Omaha Public Power District

444 South 16th Street Mall
Omaha, NE 68102-2247

April 3, 2012
LIC-12-0045

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

Reference: Docket No. 50-285

SUBJECT: 2011 Annual Report

In accordance with 10 CFR 50.71(b), the 2011 Omaha Public Power District (OPPD) Annual Report is enclosed.

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

No commitments to the NRC are made in this letter.

Sincerely,

Susan E Baughn

S. E. Baughn
Manager - Nuclear Licensing

SEB/mle

Enclosure: OPPD Annual Report

c: E. E. Collins, Jr., NRC Regional Administrator, Region IV
L. E. Wilkins, NRC Project Manager
J. C. Kirkland, NRC Senior Resident Inspector

M004

NRR

RISING ABOVE

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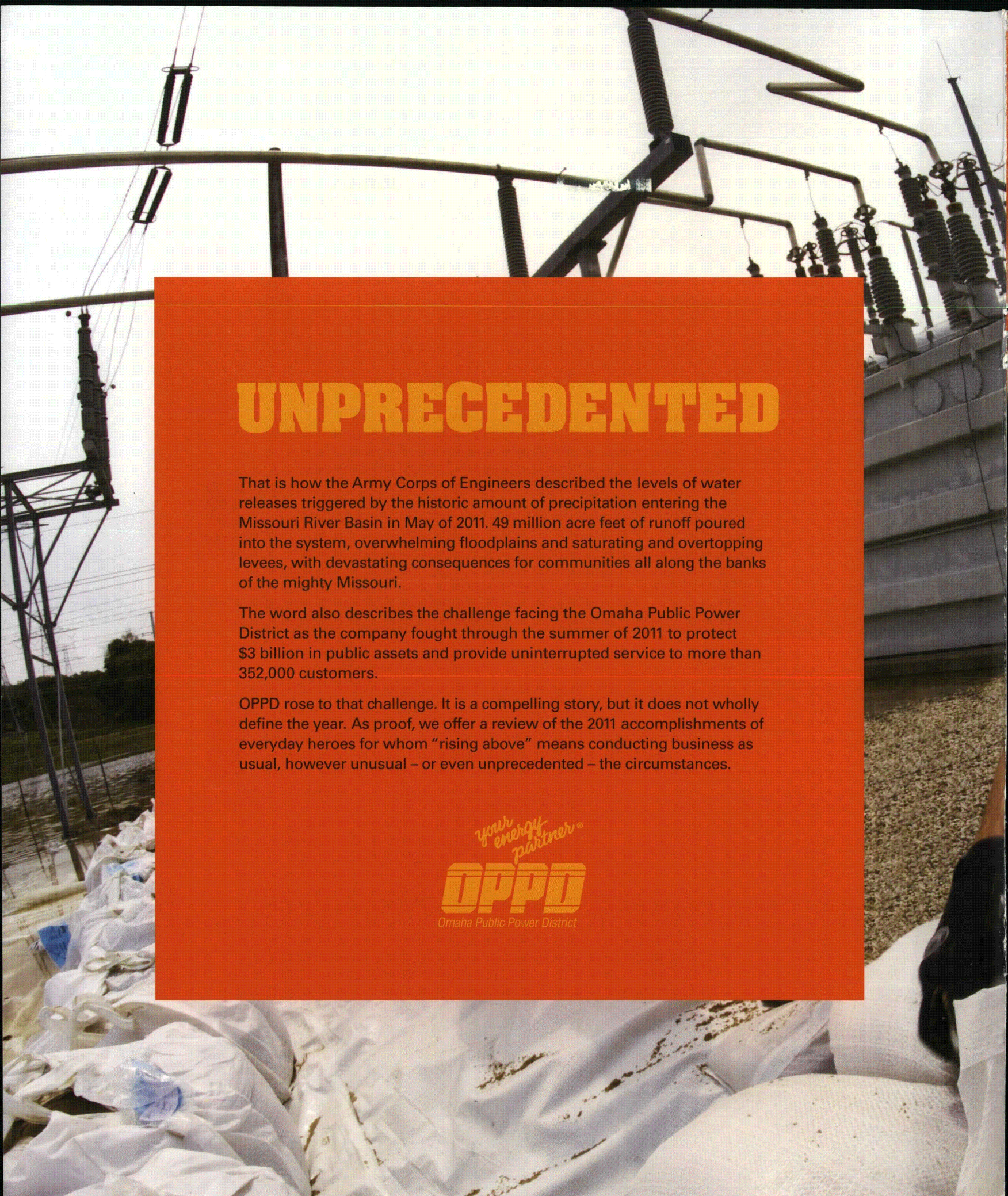
OPPD

Omaha Public Power District

2011 ANNUAL REPORT



UNPRECEDENTED

That is how the Army Corps of Engineers described the levels of water releases triggered by the historic amount of precipitation entering the Missouri River Basin in May of 2011. 49 million acre feet of runoff poured into the system, overwhelming floodplains and saturating and overtopping levees, with devastating consequences for communities all along the banks of the mighty Missouri.

The word also describes the challenge facing the Omaha Public Power District as the company fought through the summer of 2011 to protect $3 billion in public assets and provide uninterrupted service to more than 352,000 customers.

OPPD rose to that challenge. It is a compelling story, but it does not wholly define the year. As proof, we offer a review of the 2011 accomplishments of everyday heroes for whom "rising above" means conducting business as usual, however unusual – or even unprecedented – the circumstances.

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OPPD

Omaha Public Power District

CONTENTS

CHAIRMAN AND CEO MESSAGE

N.P. Dodge Jr., left, and W. Gary Gates

As a publicly owned electric utility, we are always mindful of OPPD's responsibility to our customers, employees and communities. The events of 2011 brought the full weight of that responsibility to bear. Our ability to safely, reliably and affordably provide a product of vital importance to the people we serve was challenged as never before.

The cost of meeting the challenge of managing a flood while maintaining day-to-day operations can be measured in dollars and cents: more than $83 million spent in response to the Missouri River flooding. Of that, $48 million was spent to protect plants, substations and other property, and $35 million was spent for fuel and power purchased due to the flood-related shutdown extension of Fort Calhoun Station.

More difficult to quantify are the strength and resolve shown by the OPPD team as they met each new challenge with determination. Through their tireless efforts, we were able to meet record-setting peak demand despite reduced generating capacity, and to make notable progress in sustainable energy, energy efficiency, safety and continuous process improvement, all while providing the kind of customer service that earned OPPD its 11th consecutive J.D. Power & Associates recognition: ranked highest among midsize utilities in the Midwest in J.D. Power's 2011 Electric Utility Residential Customer Satisfaction Study℠, and the only midsize utility to receive this award 11 consecutive years.

As we look to the challenges of 2012, most significantly the restart of Fort Calhoun Station, we are proud to look back on a year that will be remembered not only for a historic flood, but also for the character of the people who rose above it. We owe an immeasurable debt of thanks to our employees, our managers, our board and our community for their heroic response to the challenges of 2011.

