Omaha Public Power District

2010 Financial Report

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OPPD

Omaha Public Power District

Management's Discussion and Analysis (Unaudited)

OVERVIEW

The Omaha Public Power District (OPPD or Company) is a fully integrated electric utility serving a 5,000-square-mile, 13-county region in southeast Nebraska. The Company is governed by a Board of Directors consisting of eight members representing areas of the service territory. OPPD generates revenues from a mix of retail sales, off-system sales and other electric products and services. Corporate headquarters is located in Omaha, Nebraska, with generating plants, service centers and customer service offices strategically located throughout the service territory.

The majority of OPPD's retail revenues are from energy sales within and near the city of Omaha. The economy of the service territory is relatively stable and is showing signs of recovery from the recession. Greater Omaha was ranked first for America's Most Affordable Cities by *Forbes* in January 2011 and was ranked second for Best Cities for Business by *MarketWatch* in December 2010.

OPPD finished 2010 with strong financial results. Operating revenues of $986,350,000 were significantly higher than 2009 primarily due to increased energy sales and energy prices. Increased energy sales were the result of warmer summer weather and a full year of participation sales for Nebraska City Station Unit 2 (NC2). Although fuel and transmission expenses were higher than budget, most other operating expenses were lower than budget due to effective cost management. As a result of these favorable variances, $13,000,000 of 2010 revenues was transferred to the Debt Retirement Reserve instead of transferring $26,000,000 from the reserve as planned in the 2010 budget. The year-end balance in the Debt Retirement Reserve was $39,000,000 higher than projected. This reserve will be used to help meet economic challenges in upcoming years. OPPD's net income for 2010 was $40,047,000.

As a result of the solid financial results in 2010 and ongoing cost-management efforts, a general rate adjustment was not implemented for 2011. Fuel and purchased power expenses have significantly increased in recent years primarily due to higher prices for clean energy and rising coal and coal-transportation costs. A Fuel and Purchased Power Adjustment (FPPA) was implemented in 2010 to provide an efficient manner for adjusting rates for changes in these costs. OPPD's retail rates remain well below the national average.

OPPD's strong financial position is affirmed by its high credit ratings which allow for the issuance of debt at lower interest rates. The Company executed a line of credit and a new agreement for its tax-exempt commercial paper program to enhance liquidity. Taxable Electric System Revenue Bonds totaling $120,000,000 were issued in 2010 to finance capital expenditures. These bonds were designated as Build America Bonds as authorized by the American Recovery and Reinvestment Act of 2009. The Company will receive subsidy payments from the federal government for 35.0% of each interest payment, resulting in a lower net interest cost for OPPD's customer-owners.

A rigorous review process is completed prior to authorizing capital projects to ensure the best use of the Company's resources. Capital expenditures continue for the extended power uprate for the Fort Calhoun Nuclear Station. This 75-megawatt (MW) uprate, scheduled for completion in 2013, adds more clean energy to the Company's generation mix and allows for greater economies of scale for this Station. Other large capital expenditures under way or planned include two new substations, power station upgrades and transmission and distribution system improvement projects.

An extensive study, validated by an independent economic analysis, has determined that it is in the best interest of OPPD's customer-owners to change membership status in the Southwest Power Pool (SPP) from a transmission-owning member to a non transmission-owning member. SPP endorsed a socialized rate design for new transmission facilities which is estimated to increase costs to the Company's customer-owners for transmission service. The change of membership status in SPP for an estimated cost of $8,380,000 is expected to save OPPD's customer-owners approximately $72,000,000 over the next 10 years.

The Company is preparing for the future through its integrated strategic planning and risk management programs. Strategic planning is a high priority and very visible process in the Company. The process utilizes teams from all areas of OPPD that research and identify actions to address a variety of internal and external trends and risks. The most significant challenges ahead relate to the increased costs to comply with expected environmental and regulatory mandates for clean energy. The Company continues to move toward its goal of delivering 10 percent of the energy needed to serve retail loads from renewable sources by 2020. In addition, several sustainability programs have been completed providing material energy reductions.

Maintaining low electric rates with forecasted increases in fuel prices and potential capital investments to comply with environmental mandates will be challenging. OPPD will continue to capitalize on new technologies and increase efficiencies through the use of process management methodologies. The strategic plan provides direction and facilitates organizational alignment for achieving the Company's vision of being the ideal utility and its mission to deliver energy services that exceed customers' expectations. At OPPD, the public power advantage is clear and the focus remains on its customer-owners.

USING THIS FINANCIAL REPORT

This Financial Report includes this Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements. The basic Financial Statements consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Equity, and the Statement of Cash Flows. The Financial Statements have been prepared in accordance with generally accepted accounting principles for proprietary funds of governmental entities.

Management's Discussion and Analysis (MD&A) – This information provides an objective and easily readable analysis of OPPD's financial activities based on currently known facts, decisions or conditions. In the MD&A, financial managers present both short- and long-term analyses of the Company's activities. The unaudited MD&A should be read in conjunction with the Financial Statements and related Notes. This document contains forward-looking statements based on current plans.

Balance Sheet – This statement reports all financial and capital resources (assets) and obligations (liabilities). The difference between assets and liabilities is equity. This statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

Statement of Revenues, Expenses and Changes in Equity – All revenues and expenses are accounted for in this statement. This statement measures the activities for the year and can be used to determine whether the rates, fees and other charges are adequate to recover expenses.

Statement of Cash Flows – This statement reports all cash receipts and payments summarized by net changes in cash from operating, capital and related financing and investing activities.

Notes to the Financial Statements – These notes provide additional detailed information to suppo . the Financial Statements.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

Condensed Balance Sheets	2010	2009
Capital Assets	$3,217,187	$3,136,045
Other Long-Term Assets	564,841	529,302
Current Assets	631,861	564,966
Total Assets	$4,413,889	$4,230,313
Long-Term Liabilities	$2,433,903	$2,178,660
Current Liabilities	274,943	386,657
Total Liabilities	2,708,846	2,565,317
Equity	1,705,043	1,664,996
Total Liabilities and Equity	$4,413,889	$4,230,313

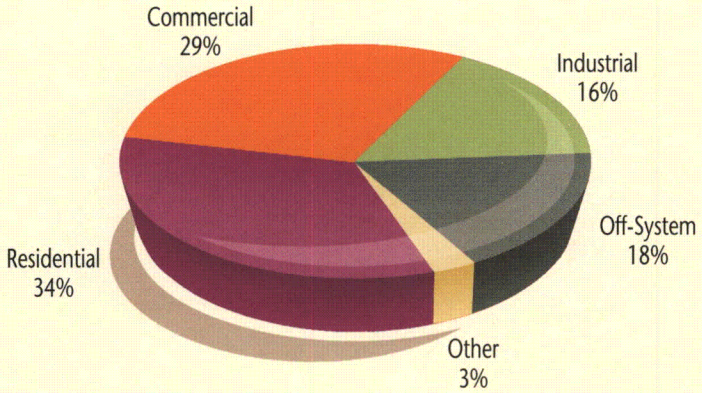
The following summarizes OPPD's operating results for the years ended December 31 (in thousands).

Operating Results	2010	2009	2008
Operating Revenues	$986,350	$899,966	$787,973
Operating Expenses	(872,001)	(793,390)	(687,620)
Operating Income	114,349	106,576	100,353
Other Income	21,255	26,578	63,189
Interest Expense	(87,177)	(86,597)	(84,356)
Net Income Before Special Item	48,427	46,557	79,186
Special Item	(8,380)	-	-
Net Income	$ 40,047	$ 46,557	$ 79,186

Operating Revenues

The following chart illustrates the percentage share of revenue by customer class for 2010. Other electric revenues include connection charges, late payment charges, rent from electric property, wheeling fees and miscellaneous revenues.

Operating Revenues - 2010



2010 Compared to 2009

Total operating revenues were $986,350,000 for 2010, an increase of $86,384,000 or 9.6% over 2009 operating revenues of $899,966,000.

- The change in 2010 total operating revenues compared to 2009 was mainly due to increased energy sales and higher energy prices.
- Prior to the net decrease of $13,000,000 for 2010 and the net increase of $13,000,000 for 2009 for changes to the Debt Retirement Reserve, revenues from retail sales were $785,816,000 for 2010, an increase of $79,947,000 or 11.3% over 2009 revenues of $705,869,000. The change in retail revenues was primarily due to a 6.7% increase in energy sales and rate adjustments implemented on January 1, 2010.
- Revenues from off-system sales were $184,374,000 for 2010, an increase of $26,020,000 or 16.4% over 2009 revenues of $158,354,000. The increase was primarily due to higher energy prices and a full year of participation sales for Nebraska City Station Unit 2 (NC2).
- Other electric revenues were $29,160,000 for 2010, an increase of $6,417,000 or 28.2% over 2009 revenues of $22,743,000. This change was primarily due to higher transmission wheeling fees for increased energy sales to NC2 participants and increased transmission revenues from the Southwest Power Pool (SPP) for the full year in 2010.

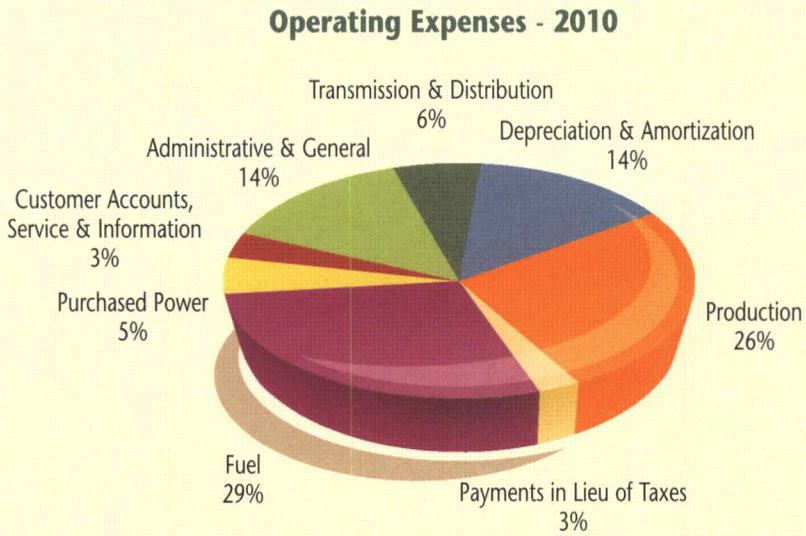
2009 Compared to 2008

Total operating revenues were $899,966,000 for 2009, an increase of $111,993,000 or 14.2% over 2008 operating revenues of $787,973,000.

- The increase in 2009 total operating revenues compared to 2008 was mainly due to higher retail prices and off-system sales volume.
- Prior to the net increase of $13,000,000 for 2009 and $20,000,000 for 2008 from the Debt Retirement Reserve, revenues from retail sales were $705,869,000 for 2009, an increase of $82,220,000 or 13.2% over 2008 revenues of $623,649,000. This increase in retail revenues was primarily due to the implementation of a rate adjustment on January 1, 2009.
- Revenues from off-system sales were $158,354,000 for 2009, an increase of $30,678,000 or 24.0% over 2008 revenues of $127,676,000. The increase was primarily due to higher sales volume including sales to NC2 participants. Increases from the higher sales volume were partially offset by significantly lower prices in 2009.
- Other electric revenues were $22,743,000 for 2009, an increase of $6,095,000 or 36.6% over 2008 revenues of $16,648,000. This change was primarily due to additional wheeling fees from increased off-system energy sales transactions.

Operating Expenses

The following chart illustrates the percentage share of operating expenses by expense classification for 2010.



2010 Compared to 2009

Total operating expenses were $872,001,000 for 2010, an increase of $78,611,000 or 9.9% over 2009 operating expenses of $793,390,000.

- Fuel expense increased $50,614,000 over 2009 primarily due to higher coal and coal-transportation costs and greater consumption to meet higher electrical demand.
- Purchased power expense increased $11,510,000 over 2009 due to higher energy prices and additional renewable energy purchases.
- Production expense increased $2,157,000 over 2009 primarily due to higher costs related to additional generation, outage costs and a full year of commercial operation of NC2.
- Transmission expense increased $3,188,000 over 2009 primarily due to higher cost allocations by SPP.
- Distribution expense decreased $3,756,000 from 2009 primarily due to reductions in expenditures for maintenance activities.
- Depreciation and amortization increased $8,606,000 over 2009 due to a full year of depreciation for NC2 and additional depreciation for other capital additions.
- Payments in lieu of taxes increased $3,041,000 over 2009 due to higher retail revenues.

2009 Compared to 2008

Total operating expenses were $793,390,000 for 2009, an increase of $105,770,000 or 15.4% over 2008 operating expenses of $687,620,000.

