to provide funds in the required amount for such deferred insurance premiums, NPPD's 2008 Financial Report is enclosed for your review. This report is NPPD's audited financial statement. Please refer to Page 12 of the enclosure where the Balance Sheet of NPPD is listed. Cash and investments of NPPD total over $1.0 billion as indicated on Page 19, Note 3 of the enclosure. Liquidity can be provided by unrestricted cash and investments, and through reserve and special purpose funds that, with the approval of the NPPD Board of Directors, can be utilized for any lawful purpose. The portion of cash and investments that can be utilized to provide such liquidity for the payment of the subject deferred premiums is $230.3 million as of December 31, 2008.

Also on Page 12 of the enclosure, under the heading "Long-Term Debt," there is a line item titled "Commercial paper notes" in the amount of $213.3 million. As noted on Page 25, Note 9 of the enclosure, NPPD is authorized to issue up to $200 million of taxable commercial paper notes and up to $150 million of tax-exempt commercial paper notes, which make up NPPD's Commercial Paper Program. As of December 31, 2008, NPPD had remaining capacity in its Commercial Paper Program of $136.7 million, which is available to fund the payment of the subject deferred premiums.

It is NPPD's intent to continue to publish this report on an annual calendar year basis. A subsequent report, covering financial information for calendar year 2009, will be submitted no later than July 31, 2010.

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***Telephone:** (402) 825-3811 / **Fax:** (402) 825-5211*
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M001
NRR

Should you have questions, or require additional information, please contact me at 402-825-2904.

Sincerely,

David W. Van Der Kamp

David W. Van Der Kamp
Licensing Manager

/jo

Enclosure

cc: Regional Administrator w/enclosure
USNRC - Region IV

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

Senior Resident Inspector w/o enclosure
USNRC - CNS

NPG Distribution w/o enclosure

D. K. Starzec w/o enclosure

CNS Records w/enclosure

ENCLOSURE

NEBRASKA PUBLIC POWER DISTRICT
2008 FINANCIAL REPORT

COOPER NUCLEAR STATION
DOCKET NO. 50-298, DPR-46

2008 FINANCIAL REPORT

2008 YEAR AT A GLANCE

KILOWATT-HOUR SALES	**18.8 BILLION**
OPERATING REVENUES	**831.3 MILLION**
COST OF POWER PURCHASED AND GENERATED	**500.7 MILLION**
OTHER OPERATING EXPENSES	**277.7 MILLION**
INCREASE IN FUND EQUITY	**26.1 MILLION**
DEBT SERVICE COVERAGE	**1.46**

2008 STATISTICAL REVIEW

SALES	Average Number of Customers	Electric Energy MWH Sales Amount	Electric Energy MWH Sales %	Revenues from Electric Sales (000's) Amount	Revenues from Electric Sales (000's) %	Revenue Per KWH
Retail:						
Residential	68,403	803,162	4.3	$ 72,234	8.7	8.99¢
Rural and Farm	3,053	75,978	0.4	5,940	0.7	7.82¢
Commercial	14,946	907,623	4.8	63,885	7.7	7.04¢
Industrial	53	1,214,242	6.5	51,442	6.2	4.24¢
Public Lighting	195	18,913	0.1	2,150	0.3	11.37¢
Municipal Power	181	29,065	0.1	1,990	0.2	6.85¢
Miscellaneous Municipal	1,962	130,170	0.7	6,767	0.8	5.20¢
Total Retail Sales	88,793	3,179,153	16.9	204,408	24.6	6.43¢
Wholesale:						
52 Municipalities (Total Requirements)		1,993,263	10.6	86,666	10.4	4.35¢
25 Public Power Districts and Cooperatives (Total Requirements)		6,907,092	36.7	283,265	34.1	4.10¢
Total Wholesale Sales (Excluding Sales to LES, MEC, and Other Utilities)		8,900,355	47.3	369,931	44.5	4.16¢
Total Retail and Wholesale Sales (Excluding Sales to LES, MEC, and Other Utilities)		12,079,508	64.2	574,339	69.1	4.75¢
LES and MEC(1)		3,264,644	17.4	90,825	10.9	2.78¢
Other Utilities (Nonfirm and Other Sales)		3,452,951	18.4	124,937	15.0	3.62¢
Total Electric Energy Sales		18,797,103	100.0	790,101	95.0	4.20¢
Other Operating Revenues (Net of Deferred)				41,158	5.0	
Total Operating Revenues				$ 831,259	100.0	

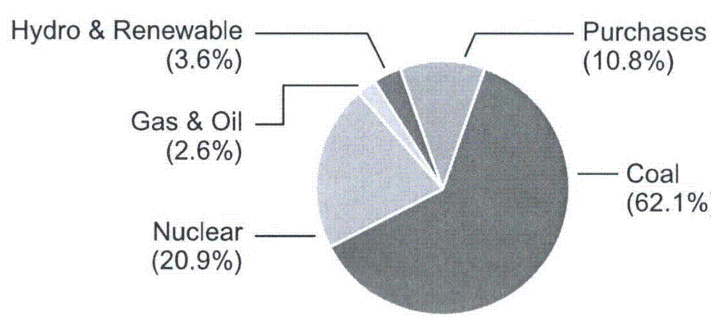
GENERATION	MWH Amount	MWH %	Production Costs (000's) Amount	Production Costs (000's) %
Production (Including Interchange)	18,024,291	91.4	$ 420,818	84.0
Power Purchased	1,703,979	8.6	79,883	16.0
Total Power Produced and Purchased	19,728,270	100.0	$ 500,701	100.0

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

Miles of Transmission and Subtransmission Line in Service	5,048
Number of Employees	2,264
2008 Contractual and Tax Payments (000's):	
Payments to Retail Communities	$ 18,663
Payments in Lieu of Taxes	$ 7,088

SOURCES OF ENERGY - 2008

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



The following Management's Discussion and Analysis should be read in conjunction with the audited Financial Statements and Notes to Financial Statements beginning on page 12.

OVERVIEW OF BUSINESS

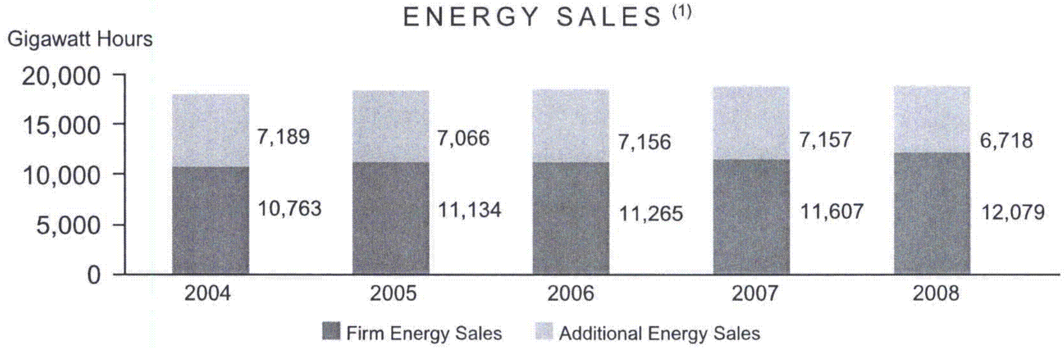
Nebraska Public Power District (the "District") operates an integrated electric utility system including facilities for generation, transmission, and distribution of electric power and energy for sales to wholesale and retail customers. The District is a summer peaking utility. An all-time system summer peak demand of 2,671 MW was established in July 2006 for the District's firm requirements customers. The District's all-time winter peak demand is 2,148 MW, which was established in December 2008. The District owns or has operating control over 37 generating plants, which had a combined accredited capacity during the summer of 2008 of 3,136.1 MW.

	GENERATION PLANTS		
Type:	Number of Plants[1]	Summer 2008 Accredited Capability (MW)	Percent of Total
Coal - Gerald Gentleman Station	1	1,365.0	43.5
Coal - Sheldon Station	1	225.0	7.2
Gas - Beatrice Power Station	1	237.0	7.5
Gas/Oil - Canaday Station	1	118.0	3.8
Nuclear - Cooper Nuclear Station	1	758.4	24.2
Hydro	9	165.1	5.2
Diesel	19	105.5	3.4
Combustion Turbine	3	153.0	4.9
Wind	1	9.1	0.3
	37	3,136.1	100.0

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

In addition to the above generating plants, the District purchases 450.5 MW of firm power from the Western Area Power Administration and other capacity and energy on both a short-term and nonfirm basis in the wholesale energy market. The District has also contracted to purchase 23.7% (approximately 157 MWs) of the Nebraska City Station Unit 2 being constructed by Omaha Public Power District. The coal-fired plant is currently scheduled to be operational May 2009. The District also owns and operates 5,048 miles of transmission and subtransmission lines, encompassing the entire State of Nebraska.

The District's customer base for firm energy sales consists of approximately 88,800 retail customers plus 77 municipalities, public power districts, and cooperatives that are total requirements wholesale customers of the District. In addition, the District has several participation sale contracts in place with other utilities for the sale of power and energy at wholesale from specific generating plants. The District also sells energy on a nonfirm basis in the wholesale energy market.



