



Nebraska Public Power District Annual Report 1987

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Year At A Glance—Electric System

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| Kilowatt-hour Sales | 9.7 Billion |
| Operating Revenues | \$348.9 Million |
| Cost of Power Purchased and Generated (Including Nuclear and Power Supply System) | \$256.5 Million |
| Other Operating Expenses | \$ 69.9 Million |
| Net Revenues | \$ 10.6 Million |
| Debt Service Coverage | 1.76 |

Reference Guide

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Cover photo courtesy Nebraska Farmer

Nebraska Public Power District **Statement of Purpose**

Nebraska Public Power District is a public corporation and political subdivision of the State of Nebraska. Control of the District and its operations is vested in a Board of Directors, consisting of 11 members popularly elected from districts comprising subdivisions of the District's chartered territory. These districts encompass 85 of the state's 93 counties and portions of two other counties. The District has the power, among other things, to acquire, construct, and operate generating plants, transmission lines, substations, distribution systems, and to purchase, generate, distribute, transmit, and sell electric energy, both at wholesale and retail, for lighting, power, heating, and other purposes. Management and operation of the District is accomplished with a staff of approximately 2,000 persons.

1987 OFFICERS OF THE BOARD OF DIRECTORS

David L. Duren, *Chairman*
Thomas O. Michels, *First Vice-Chairman*
Wayne E. Boyd, *Second Vice-Chairman*
Bruce W. Gustafson, *Secretary*
Darrell J. Nelson, *Treasurer*

1987 SENIOR MANAGEMENT

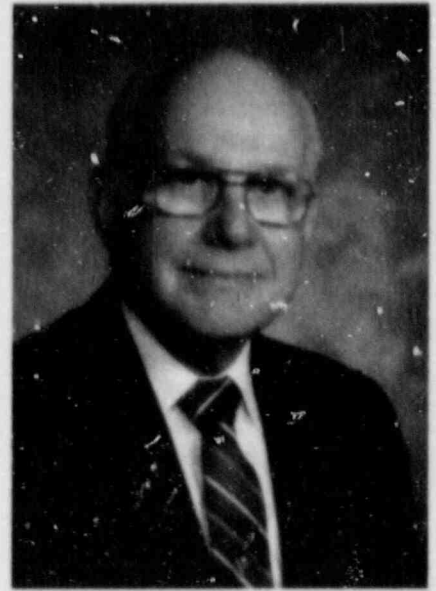
Donald E. Schaufelberger, *President*
Robert L. Gangel, *Vice-President*
Cecil R. Jones, *Vice-President*
Lawrence G. Kuncl, *Vice-President*
Theodore M. Kyser, *Vice-President and Assistant Treasurer*
William A. Merrill, *Vice-President*

GENERAL COUNSEL

Gene D. Watson

CONTROLLER

Robert D. Malmstrom



A Report From The **PRESIDENT**

Nebraska Public Power District's 1987 operating revenues reached a record high of \$348,876,021 which continues an upward trend in revenues and strongly indicates to me that the District is financially stable. This record revenue plateau was reached despite the fact that basic rates in 1987 for both wholesale and retail customers were not increased.

The strong revenue increase was due to an increase in kilowatt-hour sales of 9.6 percent compared to 1986. Weather and an improving economy were important factors associated with the increase in sales. We are also in a situation where we have available power and energy in our system at an attractive cost and thus we are able to pursue participation and non-firm sales to other utilities.

Particularly pleasing is the fact that operating revenues during the year increased at a substantially greater rate than operating expenses. The control of operating expenses did not happen by accident. We are continually monitoring costs and activities within the District and we are prepared to take action when required to reduce expenses. In this manner we are able to assure our wholesale and retail customers that their power supplier is responsive.

Some of the cost control measures we enacted during 1987 involved personnel and these types of decisions are always difficult. We implemented a second reduction in the Transmission and Distribution Projects Division workforce during 1987 because of a continuing slowdown in construction activities. The 18 positions we eliminated in this division in 1987 followed an elimination of 17 positions in the same area in 1985.

Earlier in the year we announced the closing of our aging Kramer Station coal-fired power plant which affected 53 positions. The staff reduction plan during the year also included the elimination of 25 positions in our line crews throughout the state. We made it adequately clear that this reduction in operating line crews would not affect the safety of our people and would have only a minimal, if any, effect on service.

Enhanced early retirement programs, where applicable, played a key role in the fair treatment of many employees whose positions were eliminated. Management was also strongly encouraged to give due consideration to employees whose positions were eliminated and who applied for other vacant positions within the District.

At the end of the year, we had in place a reorganization of our senior management structure and revised reporting relationships. This change resulted in a decrease in the positions at the manager level and above. We recognize that our mission is to operate our facilities in the most cost-effective way possible by making the best use of available talents at our disposal.

All of these efforts are aimed at making the District an efficient and low cost supplier of electrical energy, consistent with maintaining reliability standards. Some of our employees were hurt by these changes and I take little comfort in the fact that staff reduction and management reorganization trends are evident in many businesses — both utility and non-utility.

To some extent, required increased staffing in our nuclear division offset the personnel reductions in other areas of the District.

During the year the District entered into a new long-term wholesale power supply contract with the Norris Public Power District. We view this as an indication of our strong position in available low-cost power and energy. The Norris District had studied other power supply options but concluded that the interests of both utilities could best be served by the new contract with our utility.

Another success during the year was the signing of a new long-term electrical distribution system lease agreement with the City of Atkinson. We will continue to pursue with existing customers extended wholesale power supply contracts and lease agreements.

Despite a vote of the people that the City of Scribner should not operate its own distribution system, District management was unable to reach an agreement with the mayor and city council of that community and the lease agreement expired. Scribner will continue to be a wholesale customer of the District.

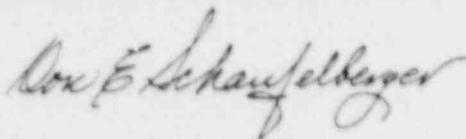
We continue to diligently pursue the Federal Energy Regulatory Commission relicensing of our hydro projects in the Platte River Valley. It is recognized that relicensing these projects will be costly and time consuming.

It is imperative that the District continue to maintain a lead role in informing Nebraskans on the issue of disposal of low level radioactive waste produced by our nuclear plant and other facilities in the five-state Central Interstate Low-Level Radioactive Waste Compact.

Nebraska was chosen as the host state for the low level radioactive waste disposal facility for the Compact. Considerable opposition to the location of the facility in the state has surfaced. We could find ourselves in the position where the very existence of our nuclear plant may be threatened due to the action of anti-nuclear activists.

So, it is evident that although the District appears to be in a stable financial condition and has an adequate power supply, there are certain forces over which we have no control that will require us to maintain our diligence in protecting our investments for the benefit of our customers.

The years ahead will not be easy but we are prepared to meet these and other challenges with the same enthusiasm that brought us to where we are today.