- Fuel expense increased $83,378,000 over 2008 primarily due to higher coal and coal-transportation costs and greater consumption because of the start of commercial operation of NC2.
- Purchased power expense decreased $21,864,000 from 2008 due to lower energy prices and fewer energy purchases because of additional capacity from NC2.
- Production expense increased $30,416,000 over 2008 primarily due to costs related to the operation of NC2, additional generation and an extended outage at the Fort Calhoun Station.
- Administrative and general expense increased $11,524,000 over 2008 due to higher employee benefit costs.

Other Income

Other income, net of other expenses, was $21,255,000 in 2010, a decrease of $5,323,000 from 2009 other income of $26,578,000. Allowances for funds used during construction (AFUDC) were $10,348,000 lower than 2009 due to the completion of NC2. Other - net was $5,013,000 higher than 2009 due to grants and subsidies from the federal government for certain costs incurred for storms, retiree health care and interest.

In 2010, contributions in aid of construction (CIAC) and the related offsetting expense, reduction of plant costs recovered through CIAC, were $23,785,000 lower than in 2009 primarily due to the completion of NC2.

Other income, net of other expenses, was $26,578,000 in 2009, a decrease of $36,611,000 from 2008 other income of $63,189,000. Investment income was $17,075,000 lower in 2009 compared to 2008 primarily due to lower fund balances and interest rates. AFUDC was $11,425,000 lower due to the completion of NC2.

In 2009, CIAC and the related offsetting expense, reduction of plant costs recovered through CIAC, were $5,487,000 lower than in 2008 primarily due to the completion of NC2.

OPPD offers a variety of products and services, which provide value both to the customer and the Company. These products include Residential and Commercial Surge Protection, In-Home Electrical Protection Plan, Energy Information Services and Geothermal Loop Heat Exchangers. Offering these products and services provides opportunities to build strong relationships with customers by helping them efficiently and economically meet their energy needs.

- Income from products and services was $2,720,000 for 2010, an increase of $274,000 over 2009 income of $2,446,000. This increase was primarily due to greater income from sales of the In-Home Electrical Protection Plan and Energy Information Services products.
- Income from products and services was $2,446,000 for 2009, an increase of $44,000 over 2008 income of $2,402,000. This increase was primarily due to greater income from sales of the Residential Surge Protection product.

Interest Expense

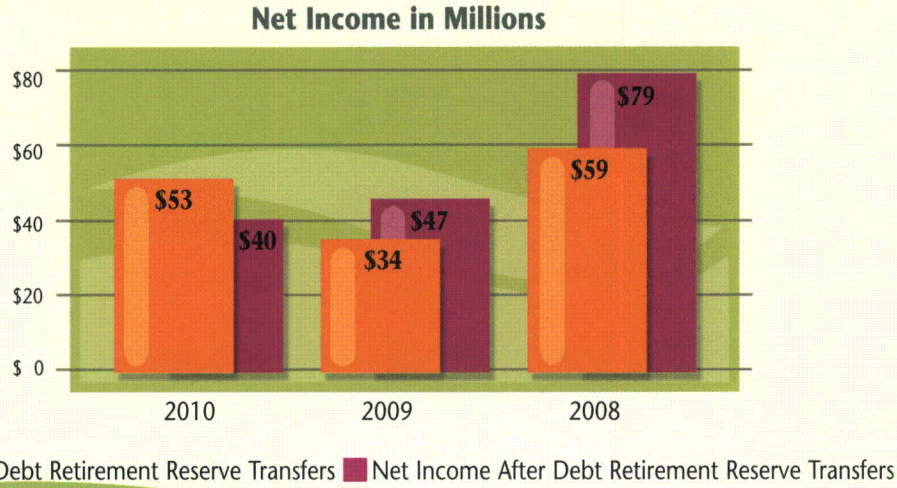
Interest expense was $87,177,000 for 2010, an increase of $580,000 over 2009 interest expense of $86,597,000. Interest expense was $86,597,000 for 2009, an increase of $2,241,000 over 2008 interest expense of $84,356,000. Both of these increases were due to interest for new bond issues.

Special Item

The special item of $8,380,000 was for estimated fees to change membership status in 2011 from a transmission-owning member to a non transmission-owning member in SPP. OPPD's customer-owners are expected to save an estimated $72,000,000 over the next 10 years from this change in membership status.

Net Income

Net income, after revenue adjustments for changes to the Debt Retirement Reserve, was $40,047,000, $46,557,000 and $79,186,000 for 2010, 2009 and 2008, respectively. Operating revenues and net income were decreased by $13,000,000 in 2010, and increased by $13,000,000 and $20,000,000 in 2009 and 2008, respectively, for changes to the Debt Retirement Reserve. The following chart illustrates net income (in millions) for the past three years.



Number of Customers

OPPD has a stable, diverse customer base that is increasing at a modest growth rate.

- The average number of customers served was 346,791 in 2010, an increase of 3,659 or 1.1% over the average number of customers for 2009 of 343,132.
- The average number of customers served was 343,132 in 2009, an increase of 3,443 or 1.0% over the average number of customers for 2008 of 339,689.

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

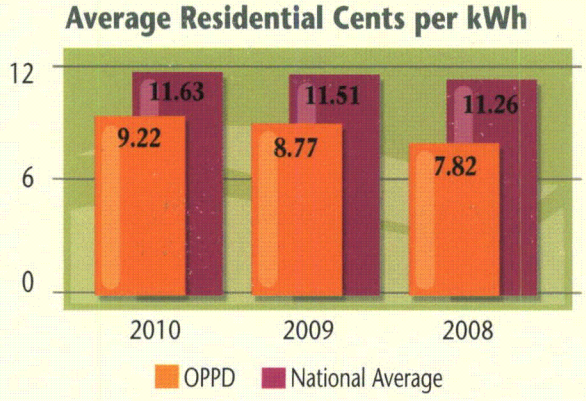
Number of Customers	2010	2009	2008
Residential	303,374	299,813	296,648
Commercial	43,225	43,134	42,867
Industrial	154	151	142
Off-System	38	34	32
Total	346,791	343,132	339,689

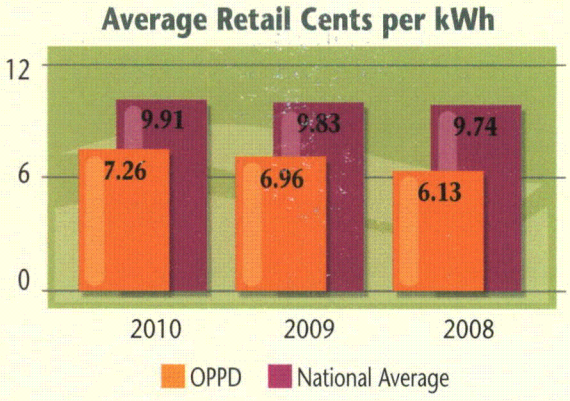
Cents per kWh

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

- Residential customers paid an average of 9.22, 8.77 and 7.82 cents per kWh in 2010, 2009 and 2008, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 11.63 for 2010 (preliminary year-to-date November 2010) and 11.51 and 11.26 cents per kWh for 2009 and 2008, respectively. Based on the preliminary EIA data for 2010, OPPD residential rates were 20.7% below the national average.
- Retail customers paid an average of 7.26, 6.96 and 6.13 cents per kWh in 2010, 2009 and 2008, respectively. The national average retail cents per kWh according to EIA was 9.91 for 2010 (preliminary year-to-date November 2010) and 9.83 and 9.74 cents per kWh for 2009 and 2008, respectively. Based on the preliminary EIA data for 2010, OPPD retail rates were 26.7% below the national average.

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





A general rate adjustment was not implemented for 2011 due to continued cost-containment efforts by the Company. The Fuel and Purchased Power Adjustment (FPPA) was limited to 2.0% as a result of Board approval to use regulatory accounting to expense 2011 wind energy purchases of $4,200,000 in 2010. A general rate adjustment of 4.9% was implemented in 2010 along with the FPPA. It is common among utilities to have an FPPA in the rate structure to provide an efficient manner for the recovery of these costs. As a result of a sharp increase in coal and coal-transportation costs, a Fuel and Transportation Cost Adjustment of 14.5% was implemented in 2009. A general rate adjustment of 3.0% and a 1.0% rate adjustment for projects related to renewable energy, energy conservation and environmental stewardship were implemented in 2008. As shown in the preceding charts, retail electric rates remain well below the national average.

CASH AND LIQUIDITY

OPPD has a high level of liquidity and maintains target levels of working capital as a result of strong credit ratings, effective cost-containment programs, projects that provide returns in excess of the cost of capital, the Commercial Paper Program and a line of credit.

Bond offerings provide a significant source of liquidity for capital requirements not financed by cash from operations. The ability to obtain required capital at low interest rates has been a key reason for the success of the overall business plan for capital expenditures.

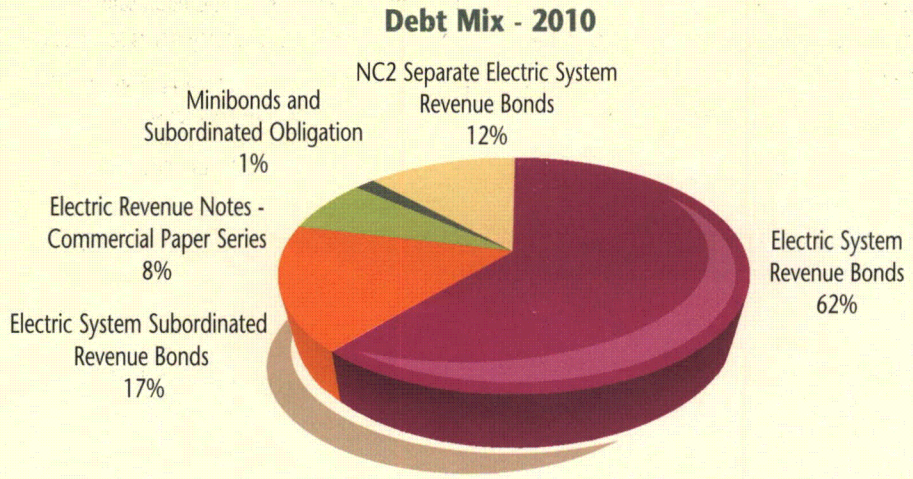
Financing

OPPD has a financing plan which optimizes the debt mix to ensure liquidity needs are met and the Company's strong financial position is maintained. The 2011 financing plan does not include any bond issues.

In 2010, OPPD issued $120,000,000 of taxable Electric System Revenue Bonds to finance capital expenditures. As authorized by the American Recovery and Reinvestment Act of 2009, OPPD designated these federally taxable bonds as Build America Bonds and elected to receive a subsidy payment from the federal government for 35.0% of each interest payment. These subsidy payments result in a lower net interest cost for OPPD's customer-owners. There were repayments of $44,705,000 of Electric System Revenue Bonds, $970,000 of Electric System Subordinated Revenue Bonds and $221,000 of Minibonds in 2010. Repayments for the Electric System Revenue Bonds included a principal payment of $7,875,000 for the early call of the term bonds due February 1, 2011, for the 1993 Series C Bonds. The Company executed a Credit Agreement for $250,000,000 and a new agreement for its Commercial Paper Program. There was $150,000,000 of commercial paper outstanding as of December 31, 2010.

In 2009, OPPD issued $85,000,000 of Electric System Revenue Bonds to finance capital expenditures. There were repayments of $35,450,000 of Electric System Revenue Bonds, $995,000 of Electric System Subordinated Revenue Bonds and $13,738,000 of Minibonds in 2009. The Company allowed its $50,000,000 Revolving Credit Agreement to expire on December 31, 2009.

The following chart illustrates the debt mix at December 31, 2010.



Ratings

OPPD's excellent bond ratings allow it to borrow funds at lower rates. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the bond rating agencies in establishing a company's credit rating. The ratings received from Standard & Poor's Ratings Services (S&P) and Moody's Investors Service (Moody's), independent bond rating agencies for the latest bond issues, were among the highest ratings granted to electric utilities and confirm the agencies' assessment of the Company's strong ability to meet its debt service requirements.

The following ratings at December 31, 2010, are indicative of OPPD's solid financial strength.