N.P. Dodge Jr.

N.P. Dodge Jr.
Chairman of the Board

W. Gary Gates

W. Gary Gates
President and CEO

BOARD OF DIRECTORS

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

N.P. Dodge Jr.
Chairman of the Board
President, N.P. Dodge Company

John R. Thompson
Vice Chairman of the Board
Land Developer

Michael J. Cavanaugh
Treasurer
Police Lieutenant, City of Omaha (Retired);
Real Estate Investor – Manager

Anne L. McGuire
Secretary
Nurse Educator (Retired)

John K. Green
Board Member
Attorney at Law

Lloyd Scheve
Board Member
Executive Vice President & Chief Lending Officer,
Two Rivers Bank

Fred J. Ulrich
Board Member
Farmer, Cattle Feeder

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

SENIOR MANAGEMENT

The OPPD senior management team includes, from the left: Mohamad I. Doghman, Edward E. Easterlin, Timothy J. Burke, W. Gary Gates, Jon T. Hansen, Sherrye L. Hutcherson and David J. Bannister.

W. Gary Gates
President
Chief Executive Officer

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

Timothy J. Burke
Vice President – Customer Service and Public Affairs
Assistant Secretary

Mohamad I. Doghman
Vice President – Power Grid and Energy Delivery
Assistant Secretary

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

Jon T. Hansen
Vice President – Energy Production and Marketing
Assistant Secretary

Sherrye L. Hutcherson
Vice President – Essential Services
Assistant Secretary

2011 OPERATIONS REVIEW

GENERATING A RECORD

OPPD has weathered much in its 65-year history, but nothing quite as dramatic and far-reaching as the historic flood of 2011. Pictures tell just part of the story. In fact, every OPPD employee has his or her own flood stories to share, as the flood event touched every single worker.

Unprecedented is clearly one way to describe the year. Impressive is another. Work groups across the utility found themselves prioritizing work, and at times, accomplishing feats that normally would have taken much longer.

But as the floodwaters rose, so did average daily temperatures: the heat of summer combined with a bustling Midwest economy to drive our customers' need for electric power to an all-time high. Demand peaked at 2,468.3 megawatts (MW) in the hour between 4 and 5 p.m. on Monday, August 1, 2011, beating the previous official record of 2,402.8 MW set on August 12, 2010.

This record-setting demand was met without the benefit of Fort Calhoun Station, a nuclear plant that has produced nearly one third of OPPD's total generation since September 1973.

As a scheduled April 9 refueling and maintenance outage extended through the calendar year due to the flood emergency, Fort Calhoun Station safely withstood the longest-duration flooding of any nuclear plant in U.S. history.

Since submitting its Flooding Recovery Plan to the Nuclear Regulatory Commission (NRC) in August, OPPD has been working closely with the NRC toward a plant restart.

Exelon Corporation, the largest nuclear operating company in the United States with 17 nuclear reactors at 10 plant sites, is providing plant recovery experience, licensing and regulatory affairs assistance, project management assistance and technical expertise during the recovery process.

Omaha Public Schools received OPPD's J.M. Harding award of excellence in 2011. OPPD Account Executive Wyndle Young and OPS's Jeremy Madson discuss energy-efficient features in one OPS building.

SUSTAINING MOMENTUM

In OPPD's 2011 Sustainability Report, President and CEO Gary Gates noted the company's progress toward its goal of providing 10 percent of our retail energy from renewable resources by 2020: *"We are steadily growing greener through hard work and creativity. At OPPD we are excited as our renewable energy and sustainability program continues to gain momentum."*

At the end of 2011, renewables represented 4 percent of OPPD's total retail sales, with 142.4 MW of wind power and landfill-gas power. Highlights included:

- The completion of construction in October on a 27-turbine wind farm near Petersburg in Boone County, Neb., from which OPPD has an agreement to buy up to 40.5 MW of generation.
- The dedication of the 40-turbine Flat Water Wind Farm near Humboldt in Richardson County, Neb., with which OPPD has a power purchase agreement for the total 60-MW capacity – enough to power 18,000 homes.
- The April 18 opening of the new Omaha Service Center, a 75,000-square-foot facility built to meet Leadership in Energy and Environmental Design (LEED) standards. LEED sets benchmarks for environmentally sustainable construction. In August of 2011, the Omaha Service Center became the third building in Nebraska to be certified as a LEED platinum building, the highest certification level. Also in 2011, OPPD was notified by the American Council of Engineering Companies of the Service Center's selection as the Grand Award Winner in its 2012 Engineering Excellence Awards competition.

Flood-protection efforts protected buildings and equipment at the Fort Calhoun Station site.

PREACHING – AND PRACTICING – ENERGY EFFICIENCY

OPPD is proud to be a partner in the ENERGY STAR program, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy, designed to help consumers save money and protect the environment through energy-efficient products and practices.

Working with professionals in the home-building industry to aid in the completion of ENERGY STAR-rated homes (homes certified by an independent home energy rater to meet rigorous guidelines for energy efficiency), and with customers to promote the purchase of these efficient new homes, OPPD was excited to note the addition of 493 ENERGY STAR homes in 2011.

OPPD's commercial and industrial customers will save more than 15,000 megawatt-hours (MWh) each year thanks to the 2011 Lighting Incentive Program, expanded last year to include certain qualified LED and CFL replacements. The program provides incentives to customers for revamping their lighting with more energy-efficient systems, and in 2011 resulted in lighting projects that reduced electrical demand by 3.2 MW.

OPPD was pleased to recognize Omaha Public Schools with the 2011 J.M. Harding Award of Excellence for efficient and innovative use of energy. The first school district in Nebraska to become an ENERGY STAR partner, the district became the 27th recipient of the award, named for J.M. Harding, OPPD's first president.

With the help of a grant from the Nebraska Department of Environmental Quality, OPPD encouraged customers to recycle old, inefficient refrigerators and freezers through its second-annual Refrigerator Recycling Program. Many of these appliances had been running in garages, using up to four times more energy than a new unit. OPPD paid customers $35 for each appliance, and provided free pickup and hauling. Local artists helped OPPD kick off the program, creating green-themed refrigerator art that was displayed throughout downtown Omaha. A total of 2,057 units were picked up from customers' homes, and 95 percent of the materials that made up these appliances was recycled.

Recognizing the importance of leading by example, OPPD took the ENERGY STAR Challenge and lowered energy consumption by 10 percent across its eligible portfolio through ECO 24/7 projects that included lighting upgrades, occupancy sensors, and operational optimization of chilled-water systems, air-handling units and heat pump condenser loops. These efforts translated into $150,000 in savings in 2011, and in the achievement of ENERGY STAR Leader designation. OPPD is proud to be the first utility in the nation to attain that status.