Don E. Schaufelberger
President and Chief Executive Officer

Message From The **CHAIRMAN OF THE BOARD**

Buoyed by encouraging reports concerning Nebraska's industrial and agricultural economy during 1987 and the prospects for continued economic growth, this Board of Directors of Nebraska's largest electric utility is optimistic about the future of our state and this District.

The year 1987 was a good one for the District. Despite our economic optimism, we fully realize the need to maintain tight fiscal responsibility as we embark on the future. Our fiscal policy must reflect our commitment to provide our customers with electricity at as low a cost as practical consistent with sound business practices.

To assist in our endeavors to maintain an organization that will continue to be responsive to the needs of our customers in a changing environment, we retained a consulting firm to study the District's management structure and the Board-Staff relationships. Some of the primary recommendations from this firm have been implemented and others are scheduled for implementation on a timely and systematic basis to ensure a structurally sound corporation to meet the challenges of the future.

A Board committee has been established to develop a long-term strategic plan. The planning process, combining members of our Board, management, and staff personnel, representatives of our wholesale customers and community leaders in our service area, will be on-going and will assist us in maintaining a responsive organization with consistent goals to be attained during the years ahead.

Contributing significantly to the economic optimism is a U.S. Department of Agriculture report that prices farmers received for raw products they produced opened the new year 7.4 percent above January of 1987. Department economists report net cash income of farmers set a record in 1987 of approximately \$57 billion. Nebraska agricultural economists say the new year holds promise of rising grain prices and another year of strong livestock prices.

Predictions for improvement in 1988 followed a year that for most Nebraska farmers and ranchers marked a turnaround in the sagging farm economy. Livestock prices rose and there was an increase in grain exports during 1987. No matter what the markets might do, most Nebraska farmers had special reasons to smile as they brought in their 1987 crops. Timely rains during the summer and nearly perfect weather during the harvest made last year's crop a bin-buster.

After experiencing a continuous decline between 1982 and 1987, the value of farm real estate improved during 1987.

Nebraska's business and industrial economy, which also has been stuck in neutral in recent years, could get a solid push during the next few years from more than 14,000 new jobs and from an estimated \$1.79 billion of capital spending, for building plants and buying machinery. Those payroll and business investment numbers represent planned expansion or upgrading of facilities by companies that have applied for tax-incentive benefits under the state's new Employment and Investment Growth Act. The State Revenue Department, at the end of 1987, received 101 applications from companies seeking tax benefits under a measure passed by the state legislature in 1987 as Legislative Bill 775.

Even before the enactment of Legislative Bill 775, a Chicago-based accounting firm ranked Nebraska as having the second best manufacturing climate in the nation. The low cost of industrial electricity was one of the factors that led to the state's high ranking. Nebraska ranks first in the Great Plains States and seventh in the nation in lowest average monthly industrial power costs, based on a demand of 150 kilowatts and consumption of 30,000 kilowatt-hours.

We are pleased Nebraska has been ranked in the number two position in this study of factors which manufacturers find important in business locations. This utility will continue to assist in spreading the word that Nebraska is an excellent place to do business. The national and regional competition for new business and industry is intense and all of us must do our part to be familiar with Nebraska's locational advantages including low-cost energy.

No report from this Board would be complete without a word about the loss during 1987 of a dear friend and long-time Board associate. Bernard M. (Mike) DeLay, who had served on the Board of NPPD and its predecessor utility longer than any other person, died in October.

Mike, as we affectionately knew him, was elected to the Board of Consumers Public Power District, a predecessor utility, in 1963 and served four terms, retiring from the NPPD Board in January, 1987. On four occasions he served as chairman of this Board.

His friendship and knowledge of Nebraska and the utility industry will be missed but long remembered. His dedication to his family, his community and this utility will be an inspiration to all of us as we continue to guide the District in the future.



David L. Duren
Chairman of the Board

The Nebraska Public Power District's **BOARD OF DIRECTORS**



George H. Barber
Beatrice, Electrical Contractor



Wayne E. Boyd
South Sioux City, Attorney



Warren R. Cook
Norfolk, Businessman



David L. Duren
Columbus, Banker



Bruce W. Gustafson
Holdrege, Farmer/Rancher



Fred A. Herrington
Lincoln, Businessman



Ralph E. Holzfaster
Paxton, Agribusiness Farmer



Ralph D. Johnson
Lincoln, Economist



Thomas O. Michels
Kearney, Professional Engineer



Darrell J. Nelson
Oconto, Farmer/Rancher



Les Taylor
York, Businessman



IN MEMORIAM:

Bernard M. (Mike) DeLay of Norfolk, a former member of the Board of Directors, died in October. Mr. DeLay was elected to the Board of Consumers Public Power District, a predecessor utility, in 1963 and served four terms on the Consumers and NPPD Boards, retiring in January, 1987.



1987 IN REVIEW

Total kilowatt-hour sales in 1987 were 9.7 billion compared to 8.9 billion in 1986, a 9.6 percent increase. Sales from non-firm transactions, excluding participation sales, increased 33.3 percent in 1987 compared to 1986 and there was a 33.6 percent increase in participation power sales in the two-year period. Firm wholesale deliveries to other public power districts and rural cooperatives increased five-tenths of one percent in 1987 compared to 1986. Firm wholesale sales to municipalities increased 1.4 percent between the two years. Retail customers used 1.1 percent more electricity during 1987 compared to 1986.

Electric System operating revenues in 1987 were a record \$348.9 million compared to \$343.4 million in 1986. Operating expenses for 1987 were \$326.4 million compared to \$325.2 million in 1986. Operations of the Electric System resulted in net revenues of \$10.6 million. These net revenues, when adjusted for non-cash items as provided in the District's Electric System Revenue Bond Resolution, resulted in debt service coverage of 1.76.

The District served an average of 106,501 retail customers during 1987. The District served the total requirements of 52 municipalities and 26 other public power districts and rural cooperatives at wholesale. Also, the partial requirements of 19 municipalities were served at wholesale.

In addition, the District makes participation sales to the Omaha Public Power District from the power and energy produced at Gerald Gentleman Station Unit No. 1 and to the City of Lincoln from the power and energy produced at Cooper Nuclear Station, Gerald Gentleman Station, and Sheldon Station.

Approximately 77 percent of NPPD's total kilowatt-hour sales including participation and other non-firm sales was to wholesale customers and 23 percent to retail customers.

For the seventh consecutive year, the District's firm wholesale and retail customers did not set a new summer peak demand on the system. This generally reflects load control efforts, summer weather patterns, and the condition of the agricultural and industrial economy in our service area.

The District's 1987 summer firm power demand of 1,639 megawatts is approximately 4.0 percent below the comparable record peak demand of 1,721 megawatts set in 1980. The highest winter firm power demand of the year was 1,111 megawatts. The record system winter peak of 1,288 megawatts was set in 1983.

Irrigation and air conditioning loads in the summer result in the District being a summer peaking utility. The District is continuing its efforts aimed at improving the system load factor with load control and a strong marketing campaign encouraging installation of electric heat in our service area.