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

* *Payment of the principal and interest on the Electric System Subordinated Revenue Bonds, Minibonds and NC2 Separate Electric System Revenue Bonds 2005 Series A and 2006 Series A, when due, is insured by financial guaranty bond insurance policies. PIBs are Periodically Issued Bonds, which are another type of Electric System Subordinated Revenue Bond.*

Cash Flows

There was a net increase in cash of $14,552,000 during 2010, a net decrease in cash of $18,551,000 during 2009 and a net increase in cash of $285,000 during 2008. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2010	2009	2008
Cash Flows from Operating Activities	$267,156	$200,237	$194,793
Cash Flows from Capital and Related Financing Activities	(222,256)	(290,003)	(350,829)
Cash Flows from Investing Activities	(30,348)	71,215	156,321
Change in Cash and Cash Equivalents	$ 14,552	$ (18,551)	$ 285

Cash flows from operating activities consist of transactions involving changes in current assets, current liabilities and other transactions that affect operating income.

- Cash flows for 2010 increased $66,919,000 over 2009 primarily due to higher retail prices and retail sales volume resulting in an increase in cash received from customers. This increase was partially offset by higher payments for operating expenses.
- Cash flows for 2009 increased $5,444,000 over 2008 primarily due to higher retail prices resulting in an increase in cash received from customers. This increase was mostly offset by higher payments for operating expenses.

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

- Cash flows used for 2010 decreased $67,747,000 from 2009 primarily due to the proceeds from the issuance of additional debt.
- Cash flows used for 2009 decreased $60,826,000 from 2008 primarily due to fewer capital expenditures.

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

- Cash flows for 2010 decreased $101,563,000 from 2009 due to a decrease in the purchases of investments, a decrease in the maturities and sales of investments and lower rates of return on investments.
- Cash flows for 2009 decreased $85,106,000 from 2008 primarily due to an increase in the purchases of investments and a decrease in the maturities and sales of investments.

Debt Service Coverage for Electric System Revenue Bonds

OPPD's senior lien bond indenture provides that additional bonds may not be issued unless estimated net receipts for each future year shall equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued. The following table reflects the calculation of debt service coverage, indicating the Company's solid ability to make required debt service payments on Electric System Revenue Bonds (in thousands). Electric System Revenue Bonds are not secured by NC2 Separate Electric System revenues. Accordingly, 2010 and 2009 transactions for the NC2 Separate Electric System were excluded from this calculation.

Debt Service Coverage	2010	2009	2008
Operating revenues [1]	$913,529	$860,610	$787,973
Operations and maintenance expenses	(663,122)	(619,841)	(561,396)
Payments in lieu of taxes	(27,851)	(24,810)	(22,426)
Net operating revenues	222,556	215,959	204,151
Investment income of related reserve fund	1,260	1,752	2,249
Net receipts	$223,816	$217,711	$206,400
Total debt service [2]	$ 90,606	$ 91,278	$ 85,184
Debt service coverage	2.47	2.38	2.42

[1] *Operating revenues were reduced by $13,000,000 for 2010 and were increased by $13,000,000 and $20,000,000 for changes to the Debt Retirement Reserve for 2009 and 2008, respectively.*

[2] *Total debt service for the Electric System Revenue Bonds is accrued on a calendar-year basis similar to the computation of net receipts. Interest funded from bond proceeds, when applicable, is not included in total debt service.*

Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of debt to total capitalization (debt and equity). This ratio does not include the NC2 Separate Electric System Debt since this debt is secured by revenues of the NC2 Participation Power Agreements. The debt ratio was 50.8% and 50.4% as of December 31, 2010 and 2009, respectively.

Retirement Plan and Other Post Employment Benefits

Retirement and other post employment benefits (OPEB) are provided to retirees and surviving spouses. OPPD has taken actions to help offset the rise in these costs with plan design changes, including the addition of a Cash Balance Option for the defined benefit Retirement Plan (Plan) and the establishment of a separate plan for OPEB for employees hired after December 31, 2007. The separate OPEB Plan limits the Company's liability for retiree health care costs.

The annual required contribution for the defined benefit Retirement Plan was $42,045,000, $45,278,000 and $33,448,000 for the years 2010, 2009 and 2008, respectively. To help offset these rising costs, employees are contributing more to the Plan. The employees' contribution percentage was 6.2% in 2010, having increased annually from 4.8% in 2008. Employee contributions to the Retirement Plan were $11,313,000, $10,135,000 and $8,153,000 for the years 2010, 2009 and 2008, respectively.

The Retirement Plan's funded status based on the actuarial value of assets to the present value of accrued plan benefits was 85.8%, 89.3% and 99.1% as of January 1, 2010, 2009 and 2008, respectively. The decrease in the funded status was primarily due to changes in actuarial assumptions and losses from Plan experience.

The annual required contributions for the two OPEB plans totaled $25,751,000, $22,434,000 and $23,639,000 for the years 2010, 2009 and 2008, respectively. The increase in costs for 2010 was primarily due to changes in actuarial assumptions. The decrease in costs for 2009 was primarily related to lower than expected benefit payments.

Risk Management Practices

OPPD has an Enterprise Risk Management (ERM) program which is used to identify, quantify, prioritize and manage the risks of the Company. As part of the ERM program, specific risk mitigation plans and procedures are maintained to provide for focused and consistent efforts to mitigate various risk exposures. Annual reports are made to the Board of Directors regarding these activities.

Negotiating power marketing and fuel purchase activities are within the normal course of business. Risks associated with power marketing and fuel contracting are managed within the risk management control framework that is consistent with the Company's overall tolerance for risk. Fuel expense represents a significant portion of generation costs and affects the ability to market competitively-priced power. A Risk Management Committee is responsible for identifying, measuring and mitigating various risk exposures related to power marketing and fuel purchase activities.

OPPD competes in the wholesale marketplace with other electric utilities and power marketers for off-system energy sales. To successfully compete in this market, the Company must be able to offer energy at competitive prices and obtain transmission services. Energy market prices may fluctuate substantially in a short period of time due to changes in the supply and demand of electricity. In the energy trading and marketing business, it is anticipated that these operations will continue to experience competition. In addition, there are other risks, such as counterparty credit risks, which are monitored closely on an ongoing basis.

A Rate Stabilization Reserve was established in 1999 to help maintain stable retail electric rates. This reserve was used to offset the financial impact from expensing a $4,200,000 prepayment in 2010 for 2011 wind energy purchases to minimize the increase to the 2011 Fuel and Purchased Power Adjustment. Due to the strong financial results for 2010, the Board approved the replenishment of $4,200,000 to this reserve. Accordingly, the balance of the reserve was maintained at $32,000,000 at December 31, 2010 and 2009.

A Debt Retirement Reserve was established in 2003 to help manage the long-term risks associated with significant capital expenditures and related debt issuances. This reserve is used to meet challenges in retiring debt and maintaining adequate debt service coverage ratios. With the strong financial results for 2010, it was determined that $13,000,000 of revenues could be transferred to the reserve, which will help meet economic challenges in future years. The addition of $13,000,000 to the reserve decreased revenues for 2010 and the use of $13,000,000 and $20,000,000 of the reserve provided additional revenues and funding for capital expenditures and debt retirements for 2009 and 2008, respectively. The balance of the reserve was $58,000,000 and $45,000,000 at December 31, 2010 and 2009, respectively.

OPPD promotes solid, ethical business practices and the highest standards in the reporting and disclosure of financial information. The Sarbanes-Oxley Act (Act) is intended to strengthen corporate governance of publicly traded companies. As a public utility, the Company is not required to comply with the Act, but the application of these requirements, where appropriate, ensures the continued public trust in OPPD, protects the interest of its stakeholders and is a sound business practice. One of the most significant requirements of the Act pertains to management's documentation and assessment of internal controls. The Company's management assesses internal controls for significant business processes that impact financial reporting. This assessment includes documenting procedures, risks and controls for these processes and assessing the effectiveness and operation of the internal controls. In addition, the Company contracts with an independent third party to provide a process for the receipt and retention of employee concerns regarding business and financial practices.

Other Reserves

Other reserves are maintained to recognize potential liabilities that arise in the normal course of business. Additional information about other reserves follows.

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

CAPITAL RESOURCES

Generating Capability

Power requirements are provided from the generating stations, leased generation and purchases of power. OPPD owns and operates eight generating stations, seven of which have a maximum summer net accredited capability of 3,224.7 megawatts (MW). (The net capability of the Valley Station wind turbine is not accredited.) The following table illustrates the diverse fuel mix and maximum summer net accredited capability (in MW) of OPPD's generating facilities for 2010.

		Capability	% of Total
Coal	Nebraska City Station Unit 1	648.0	
	Nebraska City Station Unit 2	682.2	
	North Omaha Station	534.2	
	Subtotal Coal	1,864.4	57.8
Nuclear	Fort Calhoun Station	484.0	15.0
Oil/Natural Gas	Cass County Station	322.0	
	Jones Street Station	124.0	
	North Omaha Station	111.8	
	Sarpy County Station	312.4	
	Subtotal Oil/Natural Gas	870.2	27.0
Other	Elk City Station (landfill-gas)	6.1	0.2
Total Owned Generation		3,224.7	100.0

Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states. OPPD has set a goal of having 10 percent of its energy for retail loads come from renewable sources by 2020 to be prepared in the event of such a mandate. The percentage was 1.6% in 2010 and is expected to increase to 4.3% and 5.7% in the years 2011 and 2012, respectively. The Elk City Station (landfill-gas) and the Valley Station (wind) provide nearly 7 MW of capacity. Most of the renewable sources have come from purchased power contracts for wind energy. The Company has contracts for approximately 35 MW and 60 MW of wind energy with the Nebraska Public Power District and the Flat Water Wind Farm LLC, respectively. The Flat Water Wind Farm LLC commenced commercial operation in 2010 and was the first major utility-scale wind farm developed in OPPD's service territory. OPPD also has contracts with TPW Petersburg LLC for 40.5 MW and Crofton Hills Wind Farm for 13 MW of wind energy (commencing in 2011). In addition, the Company has a purchased power contract with the Western Area Power Administration for 82 MW of hydro power.

Capital Program

Electric system requirements are continually evaluated, and long-range recommendations are made for capital investments necessary to serve the growing load requirements with a reliable, diverse and economical power supply. The capital program is financed with revenues from operations, bond proceeds, investment income and cash on hand. Certain capital expenditures have been deferred, where possible, as a result of these challenging economic times. Capital expenditures for 2010 were $42,483,000 under budget. The following table shows actual capital program expenditures, including allowances for funds used during construction, for the last three years and projected expenditures for 2011 and 2012 (in millions).

	Projected		Actual		
Capital Program	2012	2011	2010	2009	2008
Production	$105.7	$127.8	$111.7	$ 93.0	$213.8
Transmission and Distribution	75.5	70.8	57.7	69.5	81.9
General	42.3	32.0	40.6	18.3	17.8
Total	$223.5	$230.6	$210.0	$180.8	$313.5

Production plant includes expenditures related to generating facilities. Additional information on significant expenditures follows.

- Fort Calhoun Station expenditures include the extended power uprate and other plant improvement projects. The extended power uprate is scheduled for completion in 2013 and will add 75 MW of generating capability to the Fort Calhoun Station.
- A Multi-Pollutant Control system for Nebraska City Station Unit 1 was installed in 2010.
- Construction of Nebraska City Station Unit 2 was completed on schedule and within budget in May 2009.

Transmission and distribution system upgrades include new technologies to ensure reliability and efficiency while providing important operational information. The projected expenditures include the addition of two new substations and equipment for the expansion of existing substations to ensure reliable customer service.

General plant expenditures for 2010 and projected expenditures for 2011 and 2012 include the purchase of construction and transportation equipment, a new customer information and billing system and other information technology upgrades. The new customer information and billing system will be implemented in 2011.

GENERAL FACTORS AFFECTING OPPD AND THE ELECTRIC UTILITY INDUSTRY

OPPD and the electric industry continue to be affected by a number of factors which could impact the competitiveness and financial condition of all electric utilities.

Federal Energy Legislation

As a result of the 2010 elections, the 112th Congress will have a very different approach to energy issues than the previous Congress. Republicans now control the House of Representatives and this should decrease the probability of the enactment of legislation for a carbon cap and trade program for the electric utility industry. Efforts are anticipated in both the House and Senate to support legislation that would delay or block efforts by the Environmental Protection Agency (EPA) to regulate greenhouse gas emissions under the Clean Air Act. Legislation could also be expanded to address other EPA regulatory proposals that are aimed primarily at fossil-fired electric generation facilities. Efforts on energy legislation are also likely to focus on market-based approaches that will help create jobs and grow the economy. While provisions like carbon cap and trade and a Renewable Energy Standard or a Clean Energy Standard could result in substantial rate increases if enacted into law, neither is considered likely during the legislative session of the 112th Congress. OPPD will continue to monitor the status of energy and climate-change legislation in Congress and continue to provide input through public power industry groups and the Nebraska Congressional Delegation.