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

CONDENSED BALANCE SHEETS

	2008	2007	2006
Condensed Balance Sheets (000's):			
Utility Plant, Net	$ 2,123,284	$ 1,824,798	$ 1,739,161
Special Purpose Funds	859,656	742,528	576,041
Current Assets	368,463	348,353	312,884
Deferred Charges and Other Assets	719,453	503,262	487,837
Total Assets	$ 4,070,856	$ 3,418,941	$ 3,115,923
Fund Equity	$ 883,676	$ 857,617	$ 811,432
Long-Term Debt	1,921,968	1,469,166	1,413,092
Current Liabilities	244,083	291,700	151,768
Deferred Credits and Other Liabilities	1,021,129	800,458	739,631
Total Fund Equity and Liabilities	$ 4,070,856	$ 3,418,941	$ 3,115,923

CONDENSED RESULTS OF OPERATIONS

	2008	2007	2006
Condensed Statements of Revenues, Expenses, and Changes in Fund Equity (000's):			
Operating Revenues	$ 831,259	$ 780,693	$ 752,372
Operating Expenses	(778,351)	(715,051)	(693,746)
Operating Income	52,908	65,642	58,626
Investment and Other Income	48,789	53,190	34,467
Debt and Other Expenses	(75,638)	(72,647)	(67,703)
Increase in Fund Equity	$ 26,059	$ 46,185	$ 25,390

The sources of operating revenues were as follows (000's):

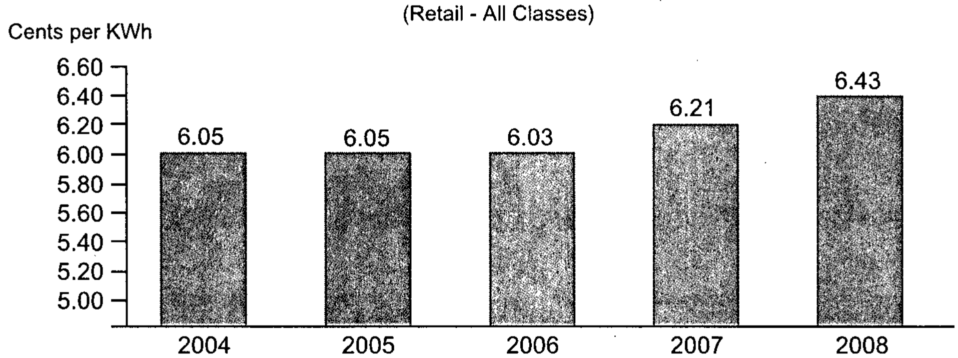
	2008	2007	2006
Firm Sales - Wholesale and Retail	$ 574,339	$ 529,429	$ 493,477
Participation Sales to LES and MEC	90,825	87,302	82,246
Sales to Other Utilities	124,937	127,296	131,674
Other Operating Revenue	28,121	28,037	25,818
Deferred Revenue	13,037	8,629	19,157
Total Operating Revenue	$ 831,259	$ 780,693	$ 752,372

Revenues From Firm Sales - Wholesale and Retail

Revenues from firm sales increased $44.9 million, or 8.5%, from $529.4 million in 2007 to $574.3 million in 2008. This increase is due primarily to a 12.0% wholesale rate increase effective April 1, 2008, and a 5.3% retail rate increase effective May 1, 2008, as the result of increased fuel and energy costs, the reduced availability of prior year surplus carryforwards, and the increasing electrical demands on the System. The 2008 wholesale and retail rate increases coincided with the expiration of a 12-month Production Cost Adjustment ("PCA") charge, 2.9% wholesale and 1.7% retail, implemented in April and May 2007, respectively. The District used available prior year surplus carryforwards and the PCA to recover the replacement energy costs resulting from the December 2006 ice storms. Revenue from firm sales increased $35.9 million, or 7.3%, from $493.5 million in 2006 to $529.4 million in 2007. This increase is due primarily to an increase in Kilowatt-hour energy sales of 3.0%, a 3.5% increase in the District's wholesale rates and an overall 2.0% retail rate increase both effective February 1, 2007, and the PCA charge.

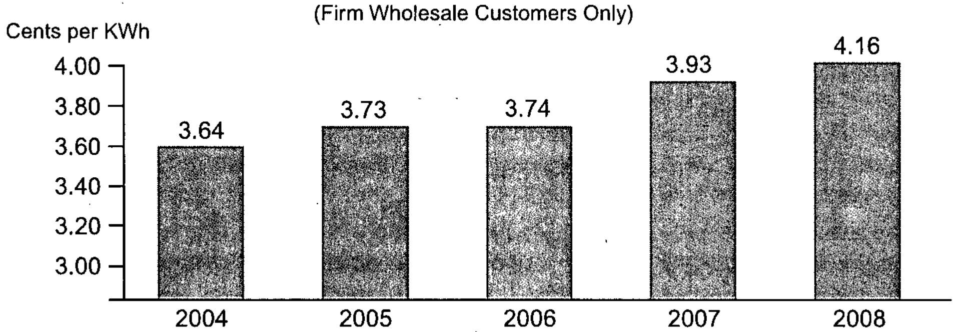
AVERAGE REVENUE PER KWh SOLD - RETAIL

(Retail - All Classes)



AVERAGE REVENUE PER KWh SOLD - WHOLESALE

(Firm Wholesale Customers Only)



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

During 2008, the District made participation sales to Lincoln Electric System ("LES") from the capacity and energy produced at Gerald Gentleman Station ("GGS") and Sheldon Station; to MidAmerican Energy Company ("MEC") from Cooper Nuclear Station ("CNS"); to KCP&L from GGS and CNS; to Heartland Consumers Power District ("Heartland") from CNS; and to the Municipal Energy Agency of Nebraska ("MEAN") from GGS and CNS. The District also engaged in sales of energy with other utilities on a nonfirm basis.

Revenue from participation sales to LES and MEC increased $3.5 million from $87.3 million in 2007 to $90.8 million in 2008. The increase was due primarily to LES's share of capital costs related to Sheldon Station being greater in 2008 than in 2007. Revenue from participation sales to LES and MEC increased $5.1 million from $82.2 million in 2006 to $87.3 million in 2007. The increase was due primarily to billings for LES's share of capital costs related to Sheldon Station being greater in 2007 than in 2006. The remaining increase is related to the increase in energy sales from CNS to MEC in 2007 from 2006.

Sales to other utilities consist of participation sales to KCP&L, Heartland, and MEAN and nonfirm off-system sales. The Energy Authority ("TEA"), of which the District is a member, has energy marketing responsibilities for the District's nonfirm off-system sales and the related management of credit risks. Sales to other utilities decreased from $127.3 million in 2007 to $125.0 million in 2008, a decrease of $2.3 million. This decrease is due primarily to a reduction in revenues realized from nonfirm off-system sales as the result of less excess generation being available to sell on the open market due to 2008 being a refueling year for CNS versus 2007 and increased firm energy sales in 2008 due to load growth. Sales to other utilities decreased from $131.7 million in 2006 to $127.3 million in 2007, a decrease of $4.4 million. This decrease is due primarily to restricted off-system sales during the first quarter of 2007 caused by damage to the District's transmission system from the December 2006 ice storms.

Other Operating Revenue

Other operating revenue consists primarily of transmission wheeling revenues and revenue from work for other utilities. These revenues were $28.1 million, $28.0 million, and $25.8 million in 2008, 2007, and 2006, respectively.

Deferred Revenue

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

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

The District recognizes all revenues in excess of revenue requirements in any year as a deferral or reduction of revenues. Such surplus revenues are excluded from the net revenues available under the General Revenue Bond Resolution ("General Resolution") to meet debt service requirements for such year. Surplus revenues are included in the determination of net revenues available under the General Resolution to meet debt service requirements in the year that such surplus revenues are taken into account in setting rates. During the years 2008, 2007, and 2006, respectively, revenues from firm wholesale and retail sales exceeded actual revenue requirements in each such year.

The District recognized or increased revenues a net amount of $13.0 million in 2008. The District's revenues in 2008 from firm wholesale and retail electric sales resulted in a surplus, or over collection of costs, of $3.8 million, which surplus amount was deferred (decrease in revenues). In addition, the wholesale and retail rates that were in place for 2008 included a refund of $16.8 million of surplus net revenues from past rate periods. Such surplus had previously been accounted for as a reduction in revenue in the year(s) the surplus occurred. Accordingly, the 2008 revenues from electric rates, which reflect the surplus being refunded, are offset by a revenue adjustment (increase in revenues) for such amount.

The District recognized or increased revenues a net amount of $8.7 million in 2007. The District's revenues in 2007 from firm wholesale and retail electric sales resulted in a surplus, or over collection of costs, of $42.1 million, which surplus amount was deferred (decrease in revenues). In addition, the wholesale rates that were in place for 2007 included a refund of $50.8 million of surplus net revenues from past rate periods. Such surplus had previously been accounted for as a reduction in revenue in the year(s) the surplus occurred. Accordingly, the

2007 revenues from electric rates, which reflect the surplus being refunded, are offset by a revenue adjustment (increase in revenues) for such amount.

The District recognized or increased revenues a net amount of $19.1 million in 2006. The District's revenues in 2006 from firm wholesale and retail electric sales resulted in a surplus, or over collection of costs, of $6.6 million, which surplus amount was deferred (decrease in revenues). In addition, the wholesale and retail rates that were adopted for 2006 included a refund of $25.7 million of surplus net revenues from past years. Such surplus had previously been accounted for as a reduction in revenue in the year(s) the surplus occurred. Accordingly, the 2006 revenues from electric rates, which reflect the surplus being refunded, are offset by the revenue adjustment (increase in revenues) for such amount.

As of December 31, 2008, 2007, and 2006, the District had $52.9 million, $65.9 million, and $74.6 million, respectively, of surplus deferred revenues yet to be applied as credits against revenue requirements in future rate periods. The District's wholesale and retail electric rates for 2009 include a refund of $4.8 million of surplus deferred revenues.

Operating Expenses

Total operating expenses in 2008 were $778.4 million, an increase of $63.3 million from 2007. Total operating expenses in 2007 were $715.1 million, an increase of $21.4 million from 2006. The changes were due primarily to the following:

Purchased power and production fuel expenses were $259.2 million, $240.8 million, and $209.9 million in 2008, 2007, and 2006, respectively. These expenses increased $18.4 million in 2008 compared to 2007, due primarily to increased native load sales, increased nonfirm energy purchased due to a refueling outage at CNS, increased average nonfirm energy market prices, and higher fuel costs as a result of continued price increases in both coal and nuclear fuel and related transportation costs. The increase of $30.9 million in 2007 compared to 2006 is due primarily to higher fuel costs as a result of price increases in both coal and nuclear fuel and related transportation costs.

Production operation and maintenance expenses were $241.5 million, $191.2 million, and $213.0 million in 2008, 2007, and 2006, respectively. These costs increased $50.3 million in 2008 compared to 2007 due primarily to the costs associated with a planned refueling and maintenance outage at CNS in 2008 along with increases in materials and outside contractor costs associated with planned and unplanned outages at the District's other major base load generation facilities. These costs decreased $21.8 million in 2007 compared to 2006 due primarily to the costs associated with a planned refueling and maintenance outage at CNS in 2006. No such refueling outage occurred in 2007.

Transmission and distribution operation and maintenance expenses were $47.8 million, $42.6 million, and $42.4 million in 2008, 2007, and 2006, respectively. These costs increased $5.2 million in 2008 due to increased maintenance work being done as compared to 2007 when the District spent the first few months of the year rebuilding transmission and distribution lines damaged by the December 2006 ice storms. Additional increases are due to increased material costs. These costs remained consistent between 2007 and 2006.

Customer service and information expenses were $16.8 million, $15.6 million, and $14.5 million in 2008, 2007, and 2006, respectively. These expenses did not vary significantly from year to year.