Efforts to balance the winter load with the summer load resulted in 557 electric heat installations during 1987 served by the retail system. This represents approximately 8,091 kilowatts. At year's end, the District had a total of 18,938 electric heat installations served by our retail system representing 337,328 kilowatts. The year 1987 marked the sixth year of our cooperative electric heat marketing program with our wholesale customers.

The District continued to rely heavily on coal to fuel our electric generating resources during 1987. During the year, approximately 49 percent of the District's energy supply was from coal-fired resources, 29 percent from nuclear resources, 21 percent from hydro (water) resources including our firm purchases from the Western Area Power Administration, and the remaining energy supply came from a variety of oil and gas-fired resources.

The Production Cost Adjustment (PCA) factor on retail and wholesale billings during 1987 continued to be a credit due to a surplus in the PCA Account accumulated during portions of 1986 and 1987. Approximately \$9.7 million was credited to customers from the PCA Account during 1987.

A positive or negative PCA factor results from the difference between estimated and actual fuel expenses and other production costs and purchased power costs.

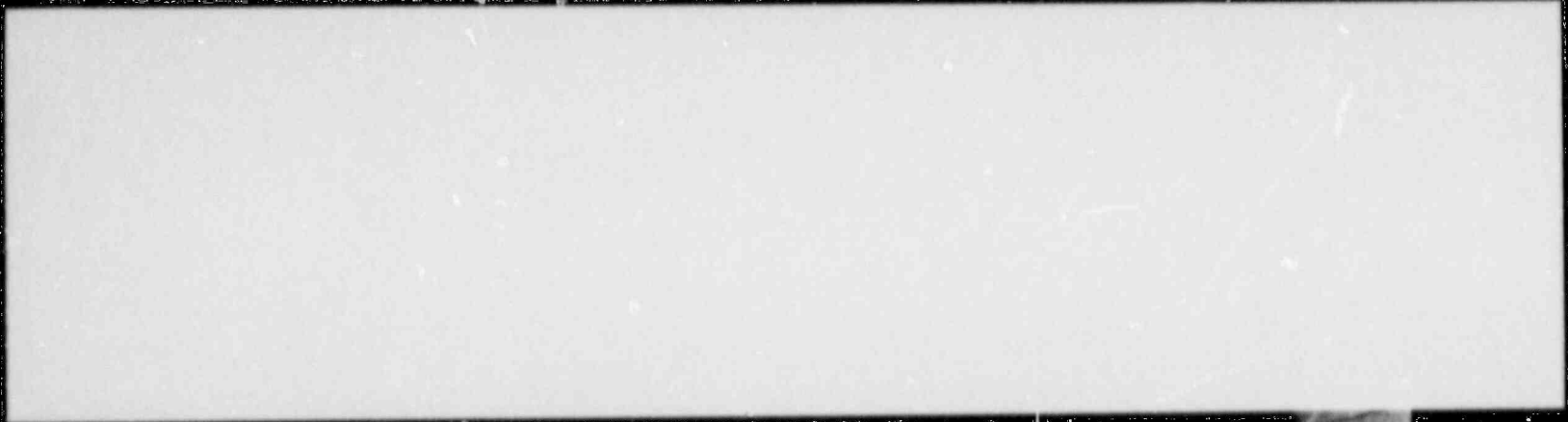
County treasurers in 70 counties received in-lieu-of-tax payments of approximately \$4.4 million during the year. The in-lieu-of-tax payments are required under state law. Distribution is made by county treasurers to counties, cities, villages and school districts according to a prescribed formula relating to mill levies.

As a result of leasing electrical distribution systems to the District, the 210 cities and villages with such agreements received approximately \$9.2 million during 1987.

NPPD has had an active economic development department for many years, and the keen competition among states for developing industry prompted the District to consider innovative ways to encourage industrial expansion.

The District proposed a special industrial incentive electric rate during 1987 to enhance the state's position in attracting new industries and the expansion of existing industries in its service area. However, the Nebraska Legislature would have to enact enabling legislation before NPPD could establish the proposed industrial incentive rate. Nebraska statutes require that rates for all classes of customers must be "fair, reasonable and non-discriminatory." A bill was introduced in the Nebraska Legislature in 1988 to establish industrial incentive rates.

A United States District Judge, during the year, entered a judgment of \$4.4



Nebraskans take "Powerful Pride" in what we do. From industrial, agricultural and technological concerns to educational and personal endeavors, our collective strength comes from the combined individual talents of our people.

million against NPPD in a lawsuit filed by Nucor Corporation, a large industrial customer, which alleged overcharges for electricity supplied by NPPD. Nucor filed suit in 1985 alleging that NPPD had overcharged the company, and the suit sought \$15.7 million in damages, from 1973 through 1986.

A federal court jury had returned a verdict of \$7.49 million against NPPD, but the Judge cited the statute of limitations in entering judgment for \$4.4 million. In July, 1987, both NPPD and Nucor filed an appeal to the Court of Appeals for the Eighth Circuit, and the case is awaiting oral argument.

During 1987, the Federal Energy Regulatory Commission (FERC) issued annual licenses for NPPD and Central Nebraska Public Power and Irrigation District for the continued operation of their Platte River FERC-licensed projects which include, among other things, certain reservoirs, hydro stations, and irrigation facilities. The projects' 50-year licenses expired during the year. The Districts had filed applications in 1984 asking renewal of the licenses.

In announcing issuance of the annual licenses, FERC reported that "if issuance of a new license does not take place on or before June 30, 1988, a new annual license will be issued each year thereafter...until such time as a new license is issued, without further notice being given by the Commission." FERC initially denied a petition filed by the Platte River Whooping Crane Critical Habitat Maintenance Trust asking FERC to impose new conditions in the annual licenses, but subsequently agreed to reconsider its decision. This matter is currently pending. Recently, American Rivers, Inc., the Sierra Club and the Nebraska Wildlife Federation filed a joint petition seeking to expedite processing of the applications.

The projects, built in the 1930s and 1940s, provide hydro generation, provide

cooling water for Gerald Gentleman Station — the state's largest generating facility — and surface irrigation water and ground water recharge for a large area in South-Central Nebraska. In addition, the facilities create wildlife habitat and provide fishing, hunting, boating and camping for outdoor enthusiasts.

The District and Central are continuing efforts to relicense the projects.

In October, 1986, the State of Nebraska filed a motion for leave to file a petition with the United States Supreme Court seeking to enforce the North Platte Decree which apportions the natural flow of the North Platte River among the states of Nebraska, Wyoming and Colorado. Nebraska's motion was granted in January, 1987. Wyoming's answer alleged, among other things, violation by Nebraska of the North Platte Decree. In March, 1987, the National Audubon Society and the Whooping Crane Trust filed motions for leave to intervene in the lawsuit requesting, among other things, certain Platte River flows downstream of the District's Project No. 1835 and Central Nebraska Public Power and Irrigation District's Project No. 1417. The District and Central jointly filed a motion for leave to intervene in an effort to preserve water utilized by their respective Projects. These and other motions to intervene have not yet been decided.