State of Nebraska Energy Legislation

During the 2010 session, the Nebraska Legislature enacted Legislative Bill 1048 (L.B. 1048), Wind for Export. L.B. 1048 provides new requirements to allow developers to build wind generation facilities for the purpose of exporting power outside the state of Nebraska subject to certain requirements which protect the ratepayers of customer-owned utilities.

During the 2000 session, the Nebraska Legislature enacted Legislative Bill 901 (L.B. 901), which implemented recommendations to determine whether retail competition would be beneficial for Nebraska ratepayers. L.B. 901 required the preparation of an annual report for the Governor and Legislature to monitor the conditions in the electric industry that may indicate whether retail competition would be beneficial for Nebraska's citizens. All of the conditions have not been met based on the findings from the annual report dated October 2010. Legislative Bill 797, which removed the annual requirement of this report, was passed in 2010.

Transmission Access

On April 1, 2009, OPPD became a transmission-owning member of the Southwest Power Pool (SPP), and all of the Company's transmission facilities were placed under the SPP open access transmission tariff. In addition to tariff administration services, SPP also provides reliability coordination services, generation reserve sharing, energy imbalance market services and transmission planning services to OPPD and SPP's other transmission-owning members.

In October 2009, the Board of Directors for SPP endorsed a socialized rate design for new transmission facilities within the SPP region. This rate design would add significant costs to OPPD customer-owners with little or no benefit. As a result, OPPD notified SPP in 2010 of its intent to change its membership status from a transmission-owning member to a non transmission-owning member in 2011. The change of membership status in SPP for an estimated cost of $8,380,000 is expected to save OPPD's customer-owners approximately $72,000,000 over the next 10 years.

As of December 31, 2010, OPPD remains a member of the Midwest Reliability Organization reliability region of the North American Electric Reliability Corporation. A reliability region is responsible for reliability standards and compliance for the interconnected utilities.

High-Level Nuclear Waste Repository

Under the Federal Nuclear Waste Disposal Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. The Department of Energy (DOE) currently does not have a federal government facility available for the long-term storage of spent nuclear fuel. OPPD remains responsible for the safe storage of spent nuclear fuel until the federal government takes delivery of this waste. The DOE has agreed to reimburse the Company for allowable costs incurred for managing and storing spent nuclear fuel and high-level waste due to the DOE's delay in accepting waste. OPPD received $5,811,000, $1,135,000 and $761,000 from the DOE in 2010, 2009 and 2008, respectively.

Critical Accounting Policies

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

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

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

Accounting Policies	Judgments/Uncertainties Affecting Application
Environmental Issues and Pollution-Remediation Obligations	• Approved methods for cleanup • Governmental regulations and standards • Cost estimates for future remediation options
Nuclear Plant Decommissioning	• Cost estimates for future decommissioning • Availability of facilities for waste disposal • Approved methods for waste disposal • Useful life of Fort Calhoun Station
Regulatory Mechanisms and Cost Recovery	• External regulatory requirements • Anticipated future regulatory decisions and their impact
Retirement Plan and Other Post Employment Benefits	• Assumptions used in computing the actuarial liability, including expected rate of return on Plan assets • Plan design
Uncollectible Accounts Reserve	• Economic conditions affecting customers • Assumptions used in computing the liabilities
Workers' Compensation and Public Liability Reserves	• Assumptions used in computing the liabilities
Unbilled Revenue	• Estimates for customer energy use and prices

SUMMARY OF THE FINANCIAL STATEMENTS

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

Report of Management

The management of Omaha Public Power District (OPPD) is responsible for the preparation of the following financial statements and for their integrity and objectivity. These financial statements conform to generally accepted accounting principles and, where required, include amounts which represent management's best judgments and estimates. OPPD's management also prepared the other information in this Annual Report and is responsible for its accuracy and consistency with the financial statements.

To fulfill its responsibility, management maintains strong internal controls, supported by formal policies and procedures that are communicated throughout OPPD. Management also maintains a staff of internal auditors who evaluate the adequacy of and investigate the adherence to these controls, policies and procedures. OPPD is committed to conducting business with integrity, in accordance with the highest ethical standards, and in compliance with all applicable laws, rules and regulations. OPPD has adopted a Code of Ethics for the Senior Executive and Financial Officers and the Controller, stating their responsibilities and standards for professional and ethical conduct.

Our independent auditors have audited the financial statements and have rendered an unqualified opinion as to the statements' fairness of presentation, in all material respects, in conformity with accounting principles generally accepted in the United States of America. During the audit, they considered OPPD's internal controls over financial reporting as required by generally accepted auditing standards.

The Board of Directors pursues its oversight with respect to OPPD's financial statements through the Audit Committee, which is comprised solely of non-management directors. The committee meets periodically with the independent auditors, internal auditors and management to ensure that all are properly discharging their responsibilities. The committee reviews the annual audit plan and any recommendations the independent auditors have related to the internal control structure. The Board of Directors, on the recommendation of the Audit Committee, engages the independent auditors who have unrestricted access to the Audit Committee.

W. Gary Gates
President and Chief Executive Officer

Edward E. Easterlin
Vice President and Chief Financial Officer

Independent Auditors' Report

To the Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying balance sheets of Omaha Public Power District (OPPD) as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in equity, and of cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of OPPD's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPPD's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of OPPD as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years for the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, in 2010, OPPD changed its method for accounting for derivative instruments to conform to Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

The Management's Discussion and Analysis on pages 2 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of OPPD's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska
March 17, 2011

Balance Sheets
as of December 31, 2010 and 2009

ASSETS	2010	2009
	(thousands)	
UTILITY PLANT - at cost (Note 13)		
Electric plant	**$4,792,217**	$4,611,275
Less accumulated depreciation and amortization	**1,648,230**	1,542,404
Electric plant - net	**3,143,987**	3,068,871
Nuclear fuel - at amortized cost	**73,200**	67,174
Total utility plant - net	**3,217,187**	3,136,045
SPECIAL PURPOSE FUNDS - at fair value (Notes 3 and 4)		
Electric system revenue bond fund - net of current	**42,540**	26,579
Electric system construction fund - net of current	**-**	13,475
Segregated fund - debt retirement	**45,000**	42,000
Segregated fund - rate stabilization	**32,000**	32,000
Segregated fund - other	**28,074**	27,956
Decommissioning funds	**322,260**	305,630
NC2 separate electric system revenue bond fund - net of current	**1,084**	1,110
Total special purpose funds	**470,958**	448,750
CURRENT ASSETS		
Cash and cash equivalents (Notes 3 and 4)	**35,505**	20,953
Electric system revenue bond fund (Notes 3 and 4)	**66,937**	86,452
Electric system subordinated revenue bond fund (Notes 3 and 4)	**6,465**	6,481
Electric system construction fund (Notes 3 and 4)	**203,581**	158,923
NC2 separate electric system revenue fund (Notes 3 and 4)	**24,515**	26,370
NC2 separate electric system revenue bond fund (Notes 3 and 4)	**7,393**	4,940
NC2 separate electric system capital costs fund (Notes 3 and 4)	**3,547**	1,356
Accounts receivable - net	**114,209**	104,903
Fossil fuels - at average cost	**66,017**	61,678
Materials and supplies - at average cost	**92,711**	85,600
Other (Note 2)	**10,981**	7,310
Total current assets	**631,861**	564,966
DEFERRED CHARGES AND OTHER ASSETS (Note 2)	**93,883**	80,552
TOTAL ASSETS	**$4,413,889**	$4,230,313

See notes to financial statements

LIABILITIES	2010	2009
	(thousands)	
LONG-TERM DEBT (Note 5)		
Electric system revenue bonds - net of current	**$1,208,790**	$1,125,130
Electric system subordinated revenue bonds	**347,650**	348,620
Electric revenue notes - commercial paper series	**150,000**	-
Minibonds	**27,503**	27,250
Subordinated obligation - net of currrent	**1,220**	1,561
NC2 separate electric system revenue bonds - net of currrent	**245,325**	248,000
Total long-term debt	**1,980,488**	1,750,561
Unamortized discounts and premiums	**6,403**	6,974
Unamortized loss on refunded debt	**(9,192)**	(10,698)
Total long-term debt - net	**1,977,699**	1,746,837
COMMITMENTS AND CONTINGENCIES (Note 13)		
LIABILITIES PAYABLE FROM SEGREGATED FUNDS (Notes 2, 3 and 6)	**115,227**	101,860
CURRENT LIABILITIES		
Electric system revenue bonds (Note 5)	**28,465**	36,830
Electric revenue notes - commercial paper series (Note 5)	-	150,000
NC2 separate electric system revenue bonds (Note 5)	**2,675**	-
Subordinated obligation (Note 5)	**341**	313
Accounts payable	**88,520**	89,540
Accrued payments in lieu of taxes	**26,792**	23,835
Accrued interest	**36,459**	36,619
Accrued payroll	**33,555**	27,499
Accrued production outage costs	**24,840**	-
NC2 participant deposits (Note 7)	**16,207**	13,713
Other (Note 2)	**17,089**	8,308
Total current liabilities	**274,943**	386,657
OTHER LIABILITIES		
Decommissioning costs	**322,260**	305,630
Other (Note 2)	**18,717**	24,333
Total other liabilities	**340,977**	329,963
EQUITY		
Invested in capital assets, net of related debt	**1,477,571**	1,433,427
Restricted	**39,055**	50,155
Unrestricted	**188,417**	181,414
Total equity	**1,705,043**	1,664,996
TOTAL LIABILITIES AND EQUITY	**$4,413,889**	$4,230,313

See notes to financial statements

Statements of Revenues, Expenses and Changes in Equity

for the Three Years Ended December 31, 2010

	2010	2009	2008
		(thousands)	
OPERATING REVENUES			
Retail sales (Note 9)	**$ 772,816**	$ 718,869	$ 643,649
Off-system sales	**184,374**	158,354	127,676
Other electric revenues	**29,160**	22,743	16,648
Total operating revenues	**986,350**	899,966	787,973
OPERATING EXPENSES			
Operations and maintenance			
Fuel	**252,278**	201,664	118,286
Purchased power	**40,282**	28,772	50,636
Production	**223,050**	220,893	190,477
Transmission	**14,225**	11,037	10,173
Distribution	**39,357**	43,113	53,604
Customer accounts	**14,213**	14,205	16,324
Customer service and information	**16,015**	14,650	13,761
Administrative and general	**121,537**	119,659	108,135
Total operations and maintenance	**720,957**	653,993	561,396
Depreciation and amortization	**123,193**	114,587	103,798
Payments in lieu of taxes	**27,851**	24,810	22,426
Total operating expenses	**872,001**	793,390	687,620
OPERATING INCOME	**114,349**	106,576	100,353
OTHER INCOME (EXPENSES)			
Contributions in aid of construction	**3,867**	27,652	33,139
Reduction of plant costs recovered through contributions in aid of construction	**(3,867)**	(27,652)	(33,139)
Decommissioning funds - investment income (loss)	**16,631**	27,451	(3,184)
Decommissioning funds - reinvestment	**(16,631)**	(27,451)	3,184
Investment income	**2,815**	3,077	20,152
Allowances for funds used during construction	**8,699**	19,047	30,472
Products and services - net	**2,720**	2,446	2,402
Other - net (Note 11)	**7,021**	2,008	10,163
Total other income - net	**21,255**	26,578	63,189
INTEREST EXPENSE	**87,177**	86,597	84,356
NET INCOME BEFORE SPECIAL ITEM	**48,427**	46,557	79,186
SPECIAL ITEM (Note 12)	**(8,380)**	-	-
NET INCOME	**40,047**	46,557	79,186
EQUITY, BEGINNING OF YEAR	**1,664,996**	1,618,439	1,539,928
POLLUTION REMEDIATION OBLIGATIONS (Note 8)	-	-	(675)
EQUITY, END OF YEAR	**$1,705,043**	$1,664,996	$1,618,439

