



January 27, 2016  
LIC-16-0007

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

Fort Calhoun Station, Unit No. 1  
Renewed Facility Operating License No. DPR-40  
NRC Docket No. 50-285

Subject: Omaha Public Power District (OPPD) Fort Calhoun Station Decommissioning External Trust Fund Audit

Reference: 1. Letter from OPPD (C. P. Moriarty) to NRC (R. S. Wood) dated June 29, 1990

Enclosed please find a copy of the subject audit dated January 4, 2016. The audit is of the statements of net assets available for decommissioning costs of OPPD's Fort Calhoun Station Decommissioning External Trust Fund as of June 30, 2015 and 2014, and the related statements of changes in net assets available for decommissioning costs for the years then ended. The Decommissioning Funding Plan Trust Agreement enclosed with Reference 1 requires that the NRC be notified of audit results.

No commitments are made in this letter.

If you have any questions regarding the enclosed changes, please contact Mr. John Thurber at 402-636-3056.

Respectfully,

Bradley H. Blome  
Manager – Site Regulatory Assurance

BHB/mle

Enclosure

c: M. L. Dapas, NRC Regional Administrator, Region IV (w/o enclosure)  
C.F. Lyon, NRC Project Manager (w/o enclosure)  
S. M. Schneider, NRC Senior Resident Inspector (w/o enclosure)

ADD  
NRR

**Deloitte.**



Omaha Public Power District  
Fort Calhoun Station  
Decommissioning External  
Trust Fund

Financial Statements as of and for the  
Years Ended June 30, 2015 and 2014, and  
Independent Auditors' Report

**OMAHA PUBLIC POWER DISTRICT  
FORT CALHOUN STATION  
DECOMMISSIONING EXTERNAL TRUST FUND**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Omaha Public Power District  
Omaha, Nebraska

We have audited the accompanying financial statements of the Omaha Public Power District Fort Calhoun Station Decommissioning External Trust Fund (the "Fund"), which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, such financial statements referred to above present fairly, in all material respects, the net position of the Omaha Public Power District Fort Calhoun Station Decommissioning External Trust Fund as of June 30, 2015 and 2014, and the revenues, expenses and changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Report on Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The certification of payments from the Fund pursuant to Sections 5 and 6 of the Fort Calhoun Station Decommissioning Funding Plan on page 11 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Omaha Public Power District's management and was derived from and directly relates to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

January 4, 2016

**OMAHA PUBLIC POWER DISTRICT  
FORT CALHOUN STATION  
DECOMMISSIONING EXTERNAL TRUST FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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**Overview**

The Fort Calhoun Station (the "Station" or "FCS") is a pressurized water reactor nuclear plant. The Station is owned by the Omaha Public Power District ("OPPD") and was placed in commercial operation in September 1973. It is located on the west bank of the Missouri River approximately 20 miles north of the City of Omaha in the vicinity of Fort Calhoun, Nebraska. The Nuclear Regulatory Commission ("NRC") issued a renewed operating license for the Station in November 2003 that enables the plant to continue operating until 2033.

In February 1983, OPPD's Board of Directors authorized a plan for the decommissioning of the Station at the end of its operating license. The plan calls for the allocation of the cost of decommissioning during the Station's life to the customers receiving the benefits. Accordingly, in July 1983 OPPD began making funding contributions for the future decommissioning of the Station.

In 1990, pursuant to NRC regulations, OPPD established an external trust fund based upon the NRC's minimum funding requirements. To ensure that additional funds are available to pay decommissioning costs, a supplemental trust fund was established in 1992 ("1992 Fund"). The funds in the 1992 Fund are in excess of the NRC's minimum funding requirements and are not included in these financial statements. FCS was taken out of service for a normal refueling outage in April 2011. Outage activities were suspended in June 2011 to protect facilities from rising river levels caused by the release of record amounts of water from dams along the Missouri River by the U.S. Army Corps of Engineers. The NRC placed FCS into a special category of their inspection manual, Chapter 0350, in December 2011. This Chapter is for nuclear power plants that are in extended shutdowns with performance issues. FCS resumed normal operations in December 2013, after satisfactorily completing NRC requirement and inspections. On March 31, 2015 the NRC moved FCS out of Chapter 0350 and into its Regular Oversight Process.

OPPD contracts with Exelon Generation Company, LLC (Exelon), the largest operator of nuclear stations in the United States, for operational and managerial support services. The unaudited Management's Discussion and Analysis should be read in conjunction with the financial statements and related notes. This document contains forward-looking statements based on OPPD's current plans.