In January, 1988, the State of Nebraska filed a motion for leave to amend its petition to specifically address flows for "wildlife habitat along the North Platte and Platte Rivers in Nebraska." Wyoming and Colorado opposed the motion to amend, and on March 4, 1988, the U.S. Supreme Court rejected the motion filed by the State of Nebraska.

The District's Cooper Nuclear Station set a generating record in 1987, producing more electricity than in any year since it began operation in 1974. The Station had an output in 1987 of 5,522,126 net megawatt-hours. The previous high was in 1982



From educating the leaders of tomorrow to further educating the leaders of today, NPTD and Nebraskans know that knowledge fuels prosperity and well-being. We take pride in the powerful institution of education...as we plant seeds of knowledge, nurture them to maturity and harvest Nebraska's leaders.

when the plant produced 5,276,082 net megawatt-hours.

Cooper Station had an availability factor in 1987 of 94.7 percent meaning the plant was available for production 94.7 percent of the time.

The 1987 record generation was accomplished in part by the fact that Cooper Station did not have a scheduled outage for refueling and maintenance during the year.

During 1987 Cooper Station became a branch of the national Academy for Nuclear Training upon the accreditation by the academy of three plant training programs. The Institute of Nuclear Power Operations (INPO) announced accreditation for the programs of senior reactor operator, reactor operator and station operator training. The District will strive to achieve accreditation for the seven other Cooper Station training programs.

A contract was approved during 1987 with The Singer Company of Silver Spring, Maryland, to build, furnish and install a plant-specific simulator for Cooper Station. The simulator, which will be housed in the plant's training facility, will be an exact replica of the nuclear station's control room and, together with computers which duplicate plant performance and conditions, will enhance training for plant operators.

Acquisition of the plant-specific simulator is part of the District's continuing efforts to assure the safe operation of Cooper Station. The contract was for \$10.6 million and the simulator is to be installed and ready for use in 1990.

Cooper Station's new \$1.8 million, 29,000-square-foot training center became operational during the year.

Both the District and the State of Nebraska reached a significant milestone in off-site radiological emergency planning and preparedness in the vicinity of Cooper Station during the year. The Fed-

eral Emergency Management Agency (FEMA) completed its review of the alert and notification system installed in the area of Cooper Station and determined that the system is adequate to provide prompt alerting and notification to the public in the event of an emergency at the site.

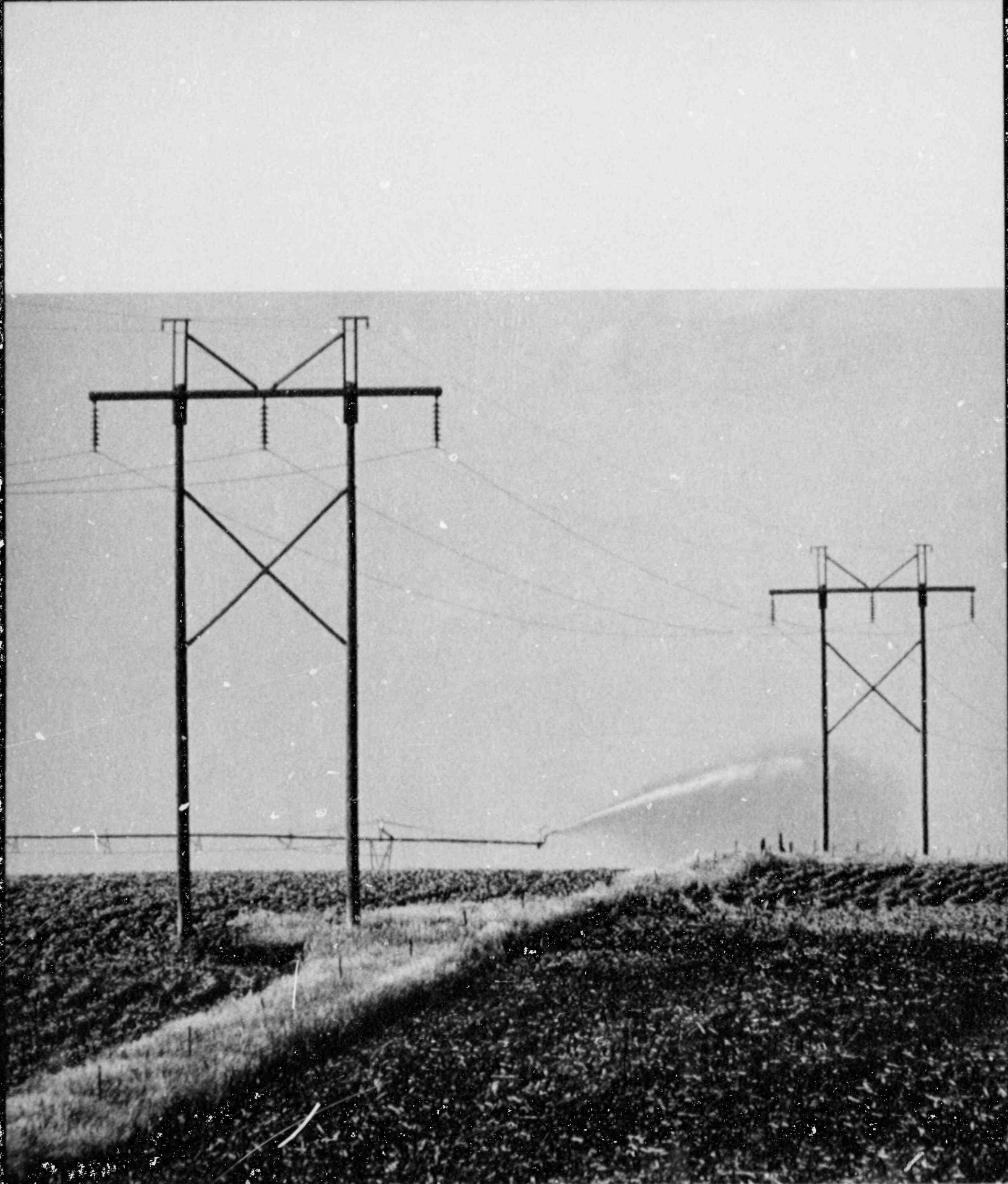
With the approval of this system, all aspects of off-site radiological emergency planning and preparedness at Cooper Station have been satisfied and are now approved by FEMA.

The District's Fitness for Duty drug and alcohol program was expanded during 1987. This program now requires anyone inside the fence, whether they are employees, consultants or Nuclear Regulatory Commission personnel, to comply with the testing program or be escorted by security guards or utility personnel.

Two District engineers were discharged for refusing to be tested after a Federal District Court decision that the drug and alcohol testing requirements for employees having unescorted access at Cooper Station were constitutional. The decision has been appealed to the United States Court of Appeals for the Eighth Circuit.

The two units at the District's Gerald Gentleman Station, a coal-fired generating facility, produced 4,887,037 net megawatt-hours during 1987. Dispatchers frequently utilize this plant for "swing loads" as the District's load demand dictates. The District is continuing with its efforts to lower the fuel costs at Gentleman Station.