ABOVE ALL, SERVING CUSTOMERS

Fulfilling our mission of delivering energy services that exceed customer expectations requires a daily commitment to exceptional customer service. Events in 2011 demanded that and more of every one of OPPD's 2,300 employees, who were called upon to maintain the trust and confidence of our customers through exemplary performance in a time of crisis.

OPPD's business continuity team quickly organized to coordinate procurement of supplies and resources, prioritized needs and formulated and followed up on mitigation and recovery action plans. Managers deployed employees to assist in protecting power plants and other facilities, but this was in addition to their regular duties. Account executives, electrical service designers and field employees worked with customers to keep their operations intact during the flooding and through a string of summer storms.

As concerns about the earthquake-related state of emergency at Japan's Fukushima Daiichi nuclear plant and the threat posed by the Missouri River flood turned a spotlight on OPPD's Fort Calhoun Station, the OPPD team kept employees, customers and media representatives around the world informed and updated on a day-by-day basis.

A communication plan that included flood update/recovery newsletters, intranet messaging for OPPD employees and retirees, internet messaging, blogs, videos and social media messaging was developed and executed, addressing rumors and correcting misinformation.

Through it all, the company maintained its focus on customer service. The launch of an OPPDconnect app allows customers to connect with the company with one touch, using Apple's iPhone®, iPod Touch® or iPad®. Users can report home and streetlight outages and view the outage map, view energy-efficiency tips and videos, access residential products and services information, contact OPPD by phone or find an office location on a map, and view OPPDCares tweets.

OPPD offers energy-efficient and energy-saving tips to homeowners. OPPD's Renee Jacobsen and builder Dave Vogtman inspect a home that is under construction.

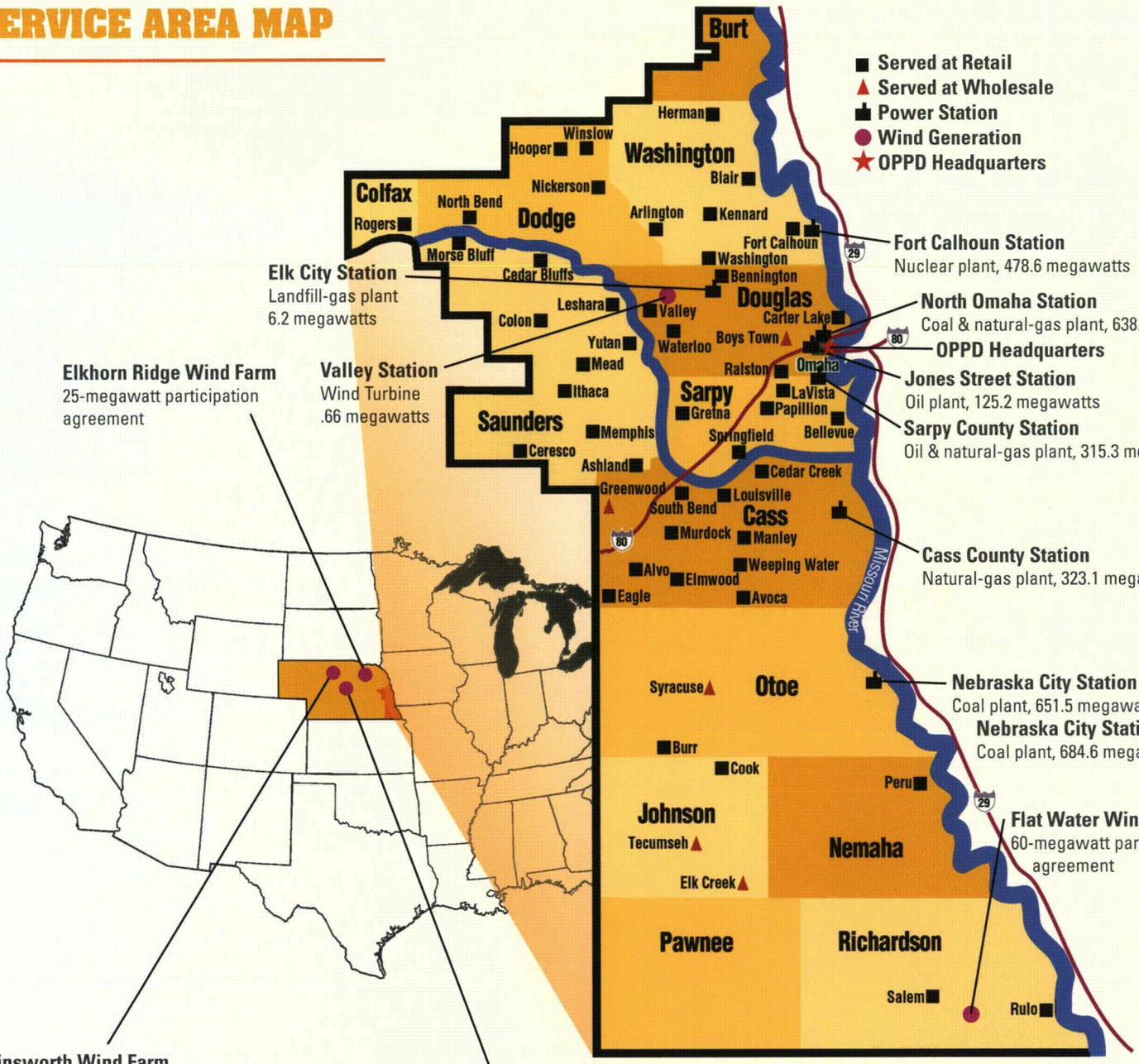
2011 also saw the implementation of a new Business Solutions Center, a call center dedicated specifically to business customers and offering assistance in setting up new accounts, transferring locations, comparing rate options, updating account information, providing bill payment options, and answering metering and rate-related questions. A recent J.D. Power and Associates study found that customer satisfaction could be increased through such a call center, and customer care representatives are optimistic about the potential impact of their efforts.

OPPD's 11th consecutive J.D. Power and Associates Award, based on results of its 2011 Electric Utility Residential Customer Satisfaction Survey, reported high levels of satisfaction with power quality and reliability, price, billing and payment, corporate citizenship, communications and customer service. But justifiable pride in that recognition does not change the fact that customer satisfaction must be earned every day, with every interaction.

We look back on a year of unprecedented challenges, and forward to a year in which regulatory change, cost control and post-flood work will keep the spotlight on OPPD. We know that to continue to exceed customer expectations, we must continue to raise the level of our customer service. **We must keep rising above.**

Line technicians routinely maintain thousands of miles of electric line to ensure customers have reliable power.

SERVICE AREA MAP



About OPPD

Omaha Public Power District is a publicly owned electric utility that serves a population of 784,500 people, more than any other electric utility in the state.

Founded in 1946 as a public entity, the business-managed utility is governed by an elected board of eight directors. While its headquarters is located in Omaha, Neb., OPPD has several other locations in its 13-county, 5,000-square-mile service area in southeast Nebraska.