See notes to financial statements

Statements of Cash Flows

for the Three Years Ended December 31, 2010

	2010	2009	2008
		(thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from retail customers	**$821,041**	$ 730,261	$ 652,079
Cash received from off-system customers	**168,903**	161,757	119,801
Cash paid to operations and maintenance suppliers	**(555,820)**	(512,011)	(367,326)
Cash paid to off-system suppliers	**(13,290)**	(15,774)	(48,566)
Cash paid to employees	**(128,784)**	(141,651)	(139,799)
Cash paid for in lieu of taxes and other taxes	**(24,894)**	(22,345)	(21,396)
Net cash provided from operating activities	**267,156**	200,237	194,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**120,000**	85,000	126,000
Principal reduction of debt	**(46,182)**	(50,153)	(87,028)
Interest paid on debt	**(85,491)**	(84,488)	(89,209)
Acquisition and construction of capital assets	**(199,474)**	(206,642)	(309,756)
Proceeds from NC2 participants (Note 7)	**2,805**	-	27,985
Contributions in aid of construction and other reimbursements	**11,664**	3,772	9,871
Acquisition of nuclear fuel	**(25,578)**	(37,492)	(28,692)
Net cash used for capital and related financing activities	**(222,256)**	(290,003)	(350,829)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	**(848,357)**	(1,122,048)	(1,075,171)
Maturities and sales of investments	**813,916**	1,183,018	1,208,393
Purchases of investments for decommissioning funds	**(369,587)**	(161,229)	(148,511)
Maturities and sales of investments in decommissioning funds	**369,587**	161,229	148,511
Investment income	**4,093**	10,245	23,099
Net cash provided from (used for) investing activities	**(30,348)**	71,215	156,321
CHANGE IN CASH AND CASH EQUIVALENTS	**14,552**	(18,551)	285
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**20,953**	39,504	39,219
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 35,505**	$ 20,953	$ 39,504
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Operating income	**$114,349**	$ 106,576	$ 100,353
Adjustments to reconcile operating income to net cash provided from operating activities			
Depreciation and amortization	**123,193**	114,587	103,798
Amortization of nuclear fuel	**20,738**	12,654	12,221
Changes in assets and liabilities			
Accounts receivable	**(23,517)**	1,229	(21,926)
Fossil fuels	**(4,339)**	(20,341)	(11,475)
Materials and supplies	**(7,111)**	(3,583)	(4,653)
Accounts payable	**(5,671)**	19,805	12,928
Accrued payments in lieu of taxes	**2,957**	2,465	1,030
Accrued payroll	**6,056**	(2,458)	10,290
Accrued production outage costs	**24,840**	(9,586)	(4,302)
Debt retirement reserve	**13,000**	(13,000)	(20,000)
Other	**2,661**	(8,111)	16,529
Net cash provided from operating activities	**$267,156**	$ 200,237	$ 194,793
NONCASH CAPITAL ACTIVITIES			
Utility plant additions from outstanding liabilities	**$ 39,678**	$ 34,726	$ 53,652

See notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – The Omaha Public Power District (OPPD or Company), a political subdivision of the state of Nebraska, is a public utility engaged in the generation, transmission and distribution of electric power and energy and other related activities. The Board of Directors is authorized to establish rates. OPPD is generally not liable for federal and state income or ad valorem taxes on property; however, payments in lieu of taxes are made to various local governments.

Basis of Accounting – The financial statements of OPPD are presented in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, OPPD has elected not to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

OPPD applies the accounting policies established in FASB's Accounting Standards Codification (ASC) 980-10-05. This guidance permits an entity with cost-based rates to include costs in a period other than the period in which the costs would be charged to expense by an unregulated entity if it is probable that these costs will be recovered through rates charged to customers. ASC 980-10-05 also permits an entity to defer revenues by recognizing liabilities to cover future expenditures. The guidance applies to OPPD because the rates for the Company's regulated operations are established and approved by the governing board.

If, as a result of changes in regulation or competition, OPPD's ability to recover these assets and to satisfy these liabilities would not be assured, then pursuant to ASC 980-20-05, OPPD would be required to write off or write down such regulatory assets and liabilities, unless some form of transition cost recovery continues through established rates. In addition, OPPD would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets. There were no write-downs of regulatory assets in any of the three years in the period ended December 31, 2010.

Revenue Recognition – OPPD recognizes electric operating revenues as earned. Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period. Accounts Receivable includes $41,137,000 and $39,905,000 in unbilled revenues as of December 31, 2010 and 2009, respectively.

OPPD acts as an agent in the buying and selling of power for other public power utilities through joint marketing agreements and receives an agreed-upon percentage share of the net profits from the energy marketed under these agreements. The profit from joint marketing activities is reported in off-system sales revenue, and purchased power expense includes only power purchased for OPPD's operations.

Cash and Cash Equivalents – The operating fund account is called the Electric System Revenue Fund (Note 3). OPPD considers highly liquid investments of the Electric System Revenue Fund purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – An estimate is made for the Reserve for Uncollectible Accounts, based on an analysis of the aging of Accounts Receivable and historical write-offs net of recoveries, for retail customers. Additional amounts may be included based on the credit risks of significant parties. The Board of Directors authorized a regulatory liability for the greater of $5,000,000 or an estimate based on the previous year's Accounts Receivable for off-system sales customers. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts, which included the $5,000,000 regulatory liability, of $5,740,000 and $5,540,000 as of December 31, 2010 and 2009, respectively.

Utility Plant – Utility plant is stated at cost, which includes property additions, replacements of units of property and betterments. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric plant retired are eliminated from electric plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account. Electric plant includes both tangible and intangible assets. Intangible assets include the costs of software

and licenses. Electric plant includes construction work in progress of $277,790,000 and $131,393,000 as of December 31, 2010 and 2009, respectively. Electric plant balances as of December 31, 2009, activity for 2010 and balances as of December 31, 2010, were as follows (in thousands):

	2009	Additions	Retirements	2010
Electric plant	$4,611,275	$208,468	$(27,526)	$4,792,217
Less accumulated depreciation and amortization	1,542,404	133,400	(27,574)	1,648,230
Electric plant - net	$3,068,871	$ 75,068	$ 48	$3,143,987

Allowances for funds used during construction, approximating OPPD's current weighted average cost of debt, were capitalized as a component of the cost of utility plant. These allowances for both construction work in progress and nuclear fuel were computed at 4.3%, 4.4% and 4.5% for the years ended December 31, 2010, 2009 and 2008, respectively. Allowances for funds used during construction for the participants' share of Nebraska City Station Unit 2 (NC2) were offset by the actual interest cost of their funds, resulting in no impact on net income.

OPPD periodically reviews the carrying amount of long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. There were no write-downs for impairments in any of the three years in the period ended December 31, 2010.

Contributions in Aid of Construction (CIAC) – OPPD receives payments from customers for construction costs primarily relating to the expansion of OPPD's electric system. OPPD follows FERC guidelines in recording CIAC, which direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, while continuing to follow FERC guidelines, CIAC is recorded as other income and offset by an expense in the same amount representing the recovery of plant costs. CIAC from participants who provided their own funds for the capital costs of NC2 was insignificant for the year ended December 31, 2010, and $16,846,000 and $26,371,000 for the years ended December 31, 2009 and 2008, respectively. CIAC from the United States Department of Energy (DOE) for reimbursement of capital costs incurred for the storage of high-level nuclear waste was insignificant for the year ended December 31, 2010, and $7,035,000 and $1,371,000 for the years ended December 31, 2009 and 2008, respectively.

Depreciation and Amortization – Depreciation for assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. Depreciation expense for depreciable property has averaged approximately 2.8% for the year ended December 31, 2010, and 2.9% for the years ended December 31, 2009 and 2008.

Amortization of nuclear fuel is based on the cost thereof, which is prorated by fuel assembly in accordance with the thermal energy that each assembly produces. Intangible assets are amortized over their expected useful life. Amortization of intangible assets included with depreciation and amortization expense in these financial statements was $3,940,000, $4,571,000 and $4,198,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

In 2009, NC2 was placed in commercial operation. Half of the output is sold under 40-year Participation Power Agreements (PPAs). Certain participants funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. These participants are billed for the debt service related to these bonds. The amounts recovered for debt service for the electric plant construction and other costs are included in off-system sales revenues. The revenues related to principal repayment will equal related depreciation and other deferred NC2 expenses over the 40-year term of the PPAs. To maintain revenue neutrality in the interim years, a regulatory asset was established to equate expenses and the amount included in off-system sales revenues for principal repayment. This regulatory asset will increase annually until 2030. After 2030, as principal repayments exceed depreciation and other deferred expenses, the regulatory asset will be reduced annually by recognizing deferred expenses until its elimination in 2049, the end of the initial term of the PPAs.

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

Nuclear Fuel Disposal Costs – Permanent disposal of spent nuclear fuel is the responsibility of the federal government under an agreement entered into with the DOE. Under the agreement, OPPD is subject to a fee of one mill per kilowatt-hour on net electricity generated and sold from the Fort Calhoun Station. The spent nuclear fuel disposal costs are included in OPPD's nuclear fuel amortization and are collected from customers as part of fuel costs. Nuclear fuel disposal costs were $4,073,000, $3,547,000 and $3,364,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

OPPD's contract required the federal government to begin accepting high-level nuclear waste by January 1998; however, the DOE does not have a storage facility. In May 1998, the U.S. Court of Appeals confirmed the DOE's statutory obligation to accept spent fuel by 1998, but rejected the request that a move-fuel order be issued. In March 2001, OPPD, along with a number of other utilities, filed suit against the DOE in the United States Court of Federal Claims alleging breach of contract.

In 2006, the DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste that OPPD incurred due to the DOE's delay in accepting waste. The reimbursements from the DOE have been included in CIAC. OPPD periodically submits applications to the DOE for reimbursement of costs incurred for the storage of high-level nuclear waste.

Nuclear Decommissioning – OPPD's Board of Directors has approved the collection of nuclear decommissioning costs based on an independent engineering study of the costs to decommission the Fort Calhoun Station. Based on cost estimates, inflation rates and fund earnings projections, no funding has been necessary since 2001. Decommissioning funds are reported at fair value. The decommissioning cost liability is adjusted for investment income and changes in fair value, resulting in no impact on net income. Investment income was $9,898,000, $12,433,000 and $14,936,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The fair value of the decommissioning funds increased $6,733,000 and $15,018,000 for the years ended December 31, 2010 and 2009, respectively, and decreased $18,120,000 for the year ended December 31, 2008. The present value of estimated costs for decommissioning is $673,694,000 as of June 30, 2010.

Regulatory Assets and Liabilities – Rates for the Company's regulated operations are established and approved by the Board of Directors. OPPD applies the provisions of ASC 980-10-05, and under this guidance, regulatory assets are rights to additional revenues or deferred expenses which are expected to be recovered through customer rates over some future period and regulatory liabilities are reductions in earnings (or costs recovered) to cover future expenditures.

OPPD implemented a Fuel and Purchased Power Adjustment (FPPA) in the rate structure in 2010. The Board of Directors authorized the use of regulatory accounting to maintain revenue neutrality by matching retail revenues attributed to fuel and purchased power costs with the actual costs incurred. There was a regulatory asset of $269,000 included in Accounts Receivable as of December 31, 2010, which represented the Company's rights to additional revenues based on incurred expenses due to an under-recovery of fuel and purchased power costs. Regulatory assets included in deferred charges consist of deferred depreciation expense for Fort Calhoun's production assets and other deferred expenses for NC2. In 2004, OPPD's Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043, which is ten years beyond the term of the current operating license. The balance of deferred depreciation expense was $42,380,000 and $36,324,000 as of December 31, 2010 and 2009, respectively (Note 2). In May 2009, NC2 was placed in commercial operation. As previously noted, certain NC2 expenses were deferred to maintain revenue neutrality from transactions with participants who funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. The balance of the regulatory asset for NC2 deferred expenses was $19,119,000 and $10,285,000 as of December 31, 2010 and 2009, respectively (Note 2).

Regulatory liabilities, which are primarily included in liabilities payable from segregated funds, consist of reserves for debt retirement, rate stabilization and uncollectible accounts from off-system sales. The Debt Retirement Reserve was established for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels (Note 9). The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure (Note 9). The Reserve for Uncollectible Accounts from off-system sales, which is included as a reduction to Accounts Receivable, was established to recognize a loss contingency for uncollectible accounts from off-system sales customers. The balance of the Debt Retirement Reserve was $58,000,000 and $45,000,000 as of December 31, 2010 and 2009, respectively (Note 2). The balance of the Rate Stabilization Reserve was $32,000,000 as of December 31, 2010 and 2009 (Note 2). The balance of the Reserve for Uncollectible Accounts from off-system sales was $5,000,000 as of December 31, 2010 and 2009.

Accrued Production Outage Costs – Costs of major planned production outages with estimated incremental operations and maintenance expenses of $5,000,000 or more are accrued prior to the outage. The Fort Calhoun Station completed a major refueling and maintenance outage in 2009, and the next major planned production outage is scheduled to begin in April 2011. The balance of accrued production outage costs was $24,840,000 short-term and $716,000 long-term as of December 31, 2010 and 2009, respectively.