The District paid a \$9,000 settlement to the Nebraska Department of Environmental Control (NDEC) during the year for alleged violations of Nebraska's opacity standard at Gentleman Station. The District did not admit the violations but, in order to avoid litigation, NDEC and the District agreed to the settlement. The



Our early ancestors survived off of the same land that sustains us today. Times may have changed, but the same cooperative spirit that spurred them to settlement lives on. Electrical needs meet agricultural needs here as we continue to work together to accomplish our goals.

opacity standard is an aesthetic standard associated with the density of emissions and does not indicate any adverse effect on the health or safety of individuals living in the plant's vicinity.

Employees at Gentleman Station and Sheldon Station achieved a significant safety milestone by completing one million work-hours without a disabling injury. These employees were awarded the Board of Directors Gold Award for Safety for their dedication to safe work practices.

Kramer Station employees were honored with the Silver Award for working six

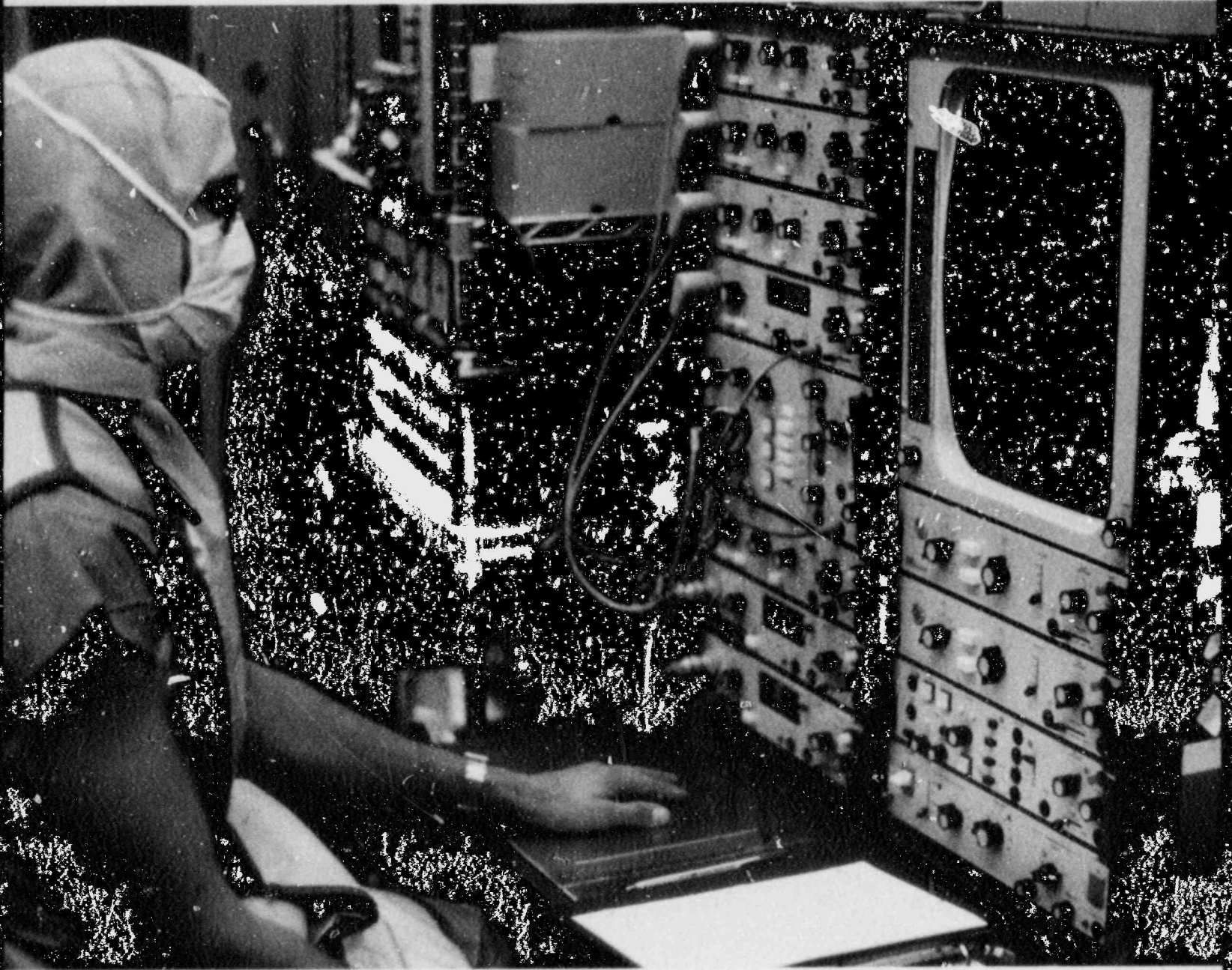
years without a lost-time accident although the total did not reach a million hours because of a lesser number of employees.

The decision was made during 1987 to cease operating the Kramer Station coal-fired plant. Operating the plant was no longer cost-effective and, because of its relatively small size, it was one of the least efficient plants in the system.

Rated at 105 megawatts, Kramer Station began commercial operation in 1949. In recent years it was used primarily as a peaking generator.



A "Powerful Pride in Nebraska" is a powerful statement that reflects NPPD's strong commitment to the state. Together, NPPD, represented by President Don Schaufelberger, and the administration of Governor Kay Orr have taken a leading role in furthering Nebraska's favorable economic climate. We're proud to provide a power source you can depend on — to heat homes and fuel industry. We're dedicated to making "the good life" a reality for all of us.



Innovative technological advances don't just happen. People make them happen, using the resources that are available to them. NPPD is pleased to provide the resources that turn dreams into reality.

FINANCIAL COMMENTARY

The year 1987 started slowly from the standpoint of energy sales and revenues. The reduction in sales and revenues can be attributed to abnormal weather conditions during January, February and March. Energy sales and revenues improved during the months of May through August and exceeded our expectations as a result of sales to other utilities on a non-firm basis and a hot, dry July and August. Energy sales in the months of September through December approached expected levels.

Due to these conditions, the District's megawatt-hour sales increased 9.6% to 9,736,010. The peak load in megawatts was 1,639, an increase of 3.3% over 1986.

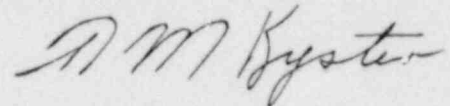
These sales created revenues of \$348.9 million, a record high, and exceeded the 1986 revenues by \$5.5 million.

Operating expenses totaled \$326.4 million, which includes \$256.5 million for the purchase and generation of power and energy. Operating expenses exceeded 1986 expenses by approximately \$1.2 million. This is a very nominal increase considering the increase in megawatt-hour sales and the associated fuel costs. During 1987 the District's Nuclear Facility provided the Electric System 36% more energy than in 1986, enabling the District to reduce expenses associated with Purchased Power.

Net Revenues in 1987 are \$10.6 million, an increase of \$3.7 million or 53.6%. This increase results from an increase in sales and the ability to hold increases in operating costs to a minimum. These net revenues, when adjusted for noncash items as provided in the District's Electric System Bond Resolution, resulted in a debt service coverage of 1.76.