Administrative and general expenses were $48.8 million, $47.1 million, and $55.4 million in 2008, 2007, and 2006, respectively. These costs remained consistent between 2008 and 2007. These expenses decreased $8.3 million in 2007 as compared to 2006 due primarily to an upgrade to the District's enterprise computer software system in 2006.

Decommissioning expenses were $32.0 million, $35.9 million, and $22.3 million in 2008, 2007, and 2006, respectively. Decommissioning expenses represent the net amount accrued each year for the future decommissioning of CNS which amount is equivalent to the interest income and market value changes of investments in the nuclear facility decommissioning fund plus amounts collected for decommissioning in the rates for electric service in such year. Decommissioning expenses decreased by $3.9 million in 2008 as compared to 2007 due to decreases in interest income and market fluctuations in the value of investments. Decommissioning expenses increased by $13.6 million in 2007 as compared to 2006 due to increases in interest income and market fluctuations in the value of investments.

To the extent that the accretion on the asset retirement obligation determined under SFAS No. 143 is different from the total of amounts collected in rates and investment earnings on monies accumulated in the decommissioning funds, the District will defer that difference as a regulatory asset or liability to be recovered or refunded in future periods. Accretion for 2008, 2007, and 2006 was $33.6 million, $32.0 million, and $30.4 million, respectively, and decommissioning expense was $32.0 million, $35.9 million, and $22.3 million, respectively.

Depreciation and amortization expenses were $106.5 million, $116.6 million, and $112.2 million in 2008, 2007, and 2006, respectively. These expenses decreased $10.1 million in 2008 as compared to 2007 due primarily to the submission of the CNS 20-year license extension in September 2008 at which time the District reevaluated all assets associated with CNS and revised their remaining useful lives accordingly. This change was effective January 1, 2008. These expenses increased $4.4 million in 2007 as compared to 2006 because of new plant additions. Also,. through 2007, plant additions to CNS were being depreciated over the remaining years of its original operating license which license ends in January 2014.

Increase in Fund Equity

The increase in fund equity (net revenues) was $26.1 million in 2008, $46.2 million in 2007, and $25.4 million in 2006. The decrease in fund equity of $20.1 million in 2008 as compared to 2007 reflects decreases in revenue requirements used to establish rates for 2008 for the purpose of decreased investment in facilities from current year revenues and decreased commercial paper principal payments offset, in part, by an increase in bond principal payments. In addition, there was a decrease in depreciation expense in 2008. The increase in fund equity of $20.8 million in 2007 as compared to 2006 reflects increases in revenue requirements used to establish rates in 2007 for the purpose of increased commercial paper payments and increased investment in facilities from current year revenues.

CAPITAL REQUIREMENTS

The District's Board of Directors ("Board") authorized capital projects totaling approximately $357.6 million in 2008, $270.7 million in 2007, and $142.2 million in 2006. The amount for 2008 included $147.0 million for Phase II of the Electric Transmission Reliability ("ETR") Project, $41.9 million for the purchase of several transformers, $17.2 million for a new water treatment and discharge system at Sheldon Station, $18.7 million for a new all-purpose operations facility in Norfolk, Nebraska, and $9.6 million for replacement of the Unit 1 cooling towers at Sheldon Station. The amount for 2007 included $57.0 million for the reconstruction of transmission and distribution lines as the result of the severe 2006 year-end ice, wind, and snow storms, $26.4 million for the purchase of several transformers, $25.0 million for Phase II of the installation of a dry cask fuel storage system at CNS, $22.9 million for additions to the Hoskins and Shell Creek substations as part of Phase I of the ETR Project, and $18.0 million for a reheater replacement at GGS. The amount for 2006 included $19.7 million for Phase I of the installation of a dry cask fuel storage system and $11.2 million for a supplement to the generator refurbishment project, both at CNS. The remaining capital projects authorized in 2008, 2007, and 2006, which totaled $123.2 million, $121.4 million, and $111.3 million, respectively, were primarily for renewals and replacements to existing facilities and other minor additions and improvements. The District's Board approved budget for capital projects in 2009 is $239.4 million, which includes $25.0 million for the replacement of a high pressure turbine at CNS, $16.1 million for the replacement of four feedwater heaters at CNS, $13.0 million for Phase I of the installation of a statewide radio system, and $11.0 million to complete the installation of a dry cask fuel storage system at CNS. The District's capital requirements are funded by a combination of monies generated from operations, issuance of revenue bonds, issuance of short-term debt, and other available reserve funds.

FINANCING ACTIVITIES

The District had $1.756 billion (par amount) of outstanding revenue bonds at December 31, 2008, as compared to $1.515 billion (par amount) at December 31, 2007, and $1.397 billion (par amount) at December 31, 2006. The revenue bonds outstanding are at fixed interest rates and were issued at premiums or discounts. The District had outstanding $92.0 million of tax-exempt commercial paper ("TECP") notes at December 31, 2008, $83.6 million at December 31, 2007, and $60.0 million at December 31, 2006. Also, the District had outstanding $121.3 million of taxable commercial paper ("TCP") notes at December 31, 2008, and $34.1 million at December 31, 2007. Both the TECP notes and the TCP notes have a bank credit agreement, each expiring August 1, 2011, maintained to support the sale of the commercial paper notes.

In March 2008, the District issued $137.8 million of taxable revenue bonds to advance refund $93.7 million of taxable revenue bonds issued in 2007 and to refund $43.1 million of taxable commercial paper notes used to redeem the taxable revenue bonds issued in 2004. In September 2008, the District issued $332.2 million of tax-exempt revenue bonds at a net premium to provide $148.0 million for the remaining cost of the ETR Project, to provide $80.0 million for certain generation and other transmission capital additions, to refund $57.0 million of TECP notes that were issued to pay for costs associated with the December 2006 ice storms, the purchase of several transformers and other capital additions, and to provide $26.0 million for the District's remaining share of the Omaha Public Power District ("OPPD") Nebraska City Station Unit 2 ("NC2") coal-fired generating plant and associated transmission facilities. Under the terms of a power purchase agreement with OPPD, the District will receive 23.7% of the output of NC2, estimated to be 157 MWs when it commences operation, which is expected to be in May 2009.

In February 2007, the District issued $93.7 million of taxable auction rate revenue bonds for the purpose of funding the cost of various capital projects at CNS. In September 2007, the District issued $311.8 million of tax-exempt revenue bonds at a net premium to advance refund $210.0 million of bonds, to provide $25.0 million for Phase I of the ETR Project, and to provide $76.5 million for certain generation and transmission capital additions. The refunded bonds represent a portion of the bonds issued in 1998 with maturities from January 1, 2010 through January 1, 2028. The refunding will result in debt service savings to the District of $10.8 million during the period September 2007 through December 2027.

In September 2006, the District issued $157.3 million of tax-exempt revenue bonds at a net premium to fund its $93.4 million share of construction costs from 2007 through 2008 of the OPPD NC2 coal-fired generating plant and associated transmission facilities, to advance refund $40.4 million of revenue bonds, and to provide $13.0 million for certain generation and transmission capital additions. The refunded bonds represent a portion of the bonds issued in 2002 with a maturity of January 1, 2007.

The District retired $82.6 million, $78.1 million, and $79.7 million of General System Revenue Bonds in 2008, 2007, and 2006, respectively.

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

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

DEBT SERVICE COVERAGE

The District's debt service coverage was 1.46 in 2008, 1.71 in 2007, and 1.61 in 2006. The coverage is provided primarily by the amounts collected in operating revenues to fund the cost of utility plant additions, the amounts collected in operating revenues for principal and interest payments on the outstanding commercial paper notes, and the amounts collected in operating revenues to fund the cost of payments made to those municipalities served by the District under long-term Professional Retail Operating Agreements. The District has established a goal in its planning process to maintain a debt service coverage of approximately 1.5 times annual debt service.

CNS FUTURE OPERATION

Cooper Nuclear Station is currently licensed to operate until January 2014. In November 2004, the Board approved a recommendation by management to proceed with the process to seek approval from the Nuclear Regulatory Commission ("NRC") to extend the operating license of CNS to 2034. The application was submitted to the NRC in September 2008. The NRC notified the District in December 2008 that the application was considered acceptable for NRC review. The District is also evaluating the potential for an Extended Power Uprate of CNS.

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

The District entered into a power sales contract with MEC to provide 250 MW of capacity and energy from January 1, 2005 until December 31, 2009. The District also entered into agreements for the sale of capacity and energy from CNS to Heartland, to KCP&L, and to MEAN. The Heartland agreement provides for delivery of capacity and energy beginning on January 1, 2004, and terminating on December 31, 2013, in amounts ranging from 5 MW up to 45 MW. The KCP&L agreement provides for delivery of 75 MW of capacity and energy from January 1, 2005 until January 18, 2014. The MEAN agreement, amended on July 1, 2008, provides for delivery of capacity and energy beginning July 1, 2008, and terminating on April 30, 2014, of 95 MW, of which 60% will be provided from CNS and 40% from GGS. If CNS is removed from commercial operation or off-line continuously for six months, the associated energy will be supplied from GGS. If Whelan Energy Center 2, in which MEAN has an ownership interest, begins commercial operation prior to April 30, 2014, either the District or MEAN has the right to reduce delivery by up to 50 MW.

RESOURCE PLANNING

The District recently completed an update of its Integrated Resource Plan which the Board adopted in May 2008. Core planning principles for the Integrated Resource Plan update include having (i) a diverse power resource mix consisting of owned facilities and contract purchases sufficient to meet loads under extreme weather conditions, (ii) a goal of achieving 10% of the District's energy supply from renewable resources by 2020, and (iii) a focus on increasing energy efficiency. The probabilistic analysis focused on key future uncertainties including future environmental regulations on carbon dioxide, state or federal mandated renewable portfolio standards, capital and operation and maintenance costs of new units, future fuel and market prices for electricity. The results showed that with the District's future addition of its share of OPPD's NC2 coal-fired plant of 157 MWs and the recapture of 570 MWs of CNS and GGS base load generation from capacity and energy contracts expiring between 2009 and 2014, the District is well positioned to meet its firm load requirement needs for the next eight to ten years. Specific actions on which the District will focus include (i) addition of renewables, (ii) implementation of energy efficiency programs, (iii) evaluation of additional peaking capacity, and (iv) implementation of a CNS power uprate.