**Financial Position and Results of Operations**

The following were the Net Positions of the Omaha Public Power District Fort Calhoun Station Decommissioning External Trust Fund (the "Fund") at June 30 (dollar amounts in thousands):

	2015	2014
Net position - restricted for decommissioning costs	<u>\$ 277,242</u>	<u>\$ 272,532</u>

The following were the revenues of the Fund for the years ended June 30 (dollar amounts in thousands):

	2015	2014
Investment income	\$ 6,408	\$ 5,429
Increase/(decrease) in fair value of investments	<u>(1,698)</u>	<u>3,951</u>
Total revenues	<u>\$ 4,710</u>	<u>\$ 9,380</u>

#### *2015 Compared to 2014*

Total revenues were \$4.7 million for the year ended June 30, 2015, with \$6.4 million from investment income partially offset by \$1.7 million from an overall decrease in the fair value of investments due to unfavorable market conditions. Total revenues were \$9.4 million for the year ended June 30, 2014, with \$5.4 million from investment income and \$4.0 million from an overall increase in the fair value of investments due to favorable market conditions.

#### *Funding Policy*

OPPD annually reviews the funding requirements and cost projections for decommissioning activities. Cost projections are based on NRC formulas and indices and an independent engineering firm's estimates. Earnings rate projections are based on a composite of the forecasted yield on 5-year Treasury Notes and the actual yields on OPPD's decommissioning fund. Inflation rate projections are based on forecasts of the consumer price index. All investment income earned is reinvested in the decommissioning fund.

The present value of the minimum decommissioning amount ("MDA") required by the NRC was estimated at \$436.8 million as of June 30, 2015. Given current escalation indices and projected earnings rates, the balance of OPPD's Fort Calhoun Station Decommissioning External Trust Fund and the present value of future earnings in this Fund are estimated to exceed the MDA, partly due to the Station's 20-year license extension. Accordingly, no funding was required for the fiscal years presented. The amount deemed in excess of the MDA will remain in the Fund to cover possible changes in escalation indices and projected earnings rates.

#### **Summary of the Financial Statements**

The financial statements, related notes, and Management's Discussion and Analysis provide information about the Fort Calhoun Station Decommissioning External Trust Fund's financial position and activities. The Statements of Net Position present the Fund's net assets as of June 30, 2015 and 2014. The Statements of Revenues, Expenses and Changes in Net Position present the Fund's revenues and expenditures for the years ended June 30, 2015 and 2014. The Notes to Financial Statements provide additional detailed information.

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

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**OMAHA PUBLIC POWER DISTRICT  
FORT CALHOUN STATION  
DECOMMISSIONING EXTERNAL TRUST FUND**

**STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2015 AND 2014  
(Dollar amounts in thousands)**

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	2015	2014
ASSETS		
Investments, at fair value (Note 2)	\$ 276,833	\$ 272,256
Accrued interest receivable	<u>409</u>	<u>276</u>
NET POSITION - RESTRICTED FOR DECOMMISSIONING COSTS	<u>\$ 277,242</u>	<u>\$ 272,532</u>

The accompanying notes are an integral part of the financial statements.

**OMAHA PUBLIC POWER DISTRICT  
FORT CALHOUN STATION  
DECOMMISSIONING EXTERNAL TRUST FUND**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

**(Dollar amounts in thousands)**

	2015	2014
REVENUES		
Investment income	\$ 6,408	\$ 5,429
Increase (decrease) in fair value of investments	<u>(1,698)</u>	<u>3,951</u>
Total revenues	4,710	9,380
EXPENSES (Note 3)	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES	4,710	9,380
NET POSITION - RESTRICTED FOR DECOMMISSIONING COSTS		
Beginning of period	<u>272,532</u>	<u>263,152</u>
End of period	<u>\$277,242</u>	<u>\$272,532</u>

The accompanying notes are an integral part of the financial statements.

**OMAHA PUBLIC POWER DISTRICT  
FORT CALHOUN STATION  
DECOMMISSIONING EXTERNAL TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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**1. ORGANIZATION OF FUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization of Fund** — The Omaha Public Power District Fort Calhoun Station Decommissioning External Trust Fund (the “Fund” or the “1990 Fund”) was established in accordance with Nuclear Regulatory Commission (“NRC”) regulations, for the purpose of discharging the Omaha Public Power District’s (“OPPD”) obligation to decommission, as defined by the NRC, its Fort Calhoun Station (the “Station” or “FCS”). For 1990 and subsequent years, OPPD’s Board of Directors approved the collection of nuclear decommissioning costs based upon the NRC’s external minimum funding requirements. The NRC’s requirements are based on a general estimate of the cost to decommission radioactive portions of a nuclear unit based on the size and type of reactor.