During 1987, the District reduced its short-term debt by \$20.5 million, \$3.2 million from the Revolving Credit Agreement and \$17.3 million associated with Commercial Paper. Long-term debt retired was \$10.4 million in the Electric System, \$13.3 million in the Power Supply System and \$13.5 million in the Nuclear Facility, for a total of \$37.2 million.

Economic indicators, such as employment, land values, bank income, farm income and economic expansion, reveal an improvement in the Nebraska economy. Therefore, the District is enthusiastic about the future of Nebraska Public Power District and expects favorable financial results in the future.



T. M. Kyster

Vice President and Assistant Treasurer

Nebraska Public Power District
ELECTRIC SYSTEM

Report of Independent Public Accountants

To The Board of Directors
Nebraska Public Power District:

We have examined the balance sheets of the Electric System of Nebraska Public Power District (a public corporation and political subdivision of the State of Nebraska) as of December 31, 1987 and 1986, and the related statements of revenues and expenses and accumulated net revenues and changes in financial position for each of the three years in the period ended December 31, 1987. We have also examined the supplemental schedules of the calculation of the debt service ratios for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Electric System of Nebraska Public Power District as of December 31, 1987 and 1986, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1987, and the supplemental schedules of the calculation of the debt service ratios for each of the three years in the period ended December 31, 1987, present fairly the information set forth therein, all in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

600 Woodmen Tower
Omaha, Nebraska 68102
March 4, 1988.

Nebraska Public Power District
ELECTRIC SYSTEM

Balance Sheets
December 31, 1987 and 1986

| | 1987 | 1986 |
|---|------------------------|------------------|
| | (Thousands of Dollars) | |
| ASSETS | | |
| Utility Plant, at Cost | \$676,692 | \$667,455 |
| Less—Reserve for depreciation and amortization (Note 1) | 284,573 | 270,900 |
| | <u>\$392,119</u> | <u>\$396,555</u> |
| Debt Reserve Account | \$ 30,947 | \$ 30,542 |
| Receivables: | | |
| Advance to Power Supply System (Note 4) | \$ 6,100 | \$ 6,100 |
| Sale of property | 1,439 | 1,065 |
| | <u>\$ 7,539</u> | <u>\$ 7,165</u> |
| Current Assets: | | |
| Cash and investments (Note 1) | \$108,741 | \$111,648 |
| Receivables, less reserves | 34,285 | 35,178 |
| Materials and supplies, at average cost | 10,319 | 12,520 |
| Prepayments and other assets | 556 | 658 |
| | <u>\$153,901</u> | <u>\$160,004</u> |
| Deferred Compensation Plan Assets (Note 7) | \$ 9,311 | \$ 8,387 |
| Deferred Charges: | | |
| Nuclear Facility billings (Note 1) | \$ 29,813 | \$ 32,124 |
| Power Supply System billings | — | 4,170 |
| Unamortized financing costs | 2,135 | 2,327 |
| Other | 4,084 | 3,383 |
| | <u>\$ 36,032</u> | <u>\$ 42,004</u> |
| | <u>\$629,849</u> | <u>\$644,657</u> |
| LIABILITIES AND CAPITAL | | |
| Accumulated Net Revenues | \$187,721 | \$177,083 |
| Long-Term Debt (Note 3) | \$329,611 | \$340,018 |
| Notes Payable (Note 3): | | |
| 67% of prime, due 1987 to 1989 | 2,737 | 5,985 |
| Commercial Paper Notes (Note 4) | 58,915 | 76,180 |
| | <u>\$391,263</u> | <u>\$422,183</u> |
| Less—Current maturities (Notes 3 and 4) | 13,110 | 32,993 |
| | <u>\$378,153</u> | <u>\$389,190</u> |
| Current Liabilities: | | |
| Current maturities | \$ 13,110 | \$ 32,993 |
| Accounts payable | 19,660 | 17,280 |
| Accrued lease payments | 4,941 | 5,577 |
| Other | 15,176 | 12,162 |
| | <u>\$ 52,887</u> | <u>\$ 68,012</u> |
| Deferred Compensation Plan Liabilities (Note 7) | \$ 9,311 | \$ 8,387 |
| Unamortized Payment Received for Refinancing Costs | \$ 1,777 | \$ 1,985 |
| | <u>\$629,849</u> | <u>\$644,657</u> |

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

Nebraska Public Power District
ELECTRIC SYSTEM

Statements of Revenues and Expenses and Accumulated
Net Revenues for each of the Three Years in the
Period Ended December 31, 1987

| | 1987 | 1986 | 1985 |
|---|------------------------|------------------|------------------|
| | (Thousands of Dollars) | | |
| Revenues and Expenses: | | | |
| Operating Revenues (Note 2) | \$348,876 | \$343,360 | \$329,096 |
| Operating Expenses: | | | |
| Power purchased- | | | |
| Nuclear Facility and Power Supply System (Note 1) | \$207,066 | \$205,561 | \$185,140 |
| Other | 34,896 | 38,944 | 40,753 |
| Production- | | | |
| Fuel | 6,958 | 6,882 | 8,569 |
| Operation and maintenance | 7,572 | 6,917 | 6,241 |
| Other operation | 24,820 | 23,438 | 22,864 |
| Other maintenance | 8,426 | 7,377 | 7,262 |
| Lease payments (Note 1) | 9,332 | 9,161 | 9,227 |
| Depreciation and amortization (Note 1) | 22,770 | 22,509 | 22,832 |
| Payroll taxes and payments in lieu of taxes | 4,543 | 4,452 | 6,471 |
| Total operating expenses | <u>\$326,383</u> | <u>\$325,241</u> | <u>\$309,359</u> |
| Net operating revenues | <u>\$ 22,493</u> | <u>\$ 18,119</u> | <u>\$ 19,737</u> |
| Interest and Other Revenues: | | | |
| Allowance for funds used during construction | \$ 582 | \$ 1,219 | \$ 1,233 |
| Interest and other | 11,177 | 12,399 | 14,375 |
| Total interest and other revenues | <u>\$ 11,759</u> | <u>\$ 13,618</u> | <u>\$ 15,608</u> |
| Net revenues before other deductions | <u>\$ 34,252</u> | <u>\$ 31,737</u> | <u>\$ 35,345</u> |
| Other Deductions: | | | |
| Bond interest | \$ 20,404 | \$ 20,891 | \$ 21,348 |
| Other interest | 3,210 | 3,913 | 4,245 |
| Total other deductions | <u>\$ 23,614</u> | <u>\$ 24,804</u> | <u>\$ 25,593</u> |
| Net Revenues (Note 2) | \$ 10,638 | \$ 6,933 | \$ 9,752 |
| Accumulated Net Revenues: | | | |
| Beginning balance | 177,083 | 170,150 | 160,398 |
| Ending balance | <u>\$187,721</u> | <u>\$177,083</u> | <u>\$170,150</u> |