The majority of OPPD's power comes from three baseload power plants: North Omaha Station and Nebraska City Station, both coal-fired plants, and Fort Calhoun Station, a nuclear power plant. Additional energy comes from three peaking plants and renewable energy resources, including a landfill-gas plant and wind turbines.

2011 FINANCIAL REPORT

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 Board of Directors consists of eight members representing areas of the service territory. Revenues are generated 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.

There were a number of significant events and challenges in 2011, and some of these challenges continue in 2012.

- The Missouri River flood (Flood Event) caused significant, unexpected increases in costs to protect and repair capital assets and to replace generation from Fort Calhoun Station (FCS).
- The Nuclear Regulatory Commission (NRC) placed FCS into a special category of their inspection manual, Chapter 0350, in December 2011. This Chapter is for nuclear plants that are in extended shutdowns with performance issues.
- Management decided to retain the Company's membership status in the Southwest Power Pool (SPP).
- Stricter federal regulations were proposed and are likely to have a substantial financial impact on OPPD going forward.

Employees did an excellent job protecting OPPD's assets from potentially devastating damages from the Flood Event, and efforts continue to satisfactorily address all open issues at FCS. Normal operations are expected to resume in 2012, subject to NRC review and approval. Additional management oversight and resources have been provided to FCS in light of the 2011 events. Management is committed to returning the station to service with safety, as always, the top priority.

OPPD provided notice of intent to change membership status from a transmission-owning member to a non transmission-owning member to SPP in 2010. However, management decided to retain its same membership status in 2011 as a result of several changes implemented by SPP. Changes included the approval of a 20-Year Integrated Transmission Plan with substantial benefits to OPPD's service area, the creation of a task force to address unintended consequences of transmission cost allocation, and the planned move to an Integrated Marketplace in 2014. These changes will ensure access to a strong, reliable transmission system at fair costs to customer-owners.

The United States Court of Appeals for the District of Columbia Circuit issued a ruling on December 30, 2011, to stay the Cross-State Air Pollution Rule (CSAPR) pending a judicial review. Preparations continue for stricter regulations with the execution of low-sulfur coal purchase agreements, acquisition of additional renewable energy sources and continued implementation of sustainable energy and environmental stewardship initiatives. The percentage of retail energy from renewable sources increased from 1.6% in 2010 to 4.0% in 2011.

OPPD continues to demonstrate its strength and stability when facing industry challenges and natural disasters, consistent with its reputation and success in managing similar situations. We will not only meet these challenges, we will rise above and strengthen our company.

Financial results were solid for 2011, despite these challenges, because of the existence of effective risk-management practices. Insurance covered certain losses and costs for mitigation efforts related to the Flood Event. The rate structure included a Fuel and Purchased Power Adjustment (FPPA), which provided for the future recovery of unanticipated costs, and funds from reserves were available to lessen the impact on customer-owners. In addition, the Federal Emergency Management Agency (FEMA) will reimburse certain expenses incurred related to the Flood Event and other storm restoration efforts. All of these resources and risk-management practices helped mitigate the financial impact related to this natural disaster.

A general rate adjustment of 4.5% and an FPPA increase of 1.4% occurred on January 1, 2012. The general rate adjustment was for higher operating costs. The FPPA increase was to commence the recovery of 2011 fuel and purchased power costs beginning in 2012. Rate Stabilization Reserve funds of $32,000,000 were used to help

finance the fuel and purchased power costs in 2011 and lessen the impact on customer-owners. These funds will be replenished over a three-year period from increases in the FPPA. OPPD's retail rates still remain below national averages.

OPPD's strong financial position is affirmed by its high bond ratings, which allow for the issuance of debt at reduced interest rates. Bonds were issued in 2011 to finance capital projects and to reduce interest costs by refunding certain outstanding bonds. The present value savings from these refundings were $20,880,000.

The challenges of 2011 made OPPD reflect and refocus to ensure the utility continues to remain strong. The 2012 strategic plan provides direction and facilitates organizational alignment for achieving our vision of being the ideal utility, with a mission to deliver energy services that exceed customer expectations. Management is committed to increasing efficiencies and managing costs. Challenges, such as maintaining low rates with rising operating costs and needing additional capital investments to comply with environmental and other regulatory mandates continue, but at OPPD, the public power advantage is clear, and the focus remains on the best interests of our customer-owners.

USING THIS FINANCIAL REPORT

This Financial Report includes this Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements (Notes). 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-term 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 support the Financial Statements.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

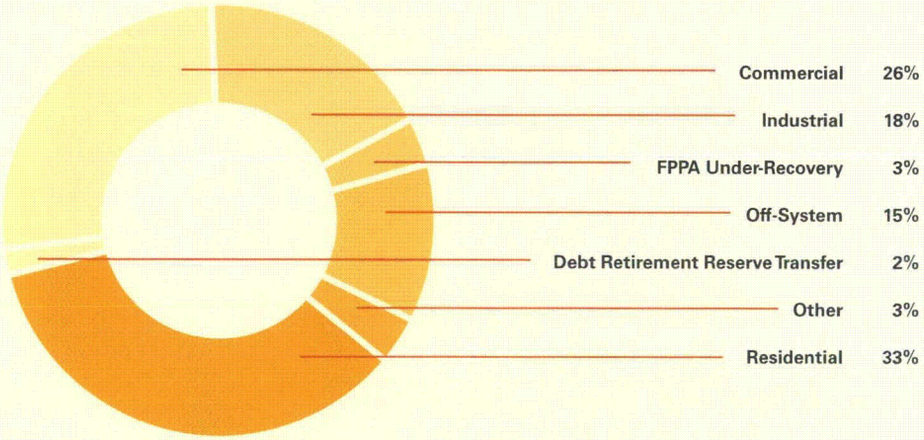
Condensed Balance Sheets	**2011**	**2010**
Capital Assets	$3,285,897	$ 3,217,187
Other Long-Term Assets	601,801	564,841
Current Assets	623,198	631,861
Total Assets	**$4,510,896**	**$4,413,889**
Long-Term Liabilities	$2,526,141	$2,433,903
Current Liabilities	225,272	274,943
Total Liabilities	2,751,413	2,708,846
Equity	1,759,483	1,705,043
Total Liabilities and Equity	**$4,510,896**	**$4,413,889**

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

Operating Results	2011	2010	2009
Operating Revenues	$1,041,762	$986,350	$899,966
Operating Expenses	(943,810)	(872,001)	(793,390)
Operating Income	97,952	114,349	106,576
Other Income	37,257	21,255	26,578
Interest Expense	(89,149)	(87,177)	(86,597)
Net Income Before Special Item	46,060	48,427	46,557
Special Item	8,380	(8,380)	-
Net Income	**$ 54,440**	**$ 40,047**	**$ 46,557**

OPERATING REVENUES

The following chart illustrates the percentage share of revenue by category for 2011. Other electric revenues include connection charges, late payment charges, rent from electric property, wheeling fees and miscellaneous revenues.