Natural Gas Inventories and Contracts – Natural gas inventories are maintained for the Cass County Station. The weighted average cost of natural gas consumed is used to expense natural gas from inventories. OPPD is exposed to market price fluctuations on its purchases of natural gas. OPPD enters into futures contracts and may also purchase options to manage the risk of volatility in the market price of gas on anticipated purchase transactions (Note 10).

Equity – Equity is reported in three separate components on the Balance Sheets. Equity invested in capital assets, net of related debt, is the equity share attributable to net utility plant assets reduced by outstanding related debt. Restricted equity represents net assets with usage restraints imposed by law or by debt covenants, such as certain revenue bond funds and segregated funds, net of related liabilities. Unrestricted equity represents net assets that are neither restricted nor invested in capital assets.

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

Recent Accounting Pronouncements – In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. OPPD adopted GASB Statement No. 53 on January 1, 2010. With this change, OPPD recognizes the fair value of derivative instruments and the unrealized gains and losses on its balance sheets for effective hedges. Any ineffective hedges will be treated like investments with changes in fair value and realized gains and losses reported as investment income.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to incorporate the hierarchy of GAAP for state and local governments into the GASB authoritative literature. This statement was effective upon issuance in March 2009.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This guidance did not have an impact on investments held by OPPD and related trusts. This statement is effective for reporting periods beginning after June 15, 2010.

In December 2010, GASB Issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is intended to enhance the usefulness of GASB's codification by incorporating certain accounting guidance issued by FASB and the American Institute of Certified Public Accountants (AICPA) that is applicable to state and local governments into GASB's authoritative literature. This statement is effective for reporting periods beginning after December 15, 2011.

2. ASSETS AND LIABILITIES DETAIL BALANCES

Other Current Assets

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

	2010	2009
Prepayments	$ 4,657	$4,049
Sulfur dioxide allowance inventory – current	2,686	2,048
Deferred cash flow hedges - unrealized loss on derivatives - current (Note 10)	2,095	-
Interest receivable	813	1,144
Commodity derivative instruments (Note 10)	664	-
Other	66	69
Total	$10,981	$7,310

Deferred Charges and Other Assets

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

	2010	2009
Regulatory asset for Fort Calhoun Station	$42,380	$36,324
Deferred financing costs	19,868	19,977
Regulatory asset for Nebraska City Station Unit 2	19,119	10,285
Sulfur dioxide allowance inventory - net of current	4,875	6,500
Deferred cash flow hedges - unrealized loss on derivatives - net of current (Note 10)	533	-
Other	7,108	7,466
Total	$93,883	$80,552

Liabilities Payable from Segregated Funds

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

	2010	2009
Debt retirement reserve (Note 9)	$ 58,000	$ 45,000
Rate stabilization reserve (Note 9)	32,000	32,000
Customer deposits	20,166	19,178
Incurred but not presented reserve	2,221	2,707
Customer advances for construction	1,706	1,296
Other	1,134	1,679
Total	$115,227	$101,860

Other Current Liabilities

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

	2010	2009
Liability to Southwest Power Pool (Note 12)	$ 8,380	$ -
Deferred revenues	6,020	4,583
Deposits	1,163	999
Payroll taxes and other employee liabilities	396	674
Pollution remediation obligations - current (Note 8)	75	205
Other	1,055	1,847
Total	$17,089	$8,308

Other Liabilities

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

	2010	2009
Deferred revenues	$13,623	$17,252
Capital purchase agreement	2,625	2,859
Workers' compensation reserve	1,487	1,756
Public liability reserve	202	784
Pollution remediation obligations - net of current (Note 8)	46	241
Accrued production outage costs	-	716
Other	734	725
Total	$18,717	$24,333

3. SPECIAL PURPOSE FUNDS

Special purpose funds of OPPD are as follows:

Electric System Revenue Fund and NC2 Separate Electric System Revenue Fund – These funds are to be used for operating activities for their respective electric system. The Electric System Revenue Fund is shown as cash and cash equivalents on the balance sheets.

Electric System Revenue Bond Fund, Electric System Subordinated Revenue Bond Fund and NC2 Separate Electric System Revenue Bond Fund – These funds are to be used for the retirement of their respective revenue bonds and the payment of the related interest and reserves as required. Investments with maturity dates within the next year are designated as current.

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

Segregated Fund - Debt Retirement – This fund is to be used for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels. Since there is no funding requirement for the Debt Retirement Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Debt Retirement Fund was $45,000,000 and $42,000,000 as of December 31, 2010 and 2009, respectively.

Segregated Fund - Rate Stabilization – This fund is to be used to help stabilize rates through the transfer of funds to operations as necessary. Since there is no funding requirement for the Rate Stabilization Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Rate Stabilization Fund was $32,000,000 as of December 31, 2010 and 2009.

Segregated Fund - Other – This fund represents assets held for payment of customer deposits, refundable advances, certain other liabilities and funds set aside as part of OPPD's self-insured health insurance plans (Note 6). The balances of the funds at December 31 were as follows (in thousands):

	2010	2009
Segregated Fund - self-insurance	$ 4,872	$ 6,144
Segregated Fund - other	23,202	21,812
Total	$28,074	$27,956

Decommissioning Funds – These funds are for the costs to decommission the Fort Calhoun Station when its operating license expires. The Decommissioning Funds are held by an outside trustee in compliance with the decommissioning funding plans approved by OPPD's Board of Directors. The 1990 Plan was established in accordance with Nuclear Regulatory Commission (NRC) regulations for the purpose of discharging OPPD's obligation to decommission the Fort Calhoun Station. The 1992 Plan was established to retain funds in excess of NRC minimum funding requirements based on an independent engineering study which indicated that decommissioning costs would exceed the NRC minimum requirements. The balances of the funds at December 31 were as follows (in thousands):

	2010	2009
Decommissioning Trust - 1990 Plan	$246,978	$234,077
Decommissioning Trust - 1992 Plan	75,282	71,553
Total	$322,260	$305,630

4. DEPOSITS AND INVESTMENTS

Investments – OPPD has investments in cash equivalents and special purpose funds. Fair values were determined based on quotes received from the trustees' market valuation service. The weighted average maturity was based on the face value for investments. As of December 31, OPPD's investments were as follows (in thousands):

	2010		2009	
Investment Type	**Fair Value**	**Weighted Average Maturity (Years)**	**Fair Value**	**Weighted Average Maturity (Years)**
Money markets	$ 24,714	-	$ 6,202	-
U.S. agencies	603,179	1.1	602,019	0.9
U.S. treasuries	25,841	0.8	-	-
Corporate bonds	-	-	12,901	0.6
Mutual funds	162,575	-	126,433	-
Total	$816,309		$747,555	
Portfolio weighted average maturity		0.8		0.8

Interest Rate Risk – OPPD's investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 0.8 years as of December 31, 2010 and 2009. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

Credit Risk – OPPD's investment policy is to comply with its bond covenants and state statutes for governmental entities, which limit investments to investment-grade fixed income obligations. The weighted average credit quality of the investments held by OPPD was rated AAA by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service at December 31, 2010 and 2009.

Custodial Credit Risk – OPPD's bank deposits were entirely insured or collateralized with securities held by OPPD or by its agent in OPPD's name at December 31, 2010 and 2009. OPPD delivers all of its investment securities under contractual trust agreements.

5. DEBT

OPPD utilizes the proceeds of debt issued primarily to finance its construction program. Debt balances as of December 31, 2009, activity for 2010 and balances as of December 31, 2010, were as follows (in thousands):

	2009	Additions	Retirements	2010
Electric system revenue bonds	$1,161,960	$120,000	$(44,705)	$1,237,255
Electric system subordinated revenue bonds	348,620	-	(970)	347,650
Electric revenue notes - commercial paper series	150,000	-	-	150,000
Minibonds	27,250	474	(221)	27,503
Subordinated obligation	1,874	-	(313)	1,561
NC2 separate electric system revenue bonds	248,000	-	-	248,000
Total	$1,937,704	$120,474	$(46,209)	$2,011,969

Lien Structure – In the event of an OPPD default, subject to the terms and conditions of debt covenants, OPPD is required to satisfy all Electric System Revenue Bond obligations before paying second-tier bonds and notes which are Electric System Subordinated Revenue Bonds, Electric Revenue Notes – Commercial Paper Series and Minibonds. OPPD will pay the Subordinated Obligation after second-tier debt.

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

Moody's Investors Service and Standard & Poor's Rating Services rated OPPD's Electric System Revenue Bonds as Aa1 and AA, respectively, in 2010 and 2009.

On February 1, 2010, a principal payment of $36,830,000 was made for the Electric System Revenue Bonds. On August 2, 2010, a principal payment of $7,875,000 was made for the early call of the term bonds due February 1, 2011, for the 1993 Series C Bonds. Term bonds are subject to call every six months. On November 17, 2010, OPPD issued 2010 Series A taxable Electric System Revenue Bonds totaling $120,000,000. These bonds were designated as Build America Bonds. The issue consists of term bonds of $120,000,000, with maturity dates between 2022 and 2041, with an interest rate of 5.431%. The federal government will subsidize 35.0% of the interest on these bonds.

On February 2, 2009, a principal payment of $35,450,000 was made for the Electric System Revenue Bonds. On March 4, 2009, OPPD issued 2009 Series A Electric System Revenue Bonds totaling $85,000,000. This issue consists of serial bonds of $25,700,000, with maturity dates between 2023 and 2029, with interest rates between 4.0% and 4.75%, and term bonds of $59,300,000, with maturity dates between 2030 and 2039, with an interest rate of 5.0%.

At December 31, 2010, Electric System Revenue Bonds consisted of $598,325,000 of serial bonds, with interest rates between 3.4% and 5.5% due annually from 2011 to 2044, and $638,930,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046.

At December 31, 2009, Electric System Revenue Bonds consisted of $635,155,000 of serial bonds, with interest rates between 3.25% and 5.5%, due annually from 2010 to 2044, and $526,805,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046.

The following Electric System Revenue Bonds, with outstanding principal amounts of $173,555,000 and $263,175,000 as of December 31, 2010 and 2009, respectively, were legally defeased: 1986 Series A Term Bonds, 1992 Series B Term Bonds, 1993 Series B Term Bonds, a portion of 2002 Series A and a portion of 2005 Series B. Defeased bonds are funded by government securities deposited by OPPD in irrevocable escrow accounts. Accordingly, the bonds and the related government securities escrow accounts are not included in OPPD's balance sheet.

OPPD's bond indenture amended effective March 4, 2009, provides for certain restrictions, the most significant of which are:

- Additional bonds may not be issued unless estimated net receipts (as defined) for each future year equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued or to be issued in the case of a power plant (as defined) being financed in increments.
- The Electric System is required to be maintained by the Company in good condition. There is no longer a prescribed amount for replacements, renewals or additions to the Electric System.

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

	Principal	Interest
2011	$ 28,465	$ 56,993
2012	37,970	57,366
2013	39,690	55,473
2014	41,500	53,446
2015	43,410	51,494
2016-2020	248,200	226,762
2021-2025	170,815	176,735
2026-2030	165,340	139,138
2031-2035	172,790	93,947
2036-2040	187,450	50,395
2041-2045	80,625	16,581
2046	21,000	525
Total	$1,237,255	$978,855

The average interest rate for Electric System Revenue Bonds was 4.8% for the year ended December 31, 2010, and 4.7% for the years ended December 31, 2009 and 2008.

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

The Electric System Subordinated Revenue Bonds include Periodically Issued Bonds (PIBs). OPPD was authorized to offer up to $300,000,000 of PIBs on a series-by-series basis through August 1, 2009. Certain issues of the PIBs may be redeemed prior to maturity upon the death of the holder subject to certain conditions as outlined in the offering document.

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

	Principal	Interest
2011	$ -	$ 6,602
2012	-	6,602
2013	-	6,602
2014	-	6,602
2015	-	6,602
2016-2020	-	33,008
2021-2025	-	33,008
2026-2030	-	33,008
2031-2035	25,000	32,477
2036-2040	73,775	18,130
2041-2042	48,875	2,257
Total	$147,650	$184,898

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

	Principal	Interest
2011	$ -	$ 8,902
2012	-	8,902
2013	-	8,902
2014	-	8,902
2015	-	8,901
2016-2020	3,000	44,335
2021-2025	17,000	42,848
2026-2030	53,000	34,655
2031-2035	80,000	20,468
2036-2038	47,000	3,262
Total	$200,000	$190,077

The average interest rate for the Electric System Subordinated Revenue Bonds (PIBs and the 2007 Series AA) was 4.5% for each of the three years in the period ended December 31, 2010.