Beginning in 1993, OPPD commenced funding on the basis of new decommissioning estimates which resulted from a 1992 independent engineering study and which exceeded NRC external minimum funding requirements. The resultant Fort Calhoun Station Decommissioning Supplemental External Trust Fund (the “1992 Fund”) was established to retain funds in excess of the NRC’s minimum funding requirements (not included within these financial statements). In 2003, the NRC granted an extension of the operating license which will allow the Station to operate until 2033. The accompanying financial statements are only for the 1990 Fund.

The present value of the total decommissioning cost estimate for the Fort Calhoun Station as of June 30, 2015 and 2014 was approximately \$884.0 million and \$869.2 million, respectively, of which the NRC present value of the minimum decommissioning amount was approximately \$436.8 million and \$441.0 million, respectively. OPPD will periodically review and adjust, if necessary, the funding level for changes in the estimated costs of decommissioning the Station.

**Fair Value of Financial Instruments** — The Fund reports investments at fair value in accordance with Governmental Accounting Standards Board Codification Section In5, *Investment Pools (External)*.

**Investment Income** — Investment income is recorded, as earned, on an accrual basis.

**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 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.

**Risks and Uncertainties** — The Fund utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that those changes could materially affect the amounts reported in the financial statements.

## 2. INVESTMENTS

**Investments** — The Fund's investments are held by the Fund's trustee, the First National Bank of Omaha, in the Fund's name in accordance with the trust agreement. Fair values were determined based on quotes received from the trustee's market valuation service. The weighted average maturity was based on the fair value of individual investments and investment type. As of June 30, 2015 and 2014, the Fund's investments were as follows (dollar amounts in thousands):

Investment Type	2015		2014	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money market funds	\$ 3,981		\$ 1,949	
U.S. government securities	104,279	3.8	104,959	3.1
Corporate bonds	19,080	1.0	19,283	2.0
Mutual funds	<u>149,493</u>		<u>146,065</u>	
Total	<u>\$276,833</u>		<u>\$272,256</u>	
Portfolio weighted average maturity		3.4		2.9

**Interest Rate Risk** — The Fund's investments in relatively short-term securities reduce interest rate risk, as evidenced by its portfolio weighted average maturity of 3.4 and 2.9 years at June 30, 2015 and 2014, respectively.

**Credit Risk** — The Fund's investment policy is to comply with the Nebraska state statutes for governmental entities, which limit investments to investment grade fixed income obligations. The majority of the investments held by the Fund at June 30, 2015 and 2014 were rated AAA by Standard & Poor's Ratings Services and AAA by Moody's Investors Service.

## 3. EXPENSES ON BEHALF OF THE FUND

Trustee fees of \$32,000 were paid on behalf of the Fund by the Omaha Public Power District for each of the years ended June 30, 2015 and 2014.

## 4. NUCLEAR REGULATORY COMMISSION OVERSIGHT

The NRC placed the Station into a special category of their inspection manual, Chapter 0350, in December 2011. This Chapter is for nuclear plants in extended shutdowns with performance issues. The extended shutdown had no impact on the Fund. Operations resumed in December 2013. On March 31, 2015 the NRC moved FCS out of Chapter 0350 and into its Regular Oversight Process. In August 2012, the Board of Directors authorized management to enter into a long-term operating service agreement with Exelon Generation Company, LLC (Exelon) to provide operating and management support at FCS for 20 years. OPPD remains the owner and licensed operator of the plant, while Exelon has the day-to-day operational authority at FCS, subject to oversight, and decision-making authority of OPPD for licensed activities. The Exelon Nuclear Management Model is being used to improve and sustain performance at FCS. This agreement has no impact on the Fund.

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**OTHER SUPPLEMENTARY INFORMATION**

**OTHER SUPPLEMENTARY INFORMATION**

**CERTIFICATION OF PAYMENTS FROM THE FUND  
PURSUANT TO SECTIONS 5 AND 6 OF THE FORT CALHOUN STATION  
DECOMMISSIONING FUNDING PLAN  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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No such payments were made during the years ended June 30, 2015 and 2014.