In May 2007, the District requested proposals for the development of future wind-powered generation projects. The District was seeking to purchase up to 150 MW of wind-powered generation capacity and associated energy from projects to be located near existing transmission facilities. In 2008, the District entered into a 20-year power purchase agreement with Midwest Wind Energy LLC to purchase electric power from the 80-MW Elkhorn Ridge Wind Farm developed near Bloomfield, Nebraska, which became commercially operational March 16, 2009. The District also entered into a 20-year power purchase agreement with Community Wind Energy Transmission LLC to purchase electric power from the 42-MW Crofton Hills Wind Farm planned for development near Crofton, Nebraska. Construction of this facility has not yet commenced. The District has entered into agreements to sell one-half of the capacity of such wind-powered generation projects to other utilities in the State of Nebraska. The District will pay only for energy delivered pursuant to such agreements. The District does not currently expect to fund the cost of any such projects or guarantee any indebtedness with respect thereto.

ENERGY RISK MANAGEMENT PRACTICES

The nature of the District's business exposes it to a variety of risks, including exposure to volatility in electric energy and fuel prices, uncertainty in load and resource availability, the creditworthiness of its counterparties, and the operational risks associated with transacting in the wholesale energy markets.

To help manage energy risks, the District relies upon TEA to both transact on its behalf in the wholesale energy markets and to develop and recommend strategies to manage the District's exposure to risks in the wholesale energy markets. TEA combines a strong knowledge of the District's system, an in-depth understanding of the wholesale energy markets, experienced people, and state-of-the art technology to deliver a broad range of standard and customized energy products and services to the District.

TEA has assisted the District in developing its Energy Risk Management ("ERM") program and associated ERM Governing Policy ("Policy"). The Policy, approved by the Board, establishes guidelines and objectives and delegation of authorities necessary to govern activities related to the District's energy risk management program. The objective of the program is to increase fuel and energy price stability by hedging the risk of significant adverse impacts to cash flow. These adverse impacts could be caused by events such as natural gas or power price spikes or extended unplanned outages. The ERM program has been developed to provide assurance to the Board that the risks inherent in the wholesale energy market are being quantified and appropriately managed.

ECONOMIC FACTORS

Recently, the general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly and have adversely affected access to capital and increased the cost of capital. If these conditions continue or become worse, the District's future cost of debt and access to capital markets could be adversely affected. In addition, restrictions on the District's ability to access capital markets could affect its ability to execute its capital construction plan as scheduled.

The slowing of national economies has not significantly impacted the District's demand for electricity. However, continued national and economic downward pressures may result in a reduction in such demand and impact the District's earnings and cash flows. Nebraska's unemployment rate rose from an average of 2.9% for 2007 to an average of 3.3% for 2008, compared to the national average unemployment rate of 5.8%. Nebraska's seasonally adjusted unemployment rate was 3.9% in December 2008, compared to the national seasonally adjusted unemployed rate of 7.2%.

The District has not seen a significant increase in its uncollectible customer accounts compared to 2007.

Furthermore, as a result of the current economic downturn affecting the economies of the State of Nebraska, the United States and other parts of the world, the District's vendors and service providers could experience serious difficulties maintaining adequate liquidity. As a result, the District's vendors and service providers may be unable to perform under existing contracts or may significantly increase their prices or reduce their output or performance on future contracts.

COMMITMENTS AND CONTINGENCIES

In a transmittal letter dated December 8, 2008, the Environmental Protection Agency Region 7 office issued a Notice of Violation under Section 113(a)(i) of the Clean Air Act related to certain projects undertaken from 1991 through 2001 at GGS. The District is unable to predict what future costs may be incurred with respect to the Notice of Violation. See Note 16 for additional information.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the
Nebraska Public Power District:

We have audited the accompanying balance sheets of Nebraska Public Power District (the "District") as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in fund equity and of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated April 3, 2009 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended December 31, 2008. 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, "Calculation of Debt Service Ratios in accordance with the General Revenue Bond Resolution for the years ended December 31, 2008 and 2007," is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

St. Louis, Missouri
April 3, 2009

FINANCIAL STATEMENTS

Balance Sheets - December 31, 2008 and 2007 (000's)	2008	2007
ASSETS		
Utility Plant, at Cost:		
Utility plant in service	$ 3,686,887	$ 3,509,991
Less reserve for depreciation	2,035,723	1,971,392
	1,651,164	1,538,599
Construction work in progress	266,883	190,265
Nuclear fuel, at amortized cost	205,237	95,934
	2,123,284	1,824,798
Special Purpose Funds:		
Cash and cash equivalents:		
Construction funds	1,841	1
Debt reserve fund	251	587
Employee benefit funds	2,822	2,556
Investments:		
Construction funds	288,244	190,433
Debt reserve fund	97,972	88,980
Employee benefit funds	2,916	2,849
Decommissioning funds	465,610	457,122
	859,656	742,528
Current Assets:		
Cash and cash equivalents	75,133	74,601
Investments	68,783	65,611
Receivables, less allowance for doubtful accounts of $524 and $506, respectively	76,782	74,678
Fossil fuels, at average cost	36,644	28,421
Materials and supplies, at average cost	107,955	102,420
Prepayments and other current assets	3,166	2,622
	368,463	348,353
Deferred Charges and Other Assets:		
Deferred asset retirement obligation	439,224	243,141
Long-term capacity contracts	234,652	210,359
Deferred settlement charges	19,453	24,072
Unamortized financing costs	16,221	14,805
Investment in The Energy Authority	7,589	7,076
Other	2,314	3,809
	719,453	503,262
TOTAL ASSETS	$ 4,070,856	$ 3,418,941
FUND EQUITY AND LIABILITIES		
Fund Equity:		
Invested in capital assets, net of related debt	$ 692,758	$ 596,899
Restricted	45,875	37,882
Unrestricted	145,043	222,836
	883,676	857,617
Long-Term Debt:		
Revenue bonds, net	1,708,691	1,469,166
Commercial paper notes	213,277	—
	1,921,968	1,469,166
Current Liabilities:		
Current maturities of revenue bonds	80,590	82,285
Current maturities of commercial paper notes	—	117,746
Accounts payable and accrued liabilities	134,634	62,315
Accrued in lieu of tax payments	7,034	6,926
Accrued payments to retail communities	4,339	4,161
Accrued compensated absences	13,229	12,314
Other	4,257	5,953
	244,083	291,700
Deferred Credits and Other Liabilities:		
Asset retirement obligation	896,739	687,287
Deferred revenues	52,911	65,948
Other	71,479	47,223
	1,021,129	800,458
TOTAL FUND EQUITY AND LIABILITIES	$ 4,070,856	$ 3,418,941

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

Statements of Revenues, Expenses, and Changes in Fund Equity
for the years ended December 31, (000's)

	2008	2007
Operating Revenues	$ 831,259	$ 780,693
Operating Expenses:		
Power purchased	79,883	69,944
Production -		
Fuel	179,352	170,847
Operation and maintenance	241,466	191,246
Transmission and distribution operation and maintenance	47,821	42,589
Customer service and information	16,819	15,581
Administrative and general	48,835	47,095
Payments to retail communities	18,663	18,317
Decommissioning	31,961	35,899
Depreciation and amortization	106,463	116,567
Payments in lieu of taxes	7,088	6,966
	778,351	715,051
Operating Income	52,908	65,642
Non-Operating Income:		
Investment income	48,351	52,803
Other income	438	387
	48,789	53,190
Increase in Fund Equity Before Debt and Other Expenses	101,697	118,832
Non-Operating Expenses:		
Interest on long-term debt	77,600	74,041
Allowance for funds used during construction	(4,237)	(2,807)
Other expenses	2,275	1,413
	75,638	72,647
Increase in Fund Equity	26,059	46,185
Fund Equity:		
Beginning balance	857,617	811,432
Ending balance	$ 883,676	$ 857,617

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

Statements of Cash Flows for the years ended December 31, (000's)		2008		2007
Cash Flows from Operating Activities:				
Receipts from customers and others	$	860,142	$	797,619
Receipts from FEMA, State of Nebraska and others		4,775		55,077
Payments to suppliers and vendors		(411,110)		(432,244)
Payments to employees		(221,552)		(204,433)
Net cash provided by operating activities		232,255		216,019
Cash Flows from Investing Activities:				
Proceeds from sales and maturities of investments		726,027		850,742
Purchase of investments		(825,865)		(953,098)
Income received on investments		10,322		8,821
Net cash used in investing activities		(89,516)		(93,535)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of bonds		468,095		410,718
Proceeds from issuance of notes		195,170		103,997
Proceeds from repayment of notes receivable		71		90
Capital expenditures for utility plant		(371,028)		(211,332)
Purchase of capacity contract		(26,358)		—
Principal payments on long-term debt		(229,305)		(288,145)
Interest payments on long-term debt		(77,862)		(72,640)
Principal payments on notes		(102,048)		(46,400)
Interest payments on notes		(2,303)		(3,562)
Funds advanced - Whelan Energy Center 2		4,881		11,754
Other non-operating revenues		250		248
Net cash used in capital and related financing activities		(140,437)		(95,272)
Net increase in cash and cash equivalents		2,302		27,212
Cash and cash equivalents, beginning of year		77,745		50,533
Cash and cash equivalents, end of year	$	80,047	$	77,745
Reconciliation of Operating Income to Cash Provided By Operating Activities:				
Operating income	$	52,908	$	65,642
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization		106,463		116,567
Undistributed net revenue - The Energy Authority		(513)		(663)
Decommissioning, net of customer contributions		51,254		35,899
Amortization of nuclear fuel		35,237		30,328
Changes in assets and liabilities which provided (used) cash:				
Receivables, net		3,110		(7,794)
Fossil fuels		(8,223)		(3,552)
Materials and supplies		(5,535)		(17,310)
Prepayments and other current assets		(544)		259
Deferred charges		618		222
Accounts payable and accrued payments to retail communities		10,090		3,279
Deferred revenues		(13,037)		(8,629)
Other liabilities		427		1,771
Net cash provided by operating activities	$	232,255	$	216,019
Supplementary non-cash capital activities:				
Change in accrued additions to utility plant not reported above	$	62,407	$	11,614

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

Supplemental Schedule - Calculation of Debt Service Ratios in accordance with the General Revenue Bond Resolution for the years ended December 31, (000's)	2008	2007
Operating revenues	$ 831,259	$ 780,693
Operating expenses	(778,351)	(715,051)
Operating income	52,908	65,642
Investment and other income	48,789	53,190
Debt and other expenses	(75,638)	(72,647)
Increase in fund equity	26,059	46,185
Add:		
Debt and related expenses	75,450	72,508
Depreciation and amortization	106,463	116,567
Payments to retail communities*	18,663	18,317
	200,576	207,392
Deduct:		
Investment income retained in construction funds	6,184	6,134
Unrealized gain on investment securities	4,811	2,877
	10,995	9,011
Fund equity available for debt service under the General Revenue Bond Resolution	$ 215,640	$ 244,566
Amounts deposited in the General System Debt Service Account:		
Principal	$ 86,384	$ 80,687
Interest	61,616	62,173
	$ 148,000	$ 142,860
Ratio of fund equity available for debt service to debt service deposits	1.46	1.71

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

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization -

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

B. Basis of Accounting -

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

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

C. Use of Estimates -

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

D. Revenue -

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

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

The surpluses and deficits from prior years have been accounted for in these financial statements by either a deferral of revenue or costs. During the years ended December 31, 2008 and 2007, the District deferred net costs of $13.0 million and $8.7 million, respectively. The cumulative surplus at December 31, 2008, to be reflected in future revenue requirements, is approximately $52.9 million. The District's electric rates for 2009 include a refund of $4.8 million of the cumulative surplus.