Electric Revenue Notes - Commercial Paper Series – On September 21, 2010, OPPD executed a new agreement for its Commercial Paper Program which will expire on October 1, 2013. The average borrowing rates were 0.3%, 0.5% and 1.9% for the years ended December 31, 2010, 2009 and 2008, respectively. The outstanding balance was $150,000,000 as of December 31, 2010 and 2009. Commercial Paper was reported as a long-term liability as of December 31, 2010, and a current liability as of December 31, 2009.

Minibonds – Minibonds consist of current interest-bearing and capital appreciation minibonds. The minibonds may be redeemed prior to their maturity dates at the request of a holder, subject to certain conditions as outlined in the Minibond Official Statements. There were no Minibond maturities in 2010 other than redemptions for the annual put option. On October 1, 2009, the 1994 minibonds matured with a payment of $13,738,000 for principal and interest. The average interest rates were 5.05% for the years ended December 31, 2010 and 2009, and 5.30% for the year ended December 31, 2008. The payment of the principal and interest on these bonds is insured by a municipal bond insurance policy.

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

Principal	**2010**	**2009**
2001 minibonds, due 2021 (5.05%)	$23,909	$24,103
Accreted interest on capital appreciation minibonds	3,594	3,147
Total	$27,503	$27,250

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

Credit Agreements – On September 21, 2010, OPPD executed a Credit Agreement with the Bank of America, N.A., for $250,000,000, which will expire on October 1, 2013. The Credit Agreement includes a covenant by OPPD to retain drawing capacity at least equal to the issued and outstanding amount of Commercial Paper notes. There were no amounts outstanding under this Credit Agreement as of December 31, 2010.

The Revolving Credit Agreement (RCA) of $50,000,000 expired on December 31, 2009, and was not renewed. There were no amounts outstanding under the RCA as of December 31, 2009.

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

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

	Principal	**Interest**
2011	$ 2,675	$ 11,804
2012	2,765	11,709
2013	2,865	11,607
2014	2,970	11,498
2015	3,080	11,382
2016-2020	17,350	54,903
2021-2025	21,400	50,730
2026-2030	26,815	45,155
2031-2035	33,900	37,901
2036-2040	41,810	28,469
2041-2045	47,620	17,372
2046-2049	44,750	4,431
Total	$248,000	$296,961

The payment of principal and interest on the 2005 Series A and 2006 Series A Bonds is insured by municipal bond insurance policies. The average interest rate for NC2 Separate Electric System Revenue Bonds was 4.8% for each of the three years in the period ended December 31, 2010.

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

2010		2009	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
$2,018,372	$2,014,068	$1,944,678	$1,976,256

The estimated fair value amounts were determined using rates that are currently available for issuance of debt with similar credit ratings and maturities. As market interest rates decline in relation to the issuer's outstanding debt, the fair value of outstanding debt financial instruments with fixed interest rates and maturities will tend to rise. Conversely, as market interest rates increase, the fair value of outstanding debt financial instruments will tend to decline. Fair value will normally approximate carrying amount as the debt financial instrument nears its maturity date. The use of different market assumptions may have an effect on the estimated fair value amount. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that bondholders could realize in a current market exchange.

6. BENEFIT PLANS FOR EMPLOYEES AND RETIREES

RETIREMENT PLAN

Plan Description - Substantially all employees are covered by OPPD's Retirement Plan (Retirement Plan). It is a single-employer, defined benefit plan which provides retirement and death benefits to Retirement Plan members and beneficiaries. The Retirement Plan was established and may be amended at the direction of OPPD's Board of Directors and is administered by OPPD. Actuarial valuations are completed as of January 1 of each year. As of January 1, 2010, 1,517 of the 4,350 total participants were receiving benefits. Generally, employees at the normal retirement age of 65 are entitled to annual pension benefits equal to 2.25% of their average compensation (as defined) times years of credited service (as defined) under the Traditional Option (as defined). Under the Cash Balance Option (as defined), members can receive the total vested value of their Cash Balance Account at separation from employment with OPPD. Employees hired after December 31, 2007, may make a one-time irrevocable election to have benefits determined based on the Cash Balance Option instead of the Traditional Option before the end of their first year of continuous service. In 2009, active Retirement Plan members were allowed to make a one-time, irrevocable election to have benefits determined based on the Cash Balance Option. There were 87 active members with the Cash Balance Option as of December 31, 2010.

Funded Status and Funding Progress - Employees contributed 6.2%, 5.6% and 4.8% of their covered payroll to the Retirement Plan for the years 2010, 2009 and 2008, respectively. OPPD is obligated to contribute the balance of the funds needed on an actuarially determined basis.

The Present Value of Accrued Plan Benefits (PVAPB) is the present value of benefits based on compensation and service to that date. This is the amount the Retirement Plan would owe participants if the Retirement Plan were frozen on the valuation date. The PVAPB is presented in the table below based on the actuarial valuation as of January 1 (dollars in thousands):

	Actuarial Value of Assets	Present Value of Accrued Plan Benefits (PVAPB)	Under Funded PVAPB	Funded Ratio	Covered Payroll	Under Funded PVAPB as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	$733,227	$854,121	$120,894	85.8%	$188,277	64.2%
2009	$698,111	$782,059	$ 83,948	89.3%	$177,297	47.3%
2008	$695,742	$702,388	$ 6,646	99.1%	$166,760	4.0%

The Actuarial Accrued Liability (AAL) is the present value of retirement benefits adjusted for assumptions for future increases in compensation and service attributable to past accounting periods. The funded ratio for the AAL was lower than the PVAPB because the AAL method assumes future compensation and service increases. The annual contributions to the Retirement Plan consist of the cost for the current period plus a portion of the unfunded accrued liability. The AAL is presented in the table below based on the actuarial valuation as of January 1 (dollars in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	$733,227	$1,018,914	$285,687	72.0%	$188,277	151.7%
2009	$698,111	$ 963,325	$265,214	72.5%	$177,297	149.6%
2008	$695,742	$ 868,898	$173,156	80.1%	$166,760	103.8%

Annual Pension Cost and Actuarial Assumptions – The annual pension cost and required contribution by OPPD was $42,045,000, $45,278,000 and $33,448,000 for the years ended December 31, 2010, 2009 and 2008, respectively. There was no net pension obligation for any of the three years in the period ended December 31, 2010. Retirement Plan contributions by OPPD employees for their covered annual payroll were $11,313,000, $10,135,000 and $8,153,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

The Entry Age Normal (Level Percent of Pay) cost method was used to determine contributions to the Retirement Plan. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of Retirement Plan assets was determined using a method which smoothes the effect of short-term volatility in the market value of investments over approximately five years. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors. Ad-hoc cost-of-living increases granted to retirees and beneficiaries are amortized in the year for which the increase is authorized by the Board of Directors. Except for the liability associated with cost-of-living increases, the unfunded actuarial accrued liability was amortized on a level basis (fresh start) over 15 years for the actuarial valuation as of January 1, 2010, and a level basis (closed group) over 15 years for the actuarial valuations as of January 1, 2009 and 2008. Commencing with the actuarial valuation as of January 1, 2009, the healthy mortality table was changed from the 1994 Uninsured Pensioners Mortality Table to the RP-2000 Combined Healthy Mortality Table projected to the valuation date, and the disabled mortality table was changed from the 1977 Railroad Board Disabled Mortality Table to the RP-2000 Disabled Retiree Mortality Table. Other actuarial assumptions are presented in the table below based on the actuarial valuation as of January 1:

	2010	2009	2008
Investment return (discount rate)	8.0%	8.0%	8.2%
Average rate of compensation increase	5.2%	5.2%	5.2%
Ad-hoc cost-of-living adjustment	-	1.0%	1.0%

OPPD provides for other employee benefit obligations to allow certain current and former employees to retain the benefits to which they would have been entitled under OPPD's Retirement Plan, except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation were not material for any of the three years in the period ended December 31, 2010.

DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN – 401(k)/457

OPPD sponsors a Defined Contribution Retirement Savings Plan – 401(k) (401k Plan) and a Defined Contribution Retirement Savings Plan – 457 (457 Plan). Both the 401k Plan and 457 Plan cover all full-time employees and allow contributions by employees that are partially matched by OPPD. The 401k Plan's and 457 Plan's assets and income are held in an external trust account in the employee's name. OPPD's matching share of contributions was $7,279,000, $7,334,000 and $6,581,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The employer maximum annual match on employee contributions was $4,000 for the years ended December 31, 2010 and 2009, and $3,500 for the year ended December 31, 2008.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

OPPD has two separate plans for Other Post Employment Benefits (OPEB). For post employment health care benefits, OPEB Plan A is for employees hired prior to January 1, 2008, and OPEB Plan B is for employees hired after December 31, 2007. OPEB Plan A provides post employment life insurance benefits to qualifying employees.

OPEB Plan A

Plan Description – OPEB Plan A (Plan A) provides post employment health care benefits to retirees, surviving spouses, and employees on long-term disability and their dependents and life insurance benefits to retirees and employees on long-term disability. Health care benefits are based on the coverage elected by Plan A members. OPPD's Medical Plan becomes a secondary plan when the members are retired and eligible for Medicare benefits. Substantially all full-time employees of OPPD hired prior to January 1, 2008, participate in OPEB Plan A. As of January 1, 2010, 1,406 of the 3,809 total members were receiving benefits.

Funded Status and Funding Progress – Plan A members are required to pay a monthly premium based on the elected coverage and the respective premium cost share agreement at the time of retirement. OPPD contributes the balance of the funds needed on an actuarially determined basis.

The Actuarial Accrued Liability (AAL) is the present value of benefits attributable to past accounting periods. The AAL was $316,629,000, $277,823,000 and $280,845,000 as of January 1, 2010, 2009 and 2008, respectively. The AAL is presented in the table below based on the actuarial valuation as of January 1 (in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	$37,729	$316,629	$278,900	11.9%	$188,277	148.1%
2009	$28,239	$277,823	$249,584	10.2%	$177,297	140.8%
2008	$16,657	$280,845	$264,188	5.9%	$166,760	158.4%

Annual OPEB Cost and Actuarial Assumptions – The annual OPEB cost and annual required contribution (ARC) for OPEB Plan A was $25,751,000, $22,050,000 and $23,089,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The accounting standard requires recognition of an OPEB liability on the balance sheet for the amount of any unfunded ARC. Since OPPD funded the entire ARC, there was no net OPEB obligation for any of the three years in the period ended December 31, 2010. Contributions by Plan A members were $2,096,000, $1,790,000 and $1,564,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2010, 2009 and 2008, were as follows:

- The pre-Medicare health care trend rates ranged from 9.0% initial to 5.0% ultimate for 2010, 8.5% initial to 5.0% ultimate for 2009, and 9.0% initial to 5.0% ultimate for 2008.
- The post-Medicare health care trend rates ranged from 9.0% initial to 5.0% ultimate for 2010, 10.0% initial to 5.0% ultimate for 2009, and 10.5% initial and 5.0% ultimate for 2008.
- The investment return (discount rate) used for all three years was 7.85%, which was based on OPPD's expected long-term yield on assets used to finance the payment of plan benefits.
- The average rate of compensation increase used for all three years was 5.2%.
- The actuarial cost method used was the Projected Unit Credit.
- Amortization for the initial unfunded AAL and OPEB Plan changes was determined using a period of 30 years and the increasing method at a rate of 3.0% per year.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.
- The healthy mortality table used in 2010 and 2009 was RP-2000 Combined Healthy Mortality Table projected to the valuation date. In 2008, OPPD used the 1994 Uninsured Pensioners Mortality Table.

OPEB Plan B

Plan Description – OPEB Plan B (Plan B) provides post employment health care benefits to retirees and surviving spouses and employees on long-term disability. Health care benefits are based on the coverage elected by the Plan B members and the balance in the member's hypothetical account, which is a bookkeeping account. The hypothetical accounts are credited with $10,000 upon commencement of full-time employment, $1,000 annually on the member's anniversary date and interest income at 5.0% annually. Plan B benefits are for the payment of OPPD's share of the members' health care premiums. OPPD's Medical Plan becomes a secondary plan when the members are retired and eligible for Medicare benefits. Plan benefits will continue until the member and eligible spouse cease to be covered under OPPD's Medical Plan, the member's hypothetical account is depleted or Plan B terminates, whichever occurs first. Benefits are forfeited for any member who fails to retire or who retires but does not immediately commence payments. All full-time employees of OPPD hired after December 31, 2007, participate in Plan B. As of January 1, 2010, there were 277 Plan B members. No members received benefits in 2010 or 2009.