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

Nebraska Public Power District
ELECTRIC SYSTEM

Statements of Changes in Financial
Position for each of the Three Years
in the Period Ended December 31, 1987

| | 1987 | 1986 | 1985 |
|--|------------------------|------------------|------------------|
| | (Thousands of Dollars) | | |
| Funds Provided by Operations: | | | |
| Net revenues | \$ 10,638 | \$ 6,933 | \$ 9,752 |
| Add items which require no current outlay of working capital— | | | |
| Depreciation and amortization (Note 1) | 22,770 | 22,509 | 22,832 |
| Amortization of deferred charges— | | | |
| Nuclear Facility and Power Supply System (Note 1) | 12,269 | 14,666 | 13,324 |
| Other | 1,049 | 865 | 778 |
| Total funds provided by operations | <u>\$ 46,717</u> | <u>\$ 44,973</u> | <u>\$ 46,686</u> |
| Other Sources of Funds: | | | |
| Proceeds from commercial paper notes | — | — | 25,500 |
| Repayment of Advance to Power Supply System | — | — | 23,900 |
| (Increase) decrease in receivables | 893 | (1,500) | 6,885 |
| Decrease in materials and supplies | 2,201 | 2,333 | 2,981 |
| Total funds provided | <u>\$ 49,811</u> | <u>\$ 45,806</u> | <u>\$105,952</u> |
| Funds Applied: | | | |
| Utility plant additions | \$ 19,769 | \$ 25,671 | \$ 22,548 |
| Repayment of commercial paper notes | 17,265 | — | 29,320 |
| Addition to deferred charges | | | |
| for Nuclear Facility and Power Supply System | 5,788 | 11,000 | 22,319 |
| Retirements of long-term debt | 10,407 | 9,883 | 9,432 |
| Repayment of notes payable | 3,248 | 9,247 | 9,248 |
| (Increase) decrease in accounts payable | (2,380) | (3,491) | 2,967 |
| Increase (decrease) in fund balances | (2,502) | (5,593) | 1,318 |
| Other working capital changes | (1,784) | (911) | 8,800 |
| Total funds applied | <u>\$ 49,811</u> | <u>\$ 45,806</u> | <u>\$105,952</u> |

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

Nebraska Public Power District
ELECTRIC SYSTEM

Supplemental Schedules—Calculation of
Debt Service Ratios for each of the Three
Years in the Period Ended December 31, 1987

| | 1987 | 1986 | 1985 |
|--|------------------------|------------------|------------------|
| | (Thousands of Dollars) | | |
| Operating revenues | \$348,876 | \$343,360 | \$329,096 |
| Operating expenses, excluding depreciation and amortization of \$23,810,000, \$23,374,000, and \$23,610,000 | 302,573 | 301,867 | 285,749 |
| | \$ 46,303 | \$ 41,493 | \$ 43,347 |
| Interest and other revenues, excluding interest on construction funds of \$3,766,000, \$4,383,000, and \$5,084,000 | 7,411 | 8,016 | 9,291 |
| Net revenues available for debt service | <u>\$ 53,714</u> | <u>\$ 49,509</u> | <u>\$ 52,638</u> |
| Amounts deposited in the Electric System Debt Service Account— | | | |
| Principal | \$ 10,073 | \$ 9,603 | \$ 9,158 |
| Interest | 20,404 | 20,891 | 21,348 |
| | <u>\$ 30,477</u> | <u>\$ 30,494</u> | <u>\$ 30,506</u> |
| Ratio of net revenues available for debt service to debt service deposits | <u>1.76</u> | <u>1.62</u> | <u>1.73</u> |

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

Nebraska Public Power District ELECTRIC SYSTEM

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization-

The District has three separate divisions for accounting purposes as follows:

- Electric System
- Power Supply System
- Nuclear Facility

As required by Bond Resolutions, separate records are maintained for each division. The Electric System financial statements exclude the Nuclear Facility and Power Supply System, for which financial statements are presented separately herein. The Electric System financial statements should be read in conjunction with such other financial statements.

B. Depreciation, Amortization and Maintenance-

The District records depreciation over the estimated useful life of the property. Depreciation on Utility Plant in Service was approximately 3.0% in each of the years 1987, 1986, and 1985.

The District has long-term lease agreements with 210 municipalities. These lease agreements obligate the District to make lease payments and pay for normal property additions during the term of the lease. The District has recorded provisions for amortization of \$3.7 million in 1987, \$4.4 million in 1986, and \$3.6 million in 1985. Leased plant additions, which are fully reserved, totaled \$46.1 million at December 31, 1987, and \$43.0 million at December 31, 1986.

Certain municipal lease agreements included an obligation requiring the District to make property additions associated with the electric service being provided to such municipalities in an amount equal to a percentage of revenues of the respective leased systems. The District has completed negotiations with all but one of the municipalities which resulted in, among other things, the modification of the obligation to make such improvements. During 1987, the District made the final payment to these municipalities of \$736,000 which was charged to depreciation and amortization.

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

C. Allowance for Funds Used During Construction-

This allowance, representing the cost of funds used to finance construction is capitalized as a component of the cost of utility plant and is credited to Interest and Other Revenues. The capitalization rates for construction financed with revenue bonds are based on the interest cost of each issue less interest income. The rate for construction

financed by revenues is based on a projected rate of borrowing. For the periods presented herein, the rates vary from 6.1% to 10.0%.

D. Deferred Charges-

Deferred charges are as follows:

| Description | Balance December 31, 1987 (Thousands of Dollars) |
|---|--|
| Nuclear Facility billings: | |
| Fuel cost | \$ 2,776 |
| Plant management information system | 1,901 |
| Pipe replacement | 11,228 |
| Renewals and replacements | 13,908 |
| | <u>\$29,813</u> |

These deferred charges are expected to be amortized as follows: 1988 - \$9.2 million; 1989 - \$7.5 million; 1990 - \$7.0 million; 1991 - \$6.1 million.

The carrying costs of the nuclear fuel advances are included in the above amounts. The District included amortization of these deferred charges of \$12.3 million in 1987, \$14.7 million in 1986, and \$13.3 million in 1985 in power purchased expense.

E. Unamortized Financing Costs-

These costs represent issuance expenses on all bonds and the premium to retire the Electric System Revenue Bonds, 1975 Series, prior to their maturity date and are being amortized over the life of the respective bonds using the bonds outstanding method.

F. Unamortized Payment Received for Refinancing Costs-

This reimbursement from the Nuclear Facility was for certain refinancing costs of the Electric System incurred in 1968 and is being amortized over the life of the 1968 Revenue Bond issue using the bonds outstanding method.

G. Cash and Investments-

| | December 31, | |
|------------------------------------|------------------------|------------------|
| | 1987 | 1986 |
| | (Thousands of Dollars) | |
| Revenue Fund | \$ 17,683 | \$ 19,378 |
| Operating Fund | 14,374 | 1,949 |
| Construction Funds | 49,315 | 48,029 |
| Commercial Paper Account | 10,172 | 24,334 |
| Debt Service Account | 193 | 360 |
| Reserve and Contingency Fund | 1,236 | 1,236 |
| General Reserve Fund | 15,768 | 16,362 |
| | <u>\$108,741</u> | <u>\$111,648</u> |

Funds consist of \$90.4 million of investment securities and \$18.3 million of cash deposits at December 31, 1987, and \$89.8 million of investment securities and \$21.8 million of cash deposits at December 31, 1986. The carrying value of investment securities approximates market.