E. Depreciation, Amortization, and Maintenance -

The District records depreciation over the estimated useful life of the property primarily on a straight-line basis. The District's electric rates are established based upon debt service and operating fund requirements. Straight-line depreciation is not considered in the design of rates. As such, the District has provided for depreciation of utility plant funded from debt in its rate setting process by using the debt service principal requirements as the basis for depreciation as opposed to the straight-line basis of depreciation included in the financial statements of the District. Under the methodology employed in establishing rates, the excess of accumulated depreciation expense calculated using the debt service principal approach over the amount calculated using the straight-line method is $39.6 million and $33.2 million for the years ended December 31, 2008 and 2007, respectively. Annual depreciation expense calculated under the debt service principal approach exceeded straight-line depreciation by $6.4 million and $2.5 million for the years ended December 31, 2008 and 2007, respectively. Depreciation expense recorded on a straight-line basis on utility plant was $84.6 million and $100.2 million for the years ended December 31, 2008 and 2007, respectively. Depreciation on utility plant was approximately 3% in each of the years ended December 31, 2008 and 2007. The District has fully depreciated utility plant that is still in service of $656.5 million and $642.3 million at December 31, 2008 and 2007, respectively, primarily relating to Cooper Nuclear Station ("CNS").

Current rates for electric service provide for a portion of plant additions to be funded from revenues. These plant additions are capitalized and depreciated over their estimated useful life. At December 31, 2008 and 2007, $490.1 million and $456.9 million, respectively, of net utility plant was funded from revenues. Provision for depreciation of utility plant funded from revenues is computed using the straight-line method.

The District owns and operates the electric distribution system in one of the 80 municipalities that it serves at retail. In addition, the District has long-term Professional Retail Operating ("PRO") Agreements with 79 municipalities for certain retail electric distribution systems. These PRO Agreements obligate the District to make payments based on gross revenues from the municipalities and pay for normal property additions during the term of the agreements. The District has recorded provisions, net of retirements, for amortization of these plant additions of $15.2 million in 2008 and $9.9 million in 2007 which is included in Depreciation and amortization expense. These plant additions, which are fully depreciated, totaled $139.2 million at December 31, 2008, and $126.0 million at December 31, 2007.

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

F. *Cash and Investments -*

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

G. *Fossil Fuel and Materials and Supplies -*

The District maintains inventories for fossil fuels, and materials and supplies which are valued at average cost. Due provision is made for slow moving or obsolete items.

H. *Nuclear Fuel -*

In March 2008, the District amended its existing agreement for uranium concentrates, conversion, and enrichment to provide for short-term enriched uranium product and long-term enrichment services. In December 2007, the District amended its existing contract for fuel bundle fabrication and related services to provide for long-term requirements. These contracts do not obligate the District to purchase fuel components in excess of the requirements of operations. Nuclear fuel in the reactor is being amortized on the basis of energy produced as a percentage of total energy expected to be produced. Fees for disposal of fuel in the reactor are being expensed as part of the fuel cost.

I. *Unamortized Financing Costs -*

These costs represent issuance expenses on all bonds and are being amortized over the life of the respective bonds using the bonds outstanding method. Deferred unamortized financing costs associated with bonds refunded are amortized using the bonds outstanding method over the shorter of the original or refunded life of the respective bonds in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities.*

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

This allowance, which represents the cost of funds used to finance construction, is capitalized as a component of the cost of the utility plant and is credited to Non-Operating Expenses. The capitalization rate depends on the source of financing. The rate for construction financed with revenue bonds is based upon the interest cost of each bond issue less interest income. Construction financed on a short-term basis with taxable commercial paper ("TCP") or tax-exempt commercial paper ("TECP") is charged a rate based upon the projected average interest cost of TCP or TECP outstanding. For the periods presented herein, the AFUDC rates for construction funded by revenue bonds vary from 3.8% to 5.5%. For construction financed on a short-term basis with commercial paper, the rates charged vary from 3.8% to 5%.

K. *Fund Equity -*

Fund equity is made up of three components: Invested in capital assets, net of related debt, Restricted, and Unrestricted.

Invested in capital assets, net of related debt consists of utility plant assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or notes that are attributable to the acquisition, construction, or improvement of these assets. This component also includes long-term capacity contracts net of the outstanding balances of any bonds or notes attributable to these assets.

Restricted fund equity consists of the debt service reserve primary funds that are required deposits under the Resolution and the External Decommissioning funds net of any related liabilities.

Unrestricted fund equity consists of any remaining fund equity that does not meet the definition of Invested in capital assets, net of related debt or Restricted, and are used to provide for working capital to fund non-nuclear fuel and inventory requirements, as well as other operating needs of the District.

L. *Asset Retirement Obligations -*

Asset retirement obligations represent the fair value of the District's legal liability associated with the retirement of CNS, various ash landfills at its two coal-fired power stations, and the removal of asbestos at its various generating facilities among other things.

M. *Reclassifications -*

Certain amounts in the prior year's financial statements have been reclassified to conform to the 2008 presentation. These reclassifications had no effect on Increase in Fund Equity or Total Fund Equity.

N. *Recent Accounting Pronouncements -*

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB No. 45"). As allowed under previous accounting standards, the District had been recognizing other postemployment benefits ("OPEB") on a pay-as-you-go basis. Beginning in 2007, the implementation of GASB No. 45 required the District to measure and recognize postemployment benefits other than pensions during the periods when employees render the service. An actuarial valuation of the District's OPEB obligation was completed. The adoption of GASB No. 45 resulted in additional expense and increased liability. However, there is no requirement under GASB No. 45 for cash outlays to fund OPEB expenses accrued in the current year for future year benefit payments. The District will continue to pay the current year costs for other postretirement benefits for retirees. The District has prepared a plan which addresses the future obligations while minimizing an adverse impact on electric rates. Components of the plan include deferring some of future years' expenses through a regulatory asset combined with a long-term funding strategy to address its OPEB obligations. See Note 15 for additional information.

On January 1, 2008, the District adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"), which defines fair value, establishes criteria to be considered when measuring fair value, and expands disclosures about fair value measurements. In February 2008, FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157* ("FSP FAS 157-2") was issued. FSP FAS 157-2 delays the adoption of SFAS No. 157 for nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008, or January 1, 2009, for the District. SFAS No. 157 does not modify any currently existing accounting pronouncements. The District applies fair value measurements to certain assets and liabilities. The adoption of SFAS No. 157 did not have a material impact on the District's financial position or results of operation. The District expects that the adoption of FSP FAS 157-2 will not have a material impact on its financial position or results of operation. See Note 4 for additional information.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB No. 53"). This standard provides accounting and financial reporting guidance to governments for measuring derivative instruments at fair value and specific criteria to determine whether a derivative instrument results in an effective hedge. GASB No. 53 is effective for financial statement periods beginning after June 15, 2009. The District is currently engaged in studies to assess the impact of this new accounting pronouncement.

2. UTILITY PLANT:

Utility plant activity for the year ended December 31, 2008, was as follows (000's):

	December 31, 2007	Increases	Decreases	December 31, 2008
Nondepreciable utility plant:				
Land and improvements	$ 43,095	$ 682	$ —	$ 43,777
Construction in progress	190,265	271,040	(194,422)	266,883
Total nondepreciable utility plant	233,360	271,722	(194,422)	310,660
Nuclear fuel*	95,934	144,540	(35,237)	205,237
Depreciable utility plant:				
Generation - Fossil	1,366,988	20,163	(735)	1,386,416
Generation - Nuclear	1,030,294	81,022	(13,581)	1,097,735
Transmission	661,586	74,309	(5,343)	730,552
Distribution	159,823	16,314	(1,716)	174,421
General	248,205	10,303	(4,522)	253,986
Total depreciable utility plant	3,466,896	202,111	(25,897)	3,643,110
Less reserve for depreciation	(1,971,392)	(90,228)	25,897	(2,035,723)
Depreciable utility plant, net	1,495,504	111,883	—	1,607,387
Utility plant activity, net	$ 1,824,798	$ 528,145	$ (229,659)	$ 2,123,284

*Nuclear fuel decreases represent amortization of $35.2 million.

With the submission of the CNS 20-year license extension in September 2008, the District reevaluated all assets associated with CNS and revised their remaining useful lives accordingly. The change was effective January 1, 2008.

During 2007, the District received reimbursement of $55.1 million from the Federal Emergency Management Agency ("FEMA") for damages incurred to the District's transmission, subtransmission, and distribution facilities as the result of several severe storms. The largest of these storms occurred in late December 2006 and resulted in a net FEMA reimbursement of $54.3 million.

The 2009 construction plan includes authorization for future expenditures of $239.4 million. These expenditures will be funded from existing bond proceeds, revenues, other available funds, and additional financings as deemed appropriate.

3. CASH AND INVESTMENTS:

The District follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("GASB No. 31"). GASB No. 31 requires the District's investments to be recorded at fair value with the changes in the fair value of investments reported as Investment income in the accompanying Statements of Revenues, Expenses, and Changes in Fund Equity. The District had an unrealized net gain of $4.8 million as of December 31, 2008, and an unrealized net gain of $2.9 million as of December 31, 2007.

Cash deposits, primarily interest bearing, are covered by federal depository insurance or pledged collateral of U.S. Government securities held by various depositories. Investments were in U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks. Cash and investments totaled $1,003.6 million and $882.7 million at December 31, 2008 and 2007, respectively.