Funded Status and Funding Progress – Commencing in 2010, OPEB Plan B was funded on an actuarially determined basis. Prior to 2010, OPPD funded $10,000 per member upon commencement of full-time employment and an additional $1,000 for each year of service completed. Members do not contribute to Plan B. The AAL was $176,000, $1,308,000 and $550,000 as of December 31, 2010, 2009 and 2008, respectively. The AAL is presented in the table below based on the actuarial valuations as of January 1, 2010, and December 31, 2009 and 2008 (in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded Accrued Liability (OAL)	Funded Ratio	Covered Payroll	OAL Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
2010	$3,098	$ 176	$2,922	1,760.2%	$18,494	15.8%
2009	$3,090	$1,308	$1,782	236.2%	$13,074	13.6%
2008	$1,635	$ 550	$1,085	297.3%	$ 4,129	26.3%

Annual OPEB Cost and Actuarial Assumptions – The valuation date was changed from December 31 to January 1 starting in 2010 to be consistent with OPEB Plan A. The actuarial cost method was also changed to more evenly spread the cost of the plan over an employee's working career as opposed to the prior method which front-loaded the liability. The ARC for OPEB Plan B was $0, $384,000 and $550,000 for the years ended December 31, 2010, 2009 and 2008, respectively. The annual OPEB cost was $87,000, $429,000 and $550,000 for the years ended December 31, 2010, 2009 and 2008, respectively. There was an OPEB net asset of $1,855,000 and $1,911,000 as of December 31, 2010 and 2009, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2010, and December 31, 2009 and 2008, were as follows:

- The investment return (discount rate) used for all three years was 5.5%, which was based on OPPD's expected long-term yield on assets used to finance the payment of plan benefits.
- The actuarial cost method used was Projected Unit Credit for 2010 and the Pure Unit Credit for 2009 and 2008.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.
- The healthy and disabled mortality table used was the RP-2000 Combined Healthy Mortality table projected to the valuation date.

SELF-INSURANCE HEALTH PROGRAM

OPPD provides employee health care and life insurance benefits to substantially all active employees. There were 2,152 and 2,245 active employees with medical coverage as of December 31, 2010 and 2009, respectively. An Administrative Services Only (ASO) Health Insurance Program is used to account for the health insurance claims. With respect to the ASO program, reserves sufficient to satisfy both statutory and OPPD-directed requirements have been established to provide risk protection (Note 3). Additionally, private insurance has been purchased to cover claims in excess of 120.0% of expected levels.

Health care expenses for active employees (reduced by premium payments from participants) were $26,557,000, $21,990,000 and $19,320,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

The total cost of life and long-term disability insurance for active employees was $854,000, $1,807,000 and $1,632,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

The balance of the Incurred But Not Presented Reserve was $2,221,000, $2,707,000 and $2,067,000 as of December 31, 2010, 2009 and 2008, respectively.

Audited financial statements for the Retirement Plan, Defined Contribution Retirement Savings Plans and OPEB Plans may be reviewed by contacting the Pension Administrator at OPPD's Corporate Headquarters.

7. NC2 PARTICIPANT DEPOSITS

Nebraska City Station Unit 2 (NC2) Participants were given the option to provide their own funds or to use OPPD Separate Electric System Revenue Bonds to fund their share of construction and start-up costs. In addition, since commercial operation, Participants have provided funds for capital renewals and expenditures. This liability represents the amount that the Participants' funds, including interest, exceeded allocated costs. NC2 Participant deposits were $16,207,000 and $13,713,000 as of December 31, 2010 and 2009, respectively.

8. POLLUTION REMEDIATION OBLIGATIONS

OPPD implemented the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2008. Beginning equity was reduced $675,000 for pollution remediation obligations as of January 1, 2008.

OPPD's pollution remediation obligations for current liabilities were $75,000 and $205,000 and the long-term portion was $46,000 and $241,000 as of December 31, 2010 and 2009, respectively. The estimated outlays were based on engineering estimates and previous contracts for similar services. These obligations are for the remediation efforts related to petroleum hydrocarbons that were found in the soil and groundwater at the Sarpy County Station. OPPD commenced full-scale remediation in July 2008, utilizing a vacuum extraction system to comply with regulatory requirements of the Nebraska Department of Environmental Quality (NDEQ). This system is expected to be in operation through 2012 with projected outlays in 2011 of $75,000 and $46,000 in 2012.

Due to elevated sulfate and pH levels in the groundwater at the North Omaha Station, OPPD was required by the NDEQ to remove contributing wastes (coal ash, water treatment wastes and coal dust) and reline an ash-water decanting and retention pond. This remediation occurred in 2009.

9. ADDITIONS TO AND UTILIZATIONS OF RESERVES

In 2010, $13,000,000 was added to the Debt Retirement Reserve to use in future years. The Debt Retirement Reserve was used to provide additional revenues and funding for capital expenditures and debt retirement in the amount of $13,000,000 and $20,000,000 for the years ended December 31, 2009 and 2008, respectively.

The Board of Directors approved a $4,200,000 expense in 2010 for 2011 wind energy purchases to limit the increase to the 2011 Fuel and Purchased Power Adjustment. The Rate Stabilization Reserve was used to offset the financial impact from this expense. Due to strong financial results, the Board approved the $4,200,000 replenishment of this reserve for 2010.

10. DERIVATIVES

OPPD entered into natural gas futures contracts with the New York Mercantile Exchange (NYMEX) to hedge expected cash flows associated with purchases of natural gas for operations. OPPD implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, on January 1, 2010. As required by this Statement, OPPD's natural gas futures contracts were evaluated and determined to be effective hedges. Accordingly, the deferred cash flow hedges for the unrealized losses and the fair value of the commodity derivative instruments were reported on the balance sheet as of December 31, 2010. OPPD did not retroactively apply GASB Statement No. 53 because historical information was not readily available and considerable efforts and resources would be required to evaluate hedge effectiveness prior to the implementation date of January 1, 2010.

OPPD had futures contracts with the NYMEX based on the notional amount of 1,040,000 Million British Thermal Units (mmBtu) of natural gas with negative fair values and deferred cash outflows of $2,628,000 at December 31, 2010. The current portion was for 630,000 mmBtu, with deferred outflows of $2,095,000, and the long-term portion was for 410,000 mmBtu, with deferred outflows of $533,000. The fair value and deferred cash outflows for these contracts were determined using published pricing benchmarks obtained through independent sources. All of these contracts will be settled based on the pricing point at Henry Hub on their respective expiration date. These deferred cash flow hedges were reported in other current assets and deferred charges and other assets (Note 2).

In accordance with ASC 210-10-05, OPPD elected to report the balance in the margin account of $3,292,000 with the fair value of the derivative instruments. The net amount for commodity derivative instruments reported in other current assets was $664,000 as of December 31, 2010 (Note 2). There were realized losses of $2,600,000 and $3,560,000 for the years ended December 31, 2010 and 2009, respectively, and realized gains of $4,961,000 for the year ended December 31, 2008. Realized gains or losses from effective hedges are included in fuel expense. Information regarding OPPD's NYMEX natural gas contracts outstanding, along with the deferred cash outflows of the aggregate contracts by maturity dates, as of December 31, 2010, was as follows (dollars in thousands):

Effective Date	Maturity Date	Reference Rate	Notional Amount (mmBtu)	Fair Value/Change in Fair Value
Various	June 2011	Pay average $7.765/mmBtu	150,000	$ (494)
Various	July 2011	Pay average $7.842/mmBtu	260,000	(858)
Various	August 2011	Pay average $7.956/mmBtu	220,000	(743)
		Current	**630,000**	**(2,095)**
Various	June 2012	Pay average $6.392/mmBtu	50,000	(74)
Various	July 2012	Pay average $6.814/mmBtu	110,000	(205)
Various	August 2012	Pay average $6.871/mmBtu	110,000	(207)
Various	June 2013	Pay average $5.379/mmBtu	10,000	(2)
Various	July 2013	Pay average $5.585/mmBtu	70,000	(29)
Various	August 2013	Pay average $5.467/mmBtu	60,000	(16)
		Long-term	**410,000**	**(533)**
		Total	**1,040,000**	**$(2,628)**

Basis Risk – Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. OPPD has location basis risk created by purchasing natural gas at the Northern Natural Gas "Demarcation" pricing point and entering into the futures contract at the Henry Hub pricing point. Critical terms risk exists because the hedging instrument is a monthly transaction and the purchase of physical natural gas is typically a daily transaction. These two differences create the greatest amount of variation between OPPD's hedging instruments and the price paid for physical purchases.

Rollover Risk – Rollover risk is the risk that a hedging derivative instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. Rollover risk exists because the purchase of natural gas for the generation of electricity is an ongoing process whereas OPPD's current hedging strategy is to hedge forward for 36 months only for the summer load months.

11. OTHER - NET

Other – Net included $1,967,000 for health-care related subsidies and $279,000 for interest subsidies from the federal government for the year ended December 31, 2010. Other-Net also included reimbursements from the Federal Emergency Management Agency for certain expenses incurred related to storm restoration efforts of $4,593,000, $1,552,000 and $9,871,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

12. SPECIAL ITEM

Based on the results of an independent economic analysis, OPPD provided notice to the Southwest Power Pool in 2010 of its intent to change membership status from a transmission-owning member to a non transmission-owning member in 2011. The Special Item included estimated fees of $8,380,000 to change membership status.

13. COMMITMENTS AND CONTINGENCIES

At December 31, 2010, OPPD's commitment for the uncompleted portion of construction contracts was approximately $119,422,000.

OPPD has power sales commitments which extend through 2027 of $107,975,000 at December 31, 2010. OPPD has power purchase commitments which extend through 2020 of $118,750,000 at December 31, 2010. These amounts do not include the Participation Power Agreements (PPAs) for the Nebraska City Station Unit 2 (NC2) or OPPD's commitments for wind energy purchases.

OPPD has 40-year PPAs with seven public power and municipal utilities (the Participants) for the sale of half of the 682.2-megawatt (MW) net capacity of NC2. The Participants have agreed to purchase their respective shares of the output on a "take-or-pay" basis even if the power is not available, delivered to or taken by the Participants. The Participants are subject to a step-up provision, whereby in the event of a Participant default, the remaining Participants are obligated to pay a share of any deficit in funds resulting from the default. OPPD has an NC2 Transmission Facilities Cost Agreement with the Participants which addresses the cost allocation, payment and cost recovery for delivery of their respective power.

OPPD has a 20-year PPA with the Nebraska Public Power District (NPPD) for a 16.8% share, or approximately 10 MW, of a 59.4-MW wind-turbine facility near Ainsworth, Nebraska. OPPD's commitment through 2025 under the PPA is $27,384,000 at December 31, 2010. OPPD also has a 20-year PPA with NPPD for a 31.25% share, or 25 MW, of an 80-MW wind-turbine facility near Bloomfield, Nebraska. OPPD's commitment through 2028 under the PPA is $11,772,000 at December 31, 2010. OPPD is obligated, on a "take-or-pay" basis, under these PPAs to make payments for purchased power even if the power is not available, delivered to or taken by OPPD. In the event another power purchaser defaults, OPPD is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from the default.

OPPD has a 20-year PPA with Flat Water Wind Farm LLC with an obligation for 100% of the output of the 60-MW wind-turbine facility near Humboldt, Nebraska. OPPD's commitment through 2030 under the PPA is $180,000 at December 31, 2010.

At December 31, 2010, OPPD has coal supply contracts which extend through 2013 with minimum future payments of $205,568,000. OPPD also has coal-transportation contracts which extend through 2013 with minimum future payments of $305,696,000 at December 31, 2010. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect through 2016 with estimated future payments of $37,217,000 at December 31, 2010. Contracts for the enrichment of nuclear fuel are in effect through 2024 with estimated future payments of $201,234,000 at December 31, 2010. Additionally, OPPD has contracts through 2012 for the fabrication of nuclear fuel assemblies with estimated future payments of $10,002,000 at December 31, 2010.

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

In 2007, OPPD and the Metropolitan Community College (MCC), executed an Educational Services Agreement for $1,000,000 of educational services (as defined in the Agreement) over a ten-year period. If the commitment is not met by the end of the term, MCC shall have the right to extend the Agreement for an additional five years. As of December 31, 2010, OPPD's remaining commitment was $835,000.

Under the provisions of the Price-Anderson Act at December 31, 2010, OPPD and all other licensed nuclear power plant operators could each be assessed for claims and legal costs in the event of a nuclear incident in amounts not to exceed a total of $117,495,000 per reactor per incident with a maximum of $17,500,000 per incident in any one calendar year. These amounts are subject to adjustment every five years in accordance with the Consumer Price Index.

OPPD is engaged in routine litigation incidental to the conduct of its business and, in the opinion of Management, based upon the advice of General Counsel, the aggregate amounts recoverable or payable from OPPD, taking into account amounts provided in the financial statements, are not significant.

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