2011 Compared to 2010 - Total operating revenues were $1,041,762,000 for 2011, an increase of $55,412,000 or 5.6% over 2010 operating revenues of $986,350,000.

- The change in 2011 total operating revenues compared to 2010 was mainly due to transfers from the Debt Retirement Reserve and the recognition of additional revenues for the under-recovery of FPPA.
- Prior to the net increase of $24,000,000 for 2011 and the net decrease of $13,000,000 for 2010 for changes to the Debt Retirement Reserve, revenues from retail sales were $828,678,000 for 2011, an increase of $42,862,000 or 5.5% over 2010 revenues of $785,816,000. The change in retail revenues was primarily due to the revenue adjustment for the under-recovery of fuel and purchased power expenses of $35,345,000.
- Revenues from off-system sales were $159,732,000 for 2011, a decrease of $24,642,000 or 13.4% from 2010 revenues of $184,374,000. The decrease was due to the extended outage at FCS, which resulted in less energy available for sale to the off-system market.

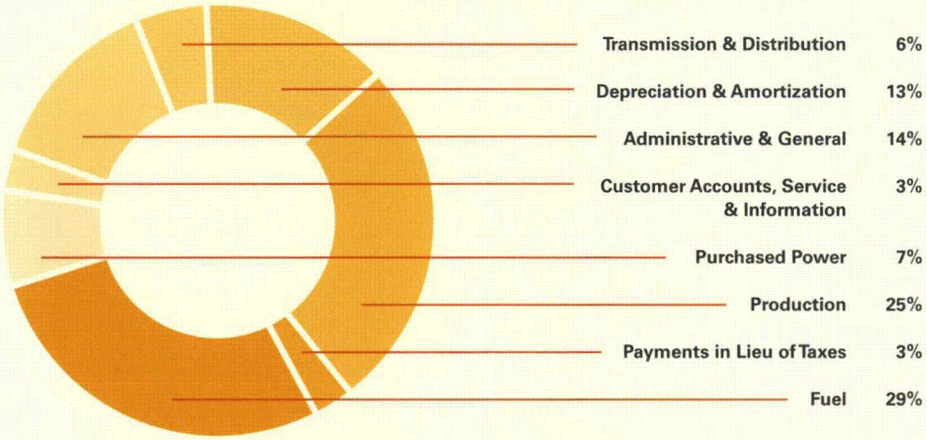
2010 Compared to 2009 - Total operating revenues were $986,350,000 for 2010, an increase of $86,384,000 or 9.6% over 2009 operating revenues of $899,966,000.

- 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 SPP for the full year in 2010.

OPERATING EXPENSES

The following chart illustrates the percentage share of operating expenses by expense classification for 2011.



2011 Compared to 2010 - Total operating expenses were $943,810,000 for 2011, an increase of $71,809,000 or 8.2% over 2010 operating expenses of $872,001,000.

- Fuel expense increased $23,752,000 over 2010, primarily due to a greater utilization of higher priced fossil fuels, resulting from the extended outage at FCS.
- Purchased Power expense increased $23,797,000 over 2010 due to the extended outage at FCS and additional renewable energy purchases.
- Production expense increased $11,954,000 over 2010, primarily due to the utilization of additional resources related to the Flood Event.
- Transmission expense increased $4,126,000 over 2010, primarily due to the utilization of additional resources related to the Flood Event and higher transmission fees for energy purchases.
- Distribution expense decreased $3,392,000 from 2010, primarily due to the diversion of resources from routine operations and maintenance activities to the Flood Event. Many of the expenditures for the Flood Event were offset by estimated insurance recoveries.
- Customer Service and Information expense decreased $2,478,000 from 2010 due to fewer expenses for heat pump incentives and other sustainable energy programs.
- Administration and General expense increased $10,989,000 over 2010, primarily due to higher employee benefit costs.
- Depreciation and Amortization increased $2,884,000 over 2010 due to additional depreciation for capital additions.

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 expense 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.

OTHER INCOME (EXPENSES)

Other income (expenses) totaled $37,257,000 in 2011, an increase of $16,002,000 over 2010 other income of $21,255,000. Allowances for funds used during construction (AFUDC) were $3,486,000 higher than 2010, primarily for capital expenditures at FCS. Other - net was $12,034,000 higher, primarily due to estimated reimbursements from the federal government for certain costs incurred for the Flood Event and federal subsidies for retiree health care and interest on Build America Bonds.

In 2011, contributions in aid of construction (CIAC) and the related offsetting expense, reduction of plant costs recovered through CIAC, were $3,603,000 higher than in 2010, primarily due to reimbursements from NC2 participants.

Other income (expenses) totaled $21,255,000 in 2010, a decrease of $5,323,000 from 2009 other income of $26,578,000. AFUDC was $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, 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.

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, ECO 24/7, 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 $2,896,000 for 2011, an increase of $176,000 over 2010 income of $2,720,000. This increase was primarily due to greater income from sales of the In-Home Electrical Protection Plan and ECO 24/7 products.
- 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.

INTEREST EXPENSE

Interest expense was $89,149,000 for 2011, an increase of $1,972,000 over 2010 interest expense of $87,177,000. Interest expense for 2010 increased $580,000 over 2009 interest expense of $86,597,000. Both of these increases were due to interest for new bond issues.

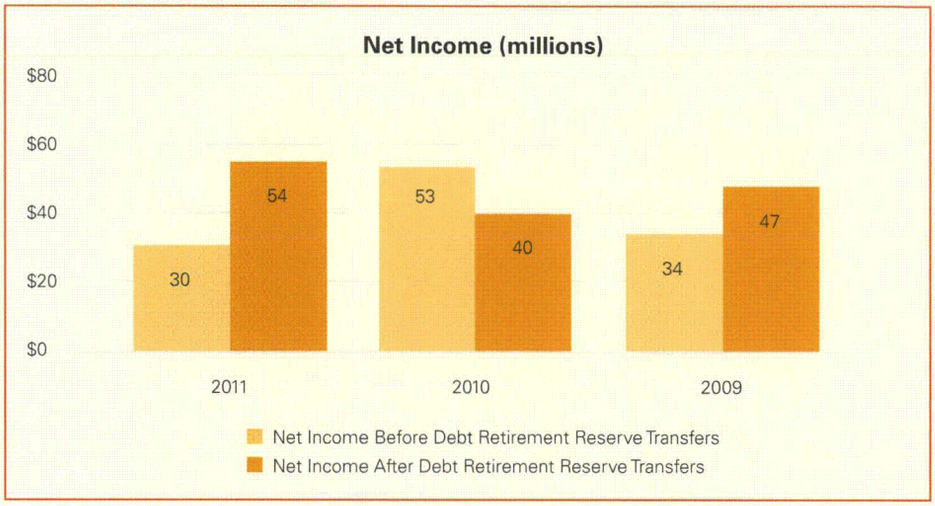
SPECIAL ITEM

In 2010, OPPD notified SPP of its intent to change its membership status from a transmission-owning member to a non transmission-owning member. A liability for the estimated fees of $8,380,000 for changing membership status was recorded in 2010. The Company decided to remain in SPP as a transmission-owning member based on new information in 2011, including the addition of an Integrated Marketplace in the SPP system, a plan for transmission projects that substantially benefit OPPD's service area and the creation of a task force to address unintended consequences of transmission cost allocation. These changes allow OPPD access to a stronger transmission system with increased reliability at fair costs to its customer-owners. In 2011, the $8,380,000 liability for the estimated fees to change membership status was removed and a corresponding amount was recorded as a special item.