The fair value of all cash and investments, regardless of balance sheet classification, as of December 31 was as follows (000's):

	2008	2007
U.S. Treasury and government agency securities	$ 714,333	$ 608,145
State and local government securities	2,105	4,045
Corporate bonds	117,768	119,942
Cash and money market mutual funds	169,366	150,608
Total cash and investments	$ 1,003,572	$ 882,740

The fair value of the District's Special Purpose Funds as of December 31 are as follows (000's):

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

	2008	2007
Construction funds - Cash and cash equivalents	$ 1,841	$ 1
Construction funds - Investments	288,244	190,433
	$ 290,085	$ 190,434

The Debt reserve fund, as established under the Resolution, consists of a Primary account and a Secondary account. The District is required by the Resolution to maintain an amount equal to 50% of the maximum amount of interest accrued in the current or any future year in the Primary account. Such amount totaled $45.9 million and $37.9 million as of December 31, 2008 and 2007, respectively. The Secondary account can be established at such amounts and can be utilized for any lawful purpose as determined by the District's Board of Directors. Such account totaled $52.3 million and $51.7 million as of December 31, 2008 and 2007, respectively.

	2008	2007
Debt reserve fund - Cash and cash equivalents	$ 251	$ 587
Debt reserve fund - Investments	97,972	88,980
	$ 98,223	$ 89,567

The Employee benefit funds consist of a self-funded hospital-medical benefit plan and a retired employee life insurance benefit plan. The District pays 80% of the hospital-medical premiums with the employees paying the remaining 20% of the cost of such coverage. The retired employee life insurance benefit plan was funded prior to the adoption of GASB 45 and creation of an irrevocable grantor trust for postretirement health and life insurance benefits. For additional information on postemployment benefits see Note 15. The plan had contributed funds of $3.6 million and $3.4 million at December 31, 2008 and 2007, respectively. The District pays the total cost of the employee life insurance benefit once the employee retires. The plan had contributed funds of $2.1 million and $2.0 million at December 31, 2008 and 2007, respectively. Both funds are held by outside trustees in compliance with the funding plans approved by the District's Board of Directors.

	2008	2007
Employee benefit fund - Cash and cash equivalents	$ 2,822	$ 2,556
Employee benefit fund - Investments	2,916	2,849
	$ 5,738	$ 5,405

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

	2008	2007
Decommissioning funds	$ 465,610	$ 457,122

4. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Effective January 1, 2008, the District adopted SFAS No. 157, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. Pursuant to FSP 157-2, the District will adopt SFAS No. 157 with respect to its nonfinancial assets and liabilities that are measured and reported at fair value, which include asset retirement obligations, on January 1, 2009.

As defined in SFAS No. 157, fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

SFAS No. 157, establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels of fair value hierarchy defined in SFAS No. 157 are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets and liabilities primarily include assets such as U.S. treasury securities, such as those included in the District's Decommissioning funds, other Special Purpose Funds, and certain Investments in Current Assets.

Level 2 - Pricing inputs are other than quoted market prices in the active markets included in Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 assets and liabilities primarily include federal agency securities and corporate bonds held in the District's Decommissioning funds, other Special Purpose Funds, and certain Investments in Current Assets.

Level 3 - Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs. The District currently does not have Level 3 assets or liabilities included in the Decommissioning funds, other Special Purpose Funds, or Investments in Current Assets.

The District performs an analysis annually to determine the appropriate hierarchy level classification of the assets and liabilities that are included within the scope of SFAS No. 157. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table sets forth the District's financial assets and liabilities that are accounted for and reported at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2008 (in 000's):

	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	$ 4,052	$ 404,588	$ —	$ 408,640
Decommissioning funds	97,106	368,504	—	465,610
	$ 101,158	$ 773,092	$ —	$ 874,250

Decommissioning funds reflect the assets held in trust to cover general decommissioning costs and consist primarily of fixed income governmental securities.

5. LONG-TERM CAPACITY CONTRACTS:

Long-term capacity contracts include the District's $198.2 million share of the estimated construction costs through December 2008 of Omaha Public Power District's ("OPPD") 663 MW Nebraska City Station Unit 2 ("NC2") coal-fired power plant and associated transmission facilities. The total production plant and related transmission costs are estimated to be $798.0 million. The District has entered into a participation power agreement with OPPD for a 23.7% share of the power from this plant. The District expects to begin amortizing this capacity contract in mid-2009 on a straight-line basis through December 31, 2040.

Long-term capacity contracts also include the District's purchase of the capacity of a 50 MW hydroelectric generating facility owned and operated by The Central Nebraska Public Power and Irrigation District ("Central"). The District is recording amortization on a straight-line basis over the 40-year estimated useful life of the facility. Accumulated amortization was $46.2 million in 2008 and $44.1 million in 2007. The unamortized amount of the Central capacity contract is $36.5 million and $38.5 million as of December 31, 2008 and 2007, respectively.

The District has an agreement whereby Central makes available all the production of the facility and the District pays all costs of operating and maintaining the facility plus a charge based on the amount of energy delivered to the District. Costs of $1.4 million in 2008 and 2007 are included in Power purchased in the accompanying Statements of Revenues, Expenses, and Changes in Fund Equity.

6. DEFERRED SETTLEMENT CHARGES:

The District deferred the cost of a $39.1 million payment to MidAmerican Energy Company ("MEC") in 2002 in conjunction with the settlement of litigation with respect to the operation of CNS. The deferred costs of the MEC payment will be recognized as expense in future rate periods when such costs are included in the revenue requirements used to establish electric rates. The balance of such deferral was $23.8 million and $27.8 million as of December 31, 2008 and 2007, respectively, of which $4.3 million and $4.1 million was included in Receivables as of December 31, 2008 and 2007, respectively.

7. INVESTMENT IN THE ENERGY AUTHORITY:

The District is a member of The Energy Authority ("TEA"), a power marketing corporation. TEA assumes the wholesale power marketing responsibilities of its members with each member having ownership in the joint venture. TEA has access to approximately 25,000 megawatts of its members' and partners' generation located across the nation. TEA also provides its members with natural gas procurement or contract management services for gas used in the generation of electricity and for local distribution. TEA provides the District with gas contract management services.

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

Condensed Balance Sheet	2008	2007
Current Assets	$ 133,695	$ 109,696
Noncurrent and Restricted Assets	12,126	15,204
Total Assets	$ 145,821	$ 124,900
Current Liabilities	$ 107,185	$ 86,613
Noncurrent Liabilities	2,119	3,750
Net Assets	36,517	34,537
Total Liabilities and Net Assets	$ 145,821	$ 124,900
Condensed Statement of Operations		
Revenues	$ 1,650,564	$ 1,651,747
Energy Costs	(1,469,347)	(1,486,398)
Gross Profit	181,217	165,349
Operating Expenses	(31,059)	(32,033)
Operating Income	150,158	133,316
Non-Operating Income	(596)	2,317
Increase in Net Assets	$ 149,562	$ 135,633

At December 31, 2008 and 2007, the District had a 21.4% ownership interest in TEA. All of TEA's revenues and costs are allocated to the members. TEA's net revenues are allocated among the members based upon a combination of each respective member's purchased power and power sales transactions and natural gas transactions with TEA and each member's ownership interest.

The following table summarizes the transactions applicable to the District's investment in TEA as of December 31, (000's):

	2008	2007
Beginning Balance	$ 7,076	$ 6,413
Reduction to power costs and increase in electric revenues	46,574	33,758
Distributions from TEA	(43,183)	(30,158)
Other expenses	(2,878)	(2,937)
Ending Balance	$ 7,589	$ 7,076

The District's power purchases and sales with TEA are reflected in the Statements of Revenues, Expenses, and Changes in Fund Equity as Power purchased, and Operating Revenues, respectively. For the years ended December 31, 2008 and 2007, the District recorded Operating Revenues of $42.1 million and $40.6 million, respectively, and Power purchased expenses of $30.3 million and $24.9 million, respectively.

At December 31, 2008 and 2007, $6.9 million and $3.4 million due from TEA was included in Receivables and $8.6 million and $0.7 million due to TEA was included in Accounts payable, respectively.

As of December 31, 2008, the District is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to $28.9 million plus attorney's fees which any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. Generally, the District's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity, or transmission which was delivered or made available or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract. Effective no earlier than August 1, 2009, the District's guaranty obligation amount with Board approval will increase to $34.4 million plus attorney's fees.

The District's exposure relating to TEA is limited to the District's capital investment in TEA, any accounts receivable from TEA, and trade guarantees provided to TEA by the District. These guarantees are within the scope of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). Upon the District making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. After such contributions have been effected, the District would only have recourse against TEA to recover amounts paid under the guaranty. The term of this guaranty is generally indefinite, but the District has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. As of December 31, 2008 and 2007, the District has not recorded a liability related to these guaranties.

8. REVENUE BONDS:

In March 2008, the District issued General Revenue Bonds, 2008 Series A, in the amount of $137.8 million to advance refund the outstanding 2007 Series A Bonds and to refund the portion of TCP notes used to redeem the 2004 Series A Bonds. In September 2008, the District issued General Revenue Bonds, 2008 Series B, in the amount of $332.2 million to provide $148.0 million for the remaining cost of the Electric Transmission Reliability ("ETR") Project, a high-voltage transmission line in the east-central portion of the state, to provide $80.0 million for certain generation and other transmission capital additions, to provide $26.0 million for the District's remaining share of OPPD NC2 coal-fired generating plant and associated transmission facilities, and to refund $57.0 million of TECP notes that were issued to pay for costs associated with the December 2006 ice storms, the purchase of several transformers and other capital additions.

In February 2007, the District issued General Revenue Bonds, 2007 Series A, in the amount of $93.7 million to finance certain capital projects at CNS. In September 2007, the District issued General Revenue Bonds, 2007 Series B, in the amount of $311.8 million to advance refund a portion of the outstanding 1998 Series A and 1998 Series B Bonds, to provide $25.0 million for Phase I of the ETR Project, and to provide $76.5 million for certain generation and transmission capital additions. With respect to the refunded portion, net proceeds of $212.7 million (after payment of $1.8 million in underwriting fees, insurance, and other issuance cost) plus an additional $2.7 million of debt service monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded portion of the 1998 Series A and 1998 Series B Bonds. As a result, a portion of the 2010–2027 maturities of the 1998 Series A and 1998 Series B Bonds are considered to be defeased and the liability for those bonds has been removed from the accompanying Balance Sheets as of December 31, 2007. The District advance refunded a portion of the 1998 Series A and 1998 Series B Bonds to reduce its anticipated total debt service payments over the next 20 years by $10.8 million.

