Omaha Public Power District

10 CFR 50.75

August 9, 2017
LIC-17-0011

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: 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 July 19, 2017. 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, 2016 and 2015, 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 the reference 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
Director - Licensing and Regulatory Assurance

BHB/epm

Enclosure

c: K. M. Kennedy, NRC Regional Administrator, Region IV (w/o enclosure)
M. C. Layton, NRC Director, Division of Spent Fuel Management (w/o enclosure)
J. S. Kim, NRC Project Manager (w/o enclosure)
R. S. Browder, NRC Senior Health Physicist, Region IV (w/o enclosure)

Omaha Public Power District Fort Calhoun Station Decommissioning External Trust Fund

Financial Statements as of and for the
Years Ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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 14 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 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

July 19, 2017

OMAHA PUBLIC POWER DISTRICT
FORT CALHOUN STATION
DECOMMISSIONING EXTERNAL TRUST FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 requirements and inspections. On March 31, 2015 the NRC moved FCS out of Chapter 0350 and into its Regular Oversight Process.

OPPD contracted with Exelon Generation Company, LLC (Exelon), the largest operator of nuclear stations in the United States, for operational and managerial support services.

OPPD's Board of Directors approved a recommendation by management in June 2016 to cease operations at FCS by December 31, 2016, and begin the decommissioning process using the safe storage ("SAFSTOR") methodology. The decision was made after a review of OPPD's generation resource portfolio. As a result of the Board decision, the FCS assets were impaired as of June 30, 2016. OPPD notified the NRC and the State of Nebraska on August 24, 2016, and permanently ceased operations at the nuclear station on October 24, 2016.

FCS will utilize the SAFSTOR method of decommissioning, as described by the NRC, which allows a period of up to 60 years to fully decommission the facility. The total estimated cost in 2016 dollars to decommission FCS using the SAFSTOR methodology was $1,256.4 million as of June 30, 2016. The estimated current cost to decommission the plant for the NRC-required obligations was recorded at $808.6 million as of June 30, 2016.

Based on a site specific cost study completed in February 2017, the total estimated cost in 2016 dollars to decommission FCS using the SAFSTOR methodology was $1,348.9 million as of December 31, 2016. The estimated current cost to decommission the facility in 2016 dollars for the NRC-required obligations was $1,249.6 million as of December 31, 2016.

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):

	2016	2015
Net position - restricted for decommissioning costs	$ 289,296	$ 277,242

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

	2016	2015
Investment income	$ 6,718	$ 6,408
Increase/(decrease) in fair value of investments	5,336	(1,698)
Total revenues	$ 12,054	$ 4,710

2016 Compared to 2015

Total revenues were $12.0 million for the year ended June 30, 2016, with $6.7 million from investment income and $5.3 million from an overall increase in the fair value of investments due to favorable market conditions. 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.

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. No funding was required for the years ended June 30, 2016 and 2015. OPPD will adjust the funding level, when necessary, for changes in the estimated costs of decommissioning the Station.

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 net position and changes in net position. The Statements of Net Position present the Fund's net assets as of June 30, 2016 and 2015. The Statements of Revenues, Expenses and Changes in Net Position present the Fund's revenues and expenditures for the years ended June 30, 2016 and 2015. 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, 2016 AND 2015
(Dollar amounts in thousands)

	2016	2015
ASSETS		
Investments, at fair value (Note 2)	$288,773	$276,833
Accrued interest receivable	523	409
NET POSITION - Restricted For Decommissioning Costs	$289,296	$277,242

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, 2016 AND 2015
(Dollar amounts in thousands)

	2016	2015
REVENUES		
Investment income	$ 6,718	$ 6,408
Increase (decrease) in fair value of investments	5,336	(1,698)
Total revenues	12,054	4,710
EXPENSES (Note 3)	-	-
EXCESS OF REVENUES OVER EXPENSES	12,054	4,710
NET POSITION - Restricted For Decommissioning Costs		
Beginning of period	277,242	272,532
End of period	$289,296	$277,242

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

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 would allow the Station to operate until 2033. In August 2016, OPPD notified the NRC and the State of Nebraska of its intention to permanently cease operations on October 24, 2016 (Note 5).

The accompanying financial statements are only for the 1990 Fund.

Investments—Investment purchases and sales are recorded on a trade date basis.

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.

Adoption of New Accounting Pronouncements—In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be

received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB 72 are effective for financial statements for periods beginning after June 15, 2015. The Fund adopted GASB 72 effective July 1, 2015. The adoption of GASB 72 did not impact the Fund's net position or changes in net position, but did impact disclosures in the notes to the Fund's financial statements. The new disclosure requirements were implemented to the earliest period presented within the financial statements, as required by GASB 72 (Note 2).

2. 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. The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair values were determined based on quotes received from the trustee's market valuation service.