NET INCOME

Net income, after revenue adjustments for changes to the Debt Retirement Reserve, was $54,440,000, $40,047,000 and $46,557,000 for 2011, 2010 and 2009, respectively. Changes to the Debt Retirement Reserve resulted in operating revenues and net income increasing by $24,000,000 in 2011, decreasing by $13,000,000 in 2010 and increasing by $13,000,000 in 2009.

The following chart illustrates net income (in millions) for the past three years.



NUMBER OF CUSTOMERS

OPPD has a stable, diverse customer base that continues to increase at a modest growth rate.

- The average number of customers served was 352,223 in 2011, an increase of 5,432 or 1.6% over the average number of customers for 2010 of 346,791.
- 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 following table shows the average number of customers by customer class.

Number of Customers	2011	2010	2009
Residential	308,412	303,374	299,813
Commercial	43,564	43,225	43,134
Industrial	206	154	151
Off-System	41	38	34
Total	**352,223**	**346,791**	**343,132**

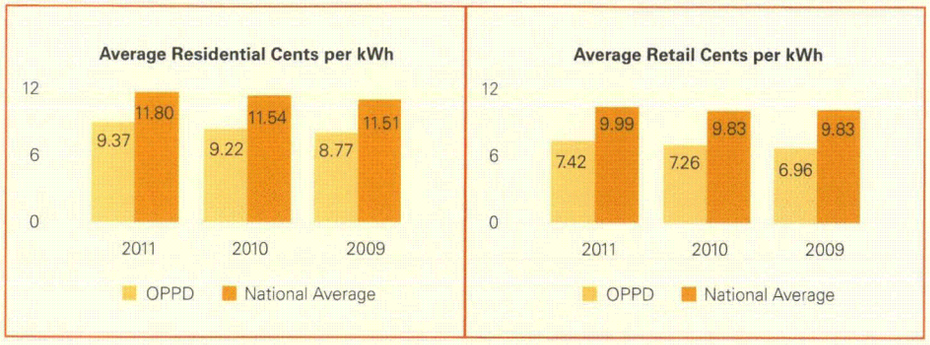
There was a reclassification of customers between Commercial and Industrial in 2011 due to changes in annual energy usage.

CENTS PER KWH

OPPD is sensitive to customer rate levels charged and strives to manage costs to maximize the public power advantage of low-cost energy and reliable service.

- Residential customers paid an average of 9.37, 9.22 and 8.77 cents per kilowatt-hours (kWh) in 2011, 2010 and 2009, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 11.80 for 2011 (preliminary year-to-date December 2011) and 11.54 and 11.51 cents per kWh for 2010 and 2009, respectively. Based on the preliminary EIA data for 2011, OPPD residential rates were 20.6% below the national average.
- Retail customers paid an average of 7.42, 7.26 and 6.96 cents per kWh in 2011, 2010 and 2009, respectively. The national average retail cents per kWh according to EIA was 9.99 for 2011 (preliminary year-to-date December 2011) and 9.83 cents per kWh for 2010 and 2009. Based on the preliminary EIA data for 2011, OPPD retail rates were 25.7% 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 of 4.5% and an FPPA increase of 1.4% were implemented January 1, 2012. The general rate adjustment was the result of increased operating costs, including higher employee benefit costs. The increase in FPPA was to commence the recovery of higher than expected costs in 2011 related to the Flood Event and the extended outage at FCS. Rate Stabilization Reserve funds of $32,000,000 were used in 2011 to help finance these additional costs and to lessen the impact on customer-owners. These funds will be replenished over a three-year period with increases in the FPPA.

A general rate adjustment was not implemented in 2011 due to cost-containment efforts by the Company. The FPPA increase in 2011 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. A 14.5% fuel and transportation cost adjustment was implemented in 2009, as a result of a sharp increase in coal and coal-transportation costs. As shown in the preceding charts, OPPD's retail electric rates remain well below the national average.

CASH AND LIQUIDITY

OPPD maintains sufficient liquidity to ensure working capital is available for normal operational needs and to fund unexpected but predictable risk events. OPPD's liquidity is in the form of cash, marketable securities and a line of credit. Bond offerings also provide a significant source of liquidity for capital requirements not financed by cash from operations.

FINANCING

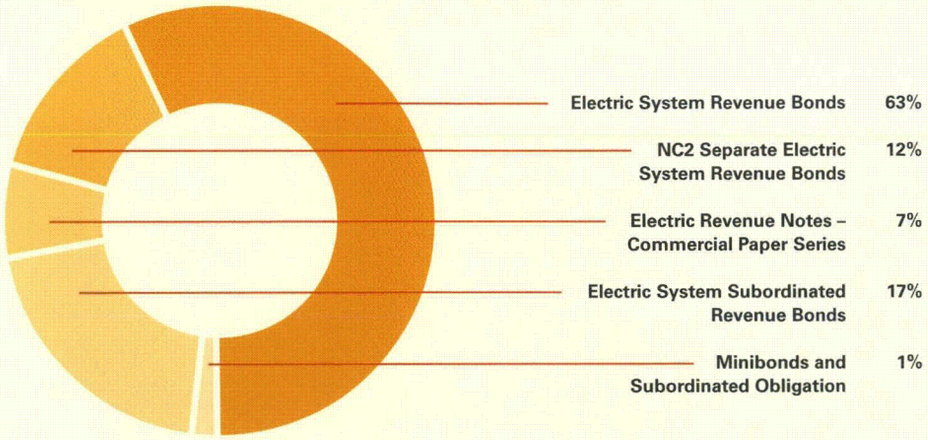
The financing plan optimizes the debt mix to ensure liquidity needs are met and the Company's strong financial position is maintained. The current 2012 financing plan excludes the need for a bond issue in 2012.

In 2011, there were three Electric System Revenue Bond issues totaling $421,770,000, of which $283,840,000 was issued to refund outstanding bonds with higher interest rates, and $137,930,000 was issued to finance capital expenditures. There were repayments of $36,815,000 of Electric System Revenue Bonds, $920,000 of Electric System Subordinated Revenue Bonds and $242,000 of Minibonds in 2011. Repayments for the Electric System Revenue Bonds included a principal payment of $8,350,000 for the early call of the 1993 Series C term bonds due February 1, 2012.