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

December 31,	Interest Rate	2008	2007
General Revenue Bonds:			
1998 Series A:			
Serial Bonds			
2008–2016	4.60% - 5.25%	$ —	$ 9,725
1998 Series B:			
Serial Bonds			
2008–2017	5.25%	—	8,110
1999 Series A Serial Bonds 2007–2011	4.50% - 5.00%	10,640	20,135
2002 Series B:			
Serial Bonds			
2008–2025	5.00%	53,715	58,680
Term Bonds			
2026–2032	5.00%	22,885	22,885
2003 Series A:			
Serial Bonds			
2008–2026	3.00% - 5.00%	99,815	103,540
Term Bonds			
2027–2034	5.00%	86,095	86,095
2004 Series A Auction Rate Bonds 2013	Variable	—	53,075
2004 Series B Serial Bonds 2010–2013	4.25% - 5.00%	149,030	149,030
2005 Series A Serial Bonds 2008–2025	3.00% - 5.25%	92,800	96,505
2005 Series B-1 Serial Bonds 2010–2015	5.00%	75,335	75,335
2005 Series B-2 Serial Bonds 2008–2016	4.00% - 5.00%	102,360	140,610
2005 Series C:			
Serial Bonds			
2010–2025, 2040	3.50% - 5.125%	74,385	74,385
Term Bonds			
2026–2029	5.00%	11,765	11,765
2030–2034	4.75%	18,240	18,240
2035–2040	5.00%	27,500	27,500
2006 Series A:			
Serial Bonds			
2008–2025	3.50% - 5.00%	78,940	81,265
Term Bonds			
2026–2030	5.00%	18,680	18,680
2031–2035	5.00%	23,840	23,840
2036–2040	4.375%	400	400
2036–2040	5.00%	30,020	30,020
2007 Series A Auction Rate Bonds 2013	Variable	—	93,675
2007 Series B:			
Serial Bonds			
2008–2026	4.00% - 5.00%	254,440	256,425
Term Bonds			
2027–2031	4.65%	36,140	36,140
2032–2036	5.00%	19,270	19,270
2008 Series A Taxable	5.14%	137,765	—
2008 Series B:			
Serial Bonds			—
2008–2029	3.00% - 5.00%	241,495	
Term Bonds			
2030–2032	5.00%	32,390	—
2033–2037	5.00%	50,880	—
2038–2040	5.00%	7,180	—
Total par amount of revenue bonds		1,756,005	1,515,330
Unamortized premium net of discount		33,276	36,121
		1,789,281	1,551,451
Less - current maturities of revenue bonds		(80,590)	(82,285)
Total revenue bonds		$ 1,708,691	$ 1,469,166

*Approximate yield to maturity.

Debt service payments and principal payments of the General Revenue Bonds as of December 31, 2008, are as follows (000's):

Year	Debt Service Payments	Principal Payments
2009	$ 166,159	$ 80,590
2010	177,625	95,915
2011	179,460	102,205
2012	177,859	105,470
2013	286,920	219,610
2014–2018	578,046	330,560
2019–2023	422,675	245,490
2024–2028	360,001	242,730
2029–2033	257,607	193,955
2034–2038	132,383	111,515
2039–2040	30,033	27,965
Total Payments	$ 2,768,768	$ 1,756,005

The fair value of outstanding revenue bonds is determined using currently published rates. The fair value is estimated to be $1,681.0 million and $1,574.9 million at December 31, 2008 and 2007, respectively.

9. COMMERCIAL PAPER NOTES:

The District is authorized to issue up to $200.0 million of TCP notes and up to $150.0 million of TECP notes. A $200.0 million credit agreement and a $150.0 million credit agreement, each expiring August 1, 2011, are maintained with several banks to support the sale of the TCP notes and TECP notes, respectively. The previous credit agreements each expired August 1, 2008. Accordingly, the TCP notes and the TECP notes had been classified in the Current Liabilities section of the accompanying Balance Sheets as of December 31, 2007. The District had $121.3 million and $34.1 million of TCP notes outstanding at December 31, 2008 and 2007, respectively. The proceeds of the TCP notes have been used to purchase nuclear fuel and to fund capital projects at CNS. The District had $92.0 million and $83.6 million of TECP notes outstanding at December 31, 2008 and 2007, respectively. The proceeds of the TECP notes have been used to provide short-term financing for certain capital additions and for other lawful purposes of the District. The effective interest rate on outstanding TCP notes for 2008 and 2007 were 2.7% and 4.8%, respectively. The effective interest rates on outstanding TECP notes for 2008 and 2007 were 1.8% and 3.6%, respectively.

The $121.3 million of TCP notes and the $92.0 million of TECP notes outstanding at December 31, 2008, are anticipated to be retired by future collections through electric rates and issuance of revenue bonds. The carrying value of the commercial paper notes approximates market due to the short-term nature of the notes.

10. LINE OF CREDIT ARRANGEMENTS:

The District has a $200.0 million and a $150.0 million bank line of credit agreements that support the payment of the principal outstanding of the TCP notes and TECP notes, respectively. See Note 9 for additional information. The District also has a $15.0 million bank line of credit to support, with the addition of $2.5 million of other available liquid assets of the District, the payment guarantee requirements established by the Federal Price-Anderson Act. At December 31, 2008 and 2007, no amounts have been drawn on any of the lines of credit.

11. LONG-TERM DEBT:

Long-term debt activity, net of current activity for the year ended December 31, 2008, was as follows (000's):

	December 31, 2007*	Increases	Decreases	December 31, 2008	Principal Amounts Due Within One Year
Revenue bonds	$ 1,469,166	$ 479,035	$ 239,510	$ 1,708,691	$ 80,590
Commercial paper notes	117,746	1,547,663	1,452,132	213,277	—
Total long-term debt activity	$ 1,586,912	$ 2,026,698	$ 1,691,642	$ 1,921,968	$ 80,590

*See Note 9 for additional information on the classification of Commercial paper notes in the Current Liabilities section of the accompanying Balance Sheets as of December 31, 2007.

12. ASSET RETIREMENT OBLIGATION:

The District has recorded an obligation for the fair value of its legal liability for asset retirement obligations associated with CNS, various ash landfills at its two coal-fired power stations, removal of asbestos at the District's various coal, gas, and hydro generating facilities, polychlorinated biphenyls from substation and distribution equipment, and underground storage tanks as well as abandonment of water wells. In 2008, the District reevaluated its asset retirement obligation ("ARO") associated with CNS after submitting its application in September 2008 for a 20-year operating license extension to the Nuclear Regulatory Commission ("NRC"). As a result, an adjustment to increase the ARO by $175.1 million was made primarily related to increases in overall security costs and changes to timing of decommissioning of CNS. The total asset retirement obligation liability recorded by the District is $896.7 million and $687.3 million as of December 31, 2008 and 2007, respectively, and is included in the Deferred Credits and Other Liabilities section of the accompanying Balance Sheets.

The following table shows costs as of January 1, and charges to the ARO that occurred during the years ended December 31, 2008 and 2007, and are included in Deferred Credits and Other Liabilities on the balance sheet as of December 31, (000's):

For the Year Ended December 31,	2008	2007
Balance, beginning of year	$ 687,287	$ 654,580
Accretion	34,344	32,707
ARO adjustment	175,108	—
Balance, end of year	$ 896,739	$ 687,287

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

The initial liability is accreted to its present value each period. The District defers this accretion as a regulatory asset based on its determination that these costs can be collected from customers. Accretion was $34.3 million and $32.7 million for 2008 and 2007, respectively.

13. PAYMENTS IN LIEU OF TAXES:

The District is required to make payments in lieu of taxes, aggregating 5% of the gross revenue derived from electric retail sales within the city limits of incorporated cities and towns served directly by the District. Such payments totaled $7.1 million and $7.0 million for the years ended December 31, 2008 and 2007, respectively.

14. RETIREMENT PLAN:

The District's Employees' Retirement Plan (the "Plan") is a defined contribution pension plan established by the District to provide benefits at retirement to regular full-time and part-time employees of the District. At December 31, 2008, there were 2,321 Plan members. Plan members are required to contribute a minimum of 2%, up to a maximum of 5%, of covered salary. The District is required to contribute two times the Plan member's contribution based on covered salary up to $40,000. On covered salary greater than $40,000, the District is required to contribute one times the Plan member's contribution. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. The District's contribution was $11.6 million for 2008 and $11.0 million for 2007 of which $1.2 million and $1.1 million was accrued and in Accounts payable at December 31, 2008 and 2007, respectively.

15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

A. Plan Description -

The District administers a single-employer defined benefit healthcare plan that provides lifetime healthcare insurance for eligible retirees and their spouses. Eligibility and benefit provisions are established by the District's Board of Directors. In addition, the District provides employees a $5,000 death benefit when they retire and substantially all of the District's retired and active employees are eligible for such benefit.

B. Funding Policy -

The eligibility and contributions of the plan members and the funding policy of the plan is established and may be amended by the District's Board of Directors. The District, for employees hired on or prior to December 31, 1992, pays all or part of the cost (determined by retirement age) of certain hospital-medical premiums when these employees retire. The District amended the plan effective January 1, 1993. Employees hired on or after January 1, 1993, are subject to a contribution cap that limits the District's portion of the cost of such coverage to the full premium the year the employee retired or the amount at the time the employee reaches age 65, or the year in which the employee retires if older than age 65. Any increases in the cost of such coverage in subsequent years would be paid by the retired employee. The District amended the plan effective January 1, 1999. Employees hired on or after January 1, 1999, are not eligible for postretirement hospital-medical benefits once they reach age 65 or Medicare eligibility. The District amended the plan effective January 1, 2004, to provide that employees hired on or after that date will not be eligible for postretirement hospital-medical benefits once they retire. The District amended the plan effective July 1, 2007, to provide that any former employee who is rehired will receive credit for prior years of service. The District further amended the plan effective September 1, 2007, to provide that employees hired or rehired on or after that date must work five consecutive years immediately prior to retirement to be eligible for postretirement hospital-medical benefits once they retire.

C. Annual OPEB Cost and Net OPEB Obligation -

The District's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year (or benefits earned in the current year) and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (000's):

Annual required contribution	$ 30,531
Interest on net OPEB obligation	1,326
Adjustment to annual required contribution	(1,052)
Annual OPEB cost (expense)	30,805
Contributions made	(12,662)
Increase in net OPEB obligation	18,143
Net OPEB obligation - beginning of year	23,057
Net OPEB obligation - end of year	$ 41,200

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2007 were as follows (dollar amounts in thousands):

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ 30,805	41.1%	$ 41,200
2007	$ 31,956	27.8%	$ 23,057

D. Funded Status and Funding Progress -

In 2008, the District established an irrevocable grantor trust to begin funding the unamortized OPEB obligation. Total contributions to the plan in 2008 were $12.7 million which included $4.0 million paid to the Trust and $8.7 million for the cost of benefits. The 2007 contribution to the plan, based on pay-as-you-go financing, was $8.9 million. It is currently projected that funding above the pay-as-you-go amount will remain at $4.0 million through 2013 and increase to $10.0 million in 2014. The actual funding will be determined annually by the District's Board of Directors. The trust is currently projected to be fully funded by 2033.