The three levels of fair value hierarchy defined in GASB 72 are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable for the asset or liability, implied volatilities, or credit spreads;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs.

The following tables set forth in accordance with the fair value hierarchy, the Fund's recurring fair value measurements as of June 30 (dollar amounts in thousands).

	2016			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 15,276	$ -	$ 15,276	$ -
U.S. government securities	100,997	-	100,997	-
Corporate bonds	13,395	-	13,395	-
Mutual funds	83,693	83,693	-	-
Total investments by fair value level	213,361	$ 83,693	$ 129,668	$ -
Investment measured at net asset value (NAV):				
Mutual funds	75,412			
Total investments measured at fair value	$ 288,773			

	2015			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 3,981	$ -	$ 3,981	$ -
U.S. government securities	104,279	-	104,279	-
Corporate bonds	19,080	-	19,080	-
Mutual funds	78,382	78,382	-	-
Total investments by fair value level	205,722	$ 78,382	$ 127,340	$ -
Investment measured at net asset value (NAV):				
Mutual funds	71,111			
Total investments measured at fair value	$ 276,833			

VALUATION METHODOLOGIES

Money Market Funds—The fair value of shares in money market funds are valued with an NAV of $1, which approximates fair value. They are priced based on inputs obtained from Bloomberg, a pricing service whose prices are obtained from direct feeds from exchanges that are either directly or indirectly observable. The Fund's investment in money markets are included as Level 2 assets.

U.S. Government Securities—The fair value of U.S. government securities is derived from quoted prices on similar assets in active or inactive markets, from other observable inputs such as interest rates, yield curves, or credit spreads, and inputs that are derived from or corroborated by observable market data. U.S. Treasury and other federal agency securities held in the Fund are included as Level 2 assets.

Corporate Bonds—For fixed-income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validation in addition to checks for unusual daily movements. The fair values of fixed-income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences. Corporate bonds held in the Fund are included as Level 2 assets.

Mutual Funds—Mutual funds are priced using active market exchanges, and sources include Interactive Data Pricing and Reference Data LLC. The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore have been categorized as Level 1 assets.

Investments Calculated at NAV—The following tables summarize the fair value measurement of investments calculated at net asset value per share (or its equivalent) as of June 30, (dollar amounts in thousands).

	2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual funds	$ 75,412	None	Daily	N/A
Total investments, measured at NAV	$ 75,412			

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Mutual funds	$ 71,111	None	Daily	N/A
Total investments, measured at NAV	$ 71,111			

Mutual Funds—This investment includes one mutual fund that invests in fixed income securities, including treasuries, agencies, corporate debt, mortgage-backed securities and some non-U.S. debt. The fair value of this investment has been determined using NAV per share (or its equivalent) of the investment.

Weighted Average Maturity—The weighted average maturity was based on the fair value of individual investments and investment type. As of June 30, 2016 and 2015, the Fund's investments were as follows (dollar amounts in thousands):

	2016		2015	
Investment Type	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money market funds	$ 15,276		$ 3,981	
U.S. government securities	100,997	4.2	104,279	3.8
Corporate bonds	13,395	3.8	19,080	1.0
Mutual funds	159,105		149,493	
Total	$ 288,773		$ 276,833	
Portfolio weighted average maturity		4.1		3.4

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 4.1 and 3.4 years at June 30, 2016 and 2015, 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, 2016 and 2015 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 $34,560 and $32,000 were paid on behalf of the Fund by OPPD for the years ended June 30, 2016 and 2015, respectively.

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 was being used to improve and sustain performance at FCS. This agreement has no impact on the Fund.

5. FCS CEASING OPERATIONS

OPPD's Board of Directors approved a recommendation by management in June 2016 to cease operations at FCS by December 31, 2016, and begin the decommissioning process using the safe storage ("SAFSTOR") methodology. The decision was made after a review of OPPD's generation resource portfolio. OPPD notified the NRC and the State of Nebraska on August 24, 2016, and permanently ceased operations at the nuclear station on October 24, 2016.

Utilizing the SAFSTOR method of decommissioning, as described by the NRC, allows a period of up to 60 years to fully decommission the facility. The total estimated cost in 2016 dollars to decommission FCS using this methodology was $1,256.4 million as of June 30, 2016. The estimated current cost to decommission the facility for the NRC-required obligations was recorded at $808.6 million as of June 30, 2016.

Based on a site specific cost study completed in February 2017, the total estimated cost in 2016 dollars to decommission FCS using the SAFSTOR methodology was $1,348.9 million as of December 31, 2016. The estimated current cost to decommission the facility in 2016 dollars for the NRC-required obligations was $1,249.6 million as of December 31, 2016.

All of the OPPD's cost estimates are based on information currently available to OPPD, but all of such estimates remain subject to change.

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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, 2016 AND 2015

No such payments were made during the years ended June 30, 2016 and 2015.