In 2010, $120,000,000 of taxable Electric System Revenue Bonds were issued to finance capital expenditures. As authorized by the American Recovery and Reinvestment Act of 2009, these federally taxable bonds were designated as Build America Bonds, and OPPD 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 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 1993 Series C term bonds due February 1, 2011.

OPPD has executed a Credit Agreement for $250,000,000, which will expire on October 1, 2013. There were no amounts outstanding under this credit agreement as of December 31, 2011.

The following chart illustrates the debt mix at December 31, 2011.



RATINGS

OPPD's excellent bond ratings allow it to borrow funds at reduced 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 as of December 31, 2011, 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 decrease in cash of $4,844,000 during 2011, an increase in cash of $14,552,000 during 2010 and a decrease in cash of $18,551,000 during 2009.

The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

Cash Flows	2011	2010	2009
Cash Flows from Operating Activities	$153,493	$ 267,156	$200,237
Cash Flows from Capital and Related Financing Activities	(192,443)	(222,256)	(290,003)
Cash Flows from Investing Activities	34,106	(30,348)	71,215
Change in Cash and Cash Equivalents	**$ (4,844)**	**$ 14,552**	**$ (18,551)**

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 2011 decreased $113,663,000 from 2010, primarily due to an increase in cash paid to operations and maintenance suppliers and off-system counterparties for energy and flood-related expenses.
- 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 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 2011 decreased $29,813,000 from 2010, primarily due to the issuance of debt and fewer nuclear fuel expenditures, which was partially offset by a principal reduction of debt through defeasances and higher capital expenditures.
- Cash flows used for 2010 decreased $67,747,000 from 2009, primarily due to the proceeds from the issuance of additional debt.

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

- Cash flows for 2011 increased $64,454,000 over 2010, primarily due to an increase in the difference in the amount of cash received from maturities and sales of investments over the cash used for purchases of investments.
- 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.

DEBT SERVICE COVERAGE FOR ELECTRIC SYSTEM

Debt service coverage for the Electric System Revenue Bonds was 2.18, 2.47 and 2.38 in 2011, 2010 and 2009, respectively. 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. Transactions in 2011, 2010 and 2009 for the NC2 Separate Electric System were not included in the calculation because the Electric System Revenue Bonds are not secured by the Separate System.

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 51.1% and 50.8% as of December 31, 2011 and 2010, respectively.

RETIREMENT PLAN AND OTHER POST EMPLOYMENT BENEFITS

The Company provides retirement and other post employment benefits (OPEB) as full-time employees are not covered by Social Security and only those employees hired after March 1, 1986, are covered by Medicare. Actions have been taken to help offset the increase in these costs with plan design changes, including the addition of a Cash Balance Option for the defined benefit Retirement Plan and the establishment of a separate OPEB Plan 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 $47,585,000, $42,045,000 and $45,278,000 for the years 2011, 2010 and 2009, respectively. The increase in 2011 costs was primarily due to changes in actuarial assumptions (i.e. lower interest rates and updated mortality tables) and losses from Retirement Plan experience. The employees' contribution percentage was 6.2% for 2011 and 2010 and 5.6% for 2009. Employee contributions to the Retirement Plan were $11,369,000, $11,313,000 and $10,135,000 for the years 2011, 2010 and 2009, respectively. The Retirement Plan's funded status based on the actuarial value of assets to the present value of accrued plan benefits was 83.0%, 85.8% and 89.3% as of January 1, 2011, 2010 and 2009, respectively.

The annual required contributions for the two OPEB plans totaled $29,511,000, $25,751,000 and $22,434,000 for the years 2011, 2010 and 2009, respectively. The increase in 2011 costs was primarily due to changes in actuarial assumptions, including updated mortality and medical trend tables and interest rates.

RISK MANAGEMENT PRACTICES

An Enterprise Risk Management (ERM) program is used to identify, quantify, prioritize and manage the risks of the entire 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. Funds for this reserve were used to help finance the higher fuel costs and unexpected energy purchases in 2011 and lessen the impact on customer-owners. The balance of the fund was $0 and $32,000,000 as of December 31, 2011 and 2010, respectively. The fund will be replenished over a three-year period, with increases to the FPPA, commencing in 2012. The balance of the reserve was maintained at $32,000,000 as of December 31, 2011 and 2010.

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. The reserve was used to provide additional revenues and funds of $24,000,000 and $13,000,000 in 2011 and 2009, respectively. With the strong financial results for 2010, $13,000,000 was added to the reserve to help meet economic challenges in future years. The balance of the fund was $48,000,000 and $45,000,000 as of December 31, 2011 and 2010, respectively. The balance of the reserve was $34,000,000 and $58,000,000 as of December 31, 2011 and 2010, 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 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 administer the receipt, communication 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 claims.
- 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 3,222.7 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 2011.

	Capability	% of Total
Coal		
Nebraska City Station Unit 1 (NC1)	651.5	
Nebraska City Station Unit 2 (NC2)	684.6	
North Omaha Station (NOS)	534.2	
Subtotal Coal	1,870.3	58.0
Nuclear		
Fort Calhoun Station (FCS)	478.6	14.9
Oil/Natural Gas		
Cass County Station	323.1	
Jones Street Station	125.2	
North Omaha Station	104.0	
Sarpy County Station	315.3	
Subtotal Oil/Natural Gas	867.6	26.9
Other		
Elk City Station (landfill-gas)	6.2	0.2
Total Owned Generation	**3,222.7**	**100.0**

RENEWABLE CAPABILITY INCLUDING PURCHASED POWER CONTRACTS

Renewable portfolio standards are currently mandated in several states. A goal has been established to provide 10 percent of retail energy from renewable sources by 2020 to be prepared in the event of such a mandate. This percentage increased from 1.6% in 2010 to 4.0% in 2011 and is expected to increase to 4.9% and 7.3% in the years 2012 and 2013, respectively. All of the renewable sources are wind, except for Elk City Station, which is landfill-gas. Opportunities for solar energy also are being reviewed. In addition to these sources, the Company has a purchased power contract with the Western Area Power Administration for 82 MW of hydro power.

The following table shows the renewable generation owned or purchased (in MW).

	Capability
OPPD Generation	
Elk City Station (landfill-gas)	6.2
Valley Station (wind)	0.7
Subtotal OPPD Owned	6.9
Purchased Generation	
Ainsworth	10.0
Elkhorn Ridge	25.0
Flat Water	60.0
Petersburg	40.5
Subtotal Existing Purchased Generation	135.5
Total Renewable Generation as of December 31, 2011	142.4
Additional Purchased Generation in 2012	
Broken Bow 1	18.0
Broken Bow 2	45.0
Crofton Hills	13.0
Subtotal 2012 Additional Purchased Generation	76.0
Expected Renewable Generation as of December 31, 2012	**218.4**

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 current economic conditions. Capital expenditures for 2011 were $34,802,000 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 2012 and 2013 (in millions).