As of January 1, 2008, the most recent actuarial valuation date, the District's actuarial accrued liability ("AAL") for benefits attributable to prior accounting periods was $390.1 million and the assets in the fund were $2.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of $388.1 million. The covered payroll for 2008 was $177.0 million, and the ratio of the UAAL to covered payroll was 219%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

E. Actuarial Methods and Assumptions -

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the Unit Credit Actuarial Cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8.9% initially, reduced by decrements to an ultimate rate of 4.6%. The discount rate used was 5.75%, which was based on the District's return on internal investments used to fund benefit payments blended with the expected return on assets of the OPEB Trust Fund. An inflation rate of 3.5% was also assumed. Amortization for the initial unfunded AAL was determined using a closed period of 30 years and the level percentage of projected payroll method assuming 4% payroll growth.

F. Market Value of Plan Investments -

The actuarial valuation of plan assets was based on market values as of January 1, 2008. The investments in the OPEB plan include corporate and government debt, foreign and domestic stocks, mutual funds and cash. The market value of plan assets at December 31, 2008 was $5.5 million.

16. COMMITMENTS AND CONTINGENCIES:

The District has various coal supply and coal transportation contracts with minimum future payments of $152.0 million. The coal contracts expire at various times through the end of 2013. The coal transportation contracts expire at various times through the end of 2011. These contracts are subject to price escalation adjustments.

The District has wholesale power purchase commitments with the Western Area Power Administration through 2020 with annual minimum future payments of approximately $32.5 million. These purchases are subject to rate changes.

The District has a power sales contract with MEC for 250 MW for a term beginning January 1, 2005, and ending on December 31, 2009. The power sales contract is for the delivery of 250 MW of the accredited capacity and associated energy from CNS at prices as set forth in the contract.

The District has entered into participation power agreements with OPPD, Municipal Energy Agency of Nebraska ("MEAN"), JEA (formerly the Jacksonville Electric Authority), and Grand Island Utilities for the sale of power from the 60 MW Ainsworth Wind Energy Facility. The participation power agreements are each for a term of 20 years and in the following amounts: OPPD for 16.8%; MEAN for 11.8%; JEA for 16.8%; and Grand Island Utilities for 1.7%.

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

The District has 20-year wholesale power contracts, with a term that expires December 31, 2021, with the majority of its firm requirements wholesale customers to provide them with their total power and energy requirements through 2007, after which the wholesale customer could level-off its power and energy purchases through 2010 and thereafter could reduce its power and energy purchases up to 10.0% per year with at least three years advance notice. No such notices have been received.

The District entered into a Whelan Energy Center 2 ("WEC2") Transmission Facilities Agreement effective August 13, 2007, with the Public Power Generation Agency ("PPGA") and the City of Hastings, Nebraska. This agreement addresses the transmission facilities, construction, cost allocation, payment, and applicable cost recovery for the interconnection and delivery facilities required for the interconnection of WEC2 to the District's transmission system. Estimated cost of the project is $22.4 million and is to be paid by PPGA. As of December 31, 2008, PPGA had advanced payments to the District of $16.6 million. These advance payments are prepaid transmission service on the District's transmission system for delivery of the Participant's Participation Power.

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

Under the provisions of the Federal Price-Anderson Act, the District and all other licensed nuclear power plant operators could each be assessed for claims in amounts up to $117.5 million per unit owned in the event of any nuclear incident involving any licensed facility in the nation, with a maximum assessment of $17.5 million per year per incident per unit owned. To satisfy this potential obligation, the District has obtained a $15.0 million line of credit with the addition of $2.5 million of other available liquid assets.

The NRC evaluates nuclear plant performance as part of its reactor oversight process. The NRC has five performance categories in the Action Matrix that is part of this process. CNS is currently in the Degraded Cornerstone Column, which is the third or mid-rating of the five performance categories, and has been in this column since the first quarter of 2008 due to a White Inspection Finding associated with a failed electrical component on the emergency diesel generator system and a White Inspection Finding associated with an NRC Triennial Fire Protection Inspection that identified errors in two fire protection procedures. These White Inspection Findings prompted the movement from the second to the third column of the NRC's Action Matrix. During the first quarter of 2008, a third White Inspection Finding was in effect due to a failed voltage regulator card on one of the emergency diesel generators. As a result of being placed in the third column, the NRC conducted a supplemental 95002 Inspection at CNS in December 2008. The NRC subsequently notified the District that the two White Inspection Findings were closed. CNS will remain in the Degraded Cornerstone Column of the NRC's Action Matrix until the first quarter of 2009.

The NRC is currently evaluating an issue associated with the failure of a valve on the fuel delivery system on one of the emergency diesel generators at CNS. Based on preliminary information provided by the NRC, there is a potential for a White Performance Indicator associated with the valve issue. If the pertinent Performance Indicator turns White, CNS would move to the Regulatory Response Column (second column) of the NRC's Action Matrix. If the District is moved to the second column, CNS would be subject to an additional NRC inspection. A final determination on this issue by the NRC is expected in the near future.

As a result of a lubricating oil pipe leak on one of the emergency diesel generators at CNS in January 2009, the NRC conducted a special inspection at CNS in February 2009. As a result of that inspection, the NRC identified six potential Inspection Findings. If one of the potential Inspection Findings is determined to be White in color, and the previously discussed valve failure issue results in a White Performance Indicator, CNS would be placed in the Degraded Cornerstone Column (third column) of the NRC's Action Matrix. If the District is moved to the third column, CNS would be subject to an additional NRC inspection that would increase costs of operating CNS. A final determination on this issue by the NRC is expected in the near future.

As part of a 1989 settlement of various disputed matters between General Electric Company ("GE") and the District, GE has agreed to continue to store at the Morris Facility the spent nuclear fuel assemblies from the first two full core loadings at CNS at no additional cost to the District until the expiration of the current NRC license in May 2022 for the Morris Facility. After that date, storage would continue to be at no cost to the District as long as GE can maintain the NRC license for the Morris Facility on essentially the existing design and operating configuration.

As part of Environmental Protection Agency's ("EPA") nationwide investigation and enforcement program for coal-fired power plants' compliance with Clean Air Act including new source review requirements, on December 4, 2002, the Region 7 office of the EPA sent a letter to the District and three other electric utilities pursuant to Section 114(a) of the federal Clean Air Act requesting documents and information pertaining to Gerald Gentleman Station ("GGS) and Sheldon Station. On April 10, 2003, Region 7 of the EPA sent a supplemental request for documents and information to the District and the other three electric utilities. These EPA requests for information are part of an EPA investigation to determine the Clean Air Act compliance status of GGS and Sheldon Station, including the potential application of new source review requirements. The District provided the documents and information requested to the EPA within the time allowed. As a supplement to the 2002 and 2003 requests, EPA Region 7 sent another letter to the District on November 8, 2007, requesting additional documents and information pertaining to GGS and Sheldon Station. The District provided a response to the new request within the time allowed. In a transmittal letter dated December 8, 2008, EPA Region 7 issued a Notice of Violation under Section 113(a)(1) of the Clean Air Act ("NOV") alleging violations of pre-construction permitting requirements of the Clean Air Act and the Nebraska State Implementation Plan for five projects undertaken from 1991 through 2001 at GGS. Since receiving the NOV, the District has met once with the EPA to discuss the NOV and possible future actions. A second meeting between the District and EPA is expected to occur in late spring or early summer. In general, a finding by EPA of District noncompliance with Clean Air Act requirements, if upheld after court review, can result in the requirement to install expensive air pollution control equipment that is the best available control technology and the imposition of monetary penalties. The District is unable to predict what future costs may be incurred with respect to the NOV.

On August 19, 2002, the District received notice from the EPA identifying the District as a Potentially Responsible Party ("PRP") for liability associated with a former Manufactured Gas Plant ("MGP") located in Norfolk, Nebraska. The District is identified as a current owner of property located adjacent to the Norfolk MGP operations. In 2002, the EPA asked identified PRPs to participate in negotiations for completing an Engineering Evaluation/Cost Analysis ("EE/CA"). The identified PRPs met with the EPA Region VII in October 2002 to discuss the site. No other activities between the District and the EPA had taken place related to this site from the time of the October 2002 meeting with the EPA until June 2004. On June 14, 2004, PRPs received notice from the EPA that the EPA was interested again in beginning efforts to complete an EE/CA to address this site. The District has denied that it has any liability as related to the MGP operations, but has indicated to the EPA willingness to cooperate with efforts to address the site. The District has reached an agreement in principal with the other PRPs to resolve its potential liability for the EE/CA by entering into a settlement agreement under which the District would contribute 10% of the costs of the EE/CA. The settlement agreement for the EE/CA has been signed by all parties and was ratified at the February 2007 Board of Directors meeting. Phase I of the EE/CA work began at the site in November 2007. The current schedule indicates that the EE/CA should be completed in 2010. The District is unable to predict what future costs may be incurred with respect to MGP.

In October 2003, the District entered into an agreement (the "Entergy Agreement") for support services at CNS with Entergy Nuclear Nebraska, LLC ("Entergy"), a wholly-owned indirect subsidiary of Entergy Corporation. The Entergy Agreement is for an initial term ending January 18, 2014, subject to either party's right to terminate without cause by providing notice and paying a termination charge. The Entergy Agreement requires the District to reimburse Entergy's cost of providing services, and to pay Entergy annual management fees. These annual management fees were $14.0 million for 2007 and 2008 and all years thereafter. Beginning in 2007, Entergy can also earn additional annual incentive fees in an amount not to exceed $6.0 million annually if CNS achieved identified safety and regulatory performance targets.

17. LITIGATION:

A number of other claims and suits are pending against the District for alleged damages to persons and property and for other alleged liabilities arising out of matters usually incidental to the operation of a utility, such as the District. In the opinion of management, based upon the advice of its General Counsel, the aggregate amounts recoverable from the District, taking into account estimated amounts provided in the financial statements and insurance coverage, are not material as of December 31, 2008.

Nebraska Public Power District
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ATTACHMENT 3 LIST OF REGULATORY COMMITMENTS©[4]

Correspondence Number: NLS2009058

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

COMMITMENT	COMMITMENT NUMBER	COMMITTED DATE OR OUTAGE
None		