	Projected		Actual		
Capital Program	**2013**	**2012**	**2011**	**2010**	**2009**
Production	$122.9	$ 67.6	$103.3	$ 111.7	$ 93.0
Transmission and Distribution	97.5	100.4	65.0	57.7	69.5
General	45.3	29.2	27.5	40.6	18.3
Total	**$265.7**	**$197.2**	**$195.8**	**$210.0**	**$180.8**

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

- FCS expenditures include the extended power uprate and other plant improvement projects. The extended power uprate was scheduled for completion in 2013 but has been postponed to focus efforts on the restart and operations of FCS. Activities that were in progress will be completed, but no further related activities will be started.
- Low nitrogen-oxide burners were installed on NC1 in 2010.
- Projected expenditures include additional capital costs to address stricter environmental regulations.

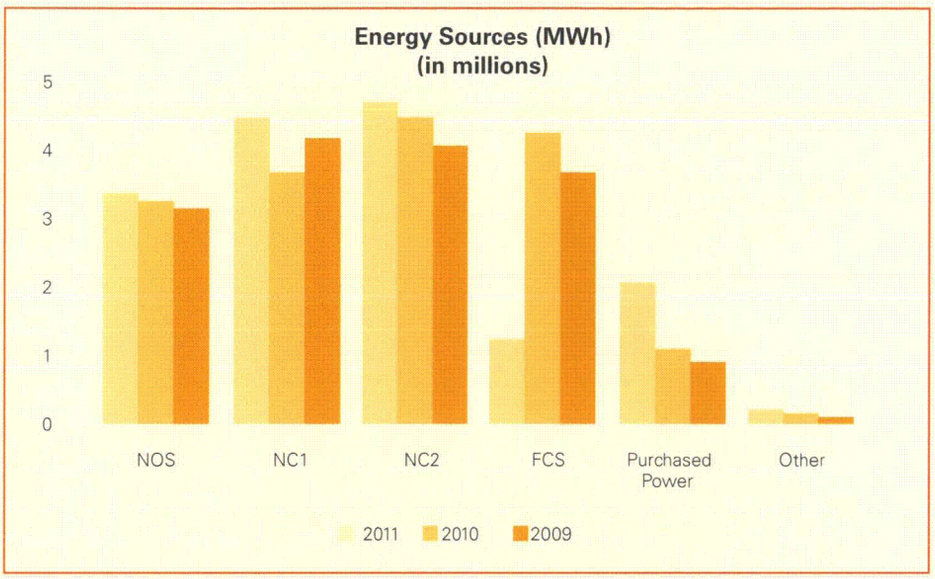
Transmission and distribution system upgrades include new technologies to ensure reliability and efficiency, while providing important operational information. The projected expenditures include the addition of transmission lines, new substations and equipment for the expansion of existing substations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

General expenditures for 2011 and projected expenditures for 2012 and 2013 include the purchase of construction and transportation equipment and information technology upgrades. A new customer information and billing system was implemented in 2011.

FLOOD IMPACT

The Missouri River flood of 2011 affected OPPD in many ways. Significant costs were incurred to protect property and ensure continued reliable electric service to customer-owners. In April 2011, FCS began a scheduled refueling outage. Outage activities were suspended to focus on the flood-mitigation efforts. The extended outage at FCS resulted in reduced off-system energy sales and additional energy purchases to meet retail loads in 2011. FCS remains off-line and the NRC has placed it in a special category for plants that are in extended shutdowns with performance issues. Efforts are under way to satisfactorily address all issues and resume normal operations in 2012, subject to NRC review and approval. Management is committed to returning FCS to service with safety, as always, the first priority.

The following chart shows the change in energy sources in 2011 as compared to prior years due to the Flood Event (in MWh).



EXPENSES

The Flood Event impacted all of the coal and nuclear generating units and some transmission and distribution structures. The Company spent $47,525,000 in 2011 for flood mitigation and related costs to protect capital assets and ensure continued coal deliveries. This amount excludes $35,345,000 in additional expenses for purchased power and the utilization of higher priced fossil fuels, primarily due to the extended outage at FCS. Insurance reimbursements were estimated at $11,536,000 as of December 31, 2011, of which $7,000,000 was received in 2011. Estimated 2011 claims with FEMA were $15,605,000 as of December 31, 2011.

GENERAL FACTORS AFFECTING OPPD AND THE ELECTRIC UTILITY INDUSTRY

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

ENVIRONMENTAL ISSUES

CSAPR was published on August 8, 2011, to improve air quality by reducing power plant emissions contributing to ozone and fine particle pollution in other states. The final rule establishes a cap-and-trade system with state and unit specific allowance allocations to achieve desired emission reductions for nitrogen oxide and sulfur dioxide. Implementation of Phase I of the final rule was scheduled to begin in 2012, but the United States Court of Appeals for the District of Columbia issued an order on December 30, 2011, staying CSAPR pending judicial review. Due to the uncertainties regarding the court review, neither costs nor time frames can be estimated for this regulation. Preparations continue for stricter regulations with the execution of low-sulfur coal purchase agreements, acquisition of additional renewable energy sources and continued implementation of sustainable energy and environmental stewardship initiatives.

FEDERAL ENERGY LEGISLATION

As a result of the 2010 elections, the 112th Congress has a very different approach to energy issues than the previous Congress. Republicans control the House of Representatives, and this greatly decreases the probability of enacting legislation for a carbon cap-and-trade program for the electric utility industry through the end of 2012. In 2011, the House of Representatives passed legislation that would block efforts by the Environmental Protection Agency (EPA) to regulate greenhouse gas emissions under the Clean Air Act. The House of Representatives also passed legislation to block or delay

other EPA regulatory proposals that are aimed primarily at fossil-fired electric generation facilities. The Senate has not passed similar legislation and is unlikely to do so through 2012. Any efforts on energy legislation are likely to be very limited and would 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 2011 session, the Nebraska Legislature did not enact any major changes affecting the electric utility industry. No major changes are expected in 2012.

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 that 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. Reports for the Governor and Legislature on the conditions in the electric industry indicating whether retail competition would be beneficial for Nebraska's citizens are prepared at the request of the Power Review Board. All of the conditions for retail competition have not been met, based on the findings from the latest report, dated October 2010.

TRANSMISSION ACCESS

On April 1, 2009, OPPD became a transmission-owning member of 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.

SPP has approved the Integrated Marketplace, which is expected to go live on March 1, 2014. Concurrently, OPPD's current Balancing Authority will be replaced by SPP's Consolidated Balancing Authority.

OPPD is 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 $295,000, $5,811,000 and $1,135,000 from the DOE in 2011, 2010 and 2009, 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 is a list of accounting policies that 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.

A major flood-protection effort involved raising railroad tracks to allow delivery of coal shipments.

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

W. Gary Gates
President and CEO

Edward E. Easterlin
Vice President and CFO