Cash deposits, primarily interest bearing, at December 31, 1987, and throughout much of the year, were covered by federal depository insurance or unregistered U.S. Government and municipal securities held by various depositories. Investments at December 31, 1987, were in unregistered U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

The Debt Reserve Account in the Debt Service Fund is valued semi-annually at January 1 and July 1 at the lower of cost or market in accordance with requirements of the Electric System Revenue Bond Resolution (Electric Resolution). The securities in the remaining funds are valued at the lower of cost or principal amount in accordance with requirements of the Electric Resolution.

H. Deferred Production Costs-

Actual energy (fuel) costs in excess of those included in the basic rates are recovered by a Production Cost Adjustment (PCA) which is billed to all customers except non-firm and participation customers. When the basic rates do not provide sufficient revenues to recover the energy costs, the excess cost is deferred. When the basic rates provide revenues in excess of the energy costs, the excess is excluded from revenues. Present District policy requires that billings for the PCA be made using rates adjusted from time to time so that the variations in actual energy costs from estimated energy costs used to derive the basic rates are recovered by PCA billings either in the current rate period or future rate periods.

I. Revenue Recognition-

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

(2) RATES:

The District designs its wholesale and retail electric service rates to cover cost of service, including: 1) operating expenses other than depreciation, 2) debt service, and 3) certain capital additions. In the event the District's rates for wholesale and retail service result in a surplus or deficit in net revenues during a rate period, such surplus or deficit is taken into account in projecting estimated revenue requirements for future rate periods. The following table illustrates the effect of these adjustments in revenue requirements on the Statements of Revenues and Expenses.

Adjustments in Revenue Requirements

| | Rate Period | | |
|---|-----------------------|-----------|--------------------------|
| | 1982-1983 | 1984-1985 | 1986-1987 (Estimated) |
| | (Millions of Dollars) | | |
| Surplus or (Deficit) in Rate Period..... | \$(7.3) | \$(7.5) | \$(12.2) |
| Adjustment in Subsequent Rate Periods: | | | |
| 1984-1985..... | 2.9 | - | - |
| 1986-1987..... | 4.4 | 14.6 | - |
| 1988-1989 (Projected)... | - | (2.8) | 18.1 |
| 1990-1991 (Projected)... | - | (4.3) | (5.9) |

As provided in the Electric Resolution, the District covenants to charge rates for electric and other services so that revenues will be sufficient to pay annual operating expenses, including Nuclear Facility and Power Supply System charges, debt service and other charges payable out of Electric System revenues. The 1988 base rates for firm wholesale and retail service are expected to increase electric revenues by approximately \$2.3 million over 1987 revenues.

(3) LONG-TERM DEBT AND NOTES PAYABLE:

| | December 31, | |
|---|------------------------|------------------|
| | 1987 | 1986 |
| | (Thousands of Dollars) | |
| Revenue Bonds: | | |
| Serial Bonds- | | |
| 2.00%, due 1987 to 1990..... | \$ 1,155 | \$ 1,875 |
| 4.75%-6.30%, due 1987 to 1990.. | 26,705 | 35,575 |
| 4.90%-6.40%, due 1991 to 1995.. | 34,010 | 34,010 |
| 5.00%-6.10%, due 1996 to 2000.. | 39,850 | 39,850 |
| 5.00%-6.30%, due 2001 to 2005.. | 49,740 | 49,740 |
| 5.75%-6.40%, due 2006 to 2009.. | 27,820 | 27,820 |
| Term Bonds, with annual sinking fund requirements- | | |
| 5.10%, due 1987 to 2002..... | 40,350 | 41,000 |
| 6.60%, due 1993 to 2003..... | 33,200 | 33,200 |
| 6.75%, due 1991 to 1995..... | 17,100 | 17,100 |
| 7.00%, due 1996 to 2005..... | 57,250 | 57,250 |
| | <u>\$327,180</u> | <u>\$337,420</u> |
| Lease Purchase Payables- | | |
| 2.00%, due 1987 to 2005..... | 3,852 | 4,145 |
| Unamortized Bond Discount..... | (1,421) | (1,547) |
| | <u>\$329,611</u> | <u>\$340,018</u> |

Principal payments of Electric System Long-Term Debt and Notes Payable for the next five years are: 1988 - \$13.1 million; 1989 - \$12.0 million; 1990 - \$12.3 million; 1991 - \$12.7 million; 1992 - \$13.4 million.

(4) COMMERCIAL PAPER NOTES:

The District is authorized to issue up to \$100 million of commercial paper notes. A credit agreement is maintained with a bank to support the sale of the commercial paper notes. This credit agreement expires in December, 1989. The effective interest rates on outstanding notes for 1987 and 1986 were 4.6% and 4.8% respectively. The District does not expect to repay any of the commercial paper notes in 1988.

The proceeds of this issue are being used (1) to finance a portion of the costs relating to a plant management information system, and repairs and replacement of piping, both of which have been completed, (2) to finance certain other renewals and replacements of the Nuclear Facility, and (3) for other lawful purposes of the District.

The notes are anticipated to be retired from repayment of the Advance to the Power Supply System and from Electric System revenues.

(5) LONG-TERM OBLIGATIONS:

The District has an agreement for the purchase of the entire output of a 100 MW steam electric generating plant through 1991. Under this agreement, the District must (with limited exceptions) make minimum payments monthly. The annual aggregate amount of such required payments will be \$968,000, less an amount associated with the principal amount of outstanding bonds which will be retired from existing reserve funds of the owner, for each of the years 1988 through 1991. In addition, the District is required to pay the variable operating expenses of the plant. The District's total payments under the agreement were \$2.3 million in 1987, \$3.5 million in 1986, and \$2.7 million in 1985.

(6) RETIREMENT PLAN AND
POSTRETIREMENT BENEFITS:

The District has a retirement income plan covering its regular full-time employees, substantially all of whom have elected to participate. Employee's contributions to the plan are based on salary, and the District's contributions are allocated to each employee's trust account based on the employee's contributions to the plan. The plan provides for retirement income equal to the total of the employee's trust account, including trust earnings. The District's contribution was \$5.0 million for 1987, \$4.8 million for 1986, and \$4.5 million for 1985.

The District also provides certain health care, accident and life insurance benefits for retired employees. Substantially all of the District's retired employees are eligible for such benefits. The cost of providing these benefits was \$949,000 for 1987, \$761,000 for 1986, and \$412,000 for 1985.

(7) DEFERRED COMPENSATION PLAN:

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are (until made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. The District has recorded the assets of its deferred compensation plan and the corresponding liability to reflect its fiduciary responsibility under the plan. In the past, the plan assets have been used for no purpose other than to pay benefits. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future. The plan is administered by The Equitable Life Assurance Society of the United States.

(8) LITIGATION:

On August 14, 1985, NUCOR Corporation (NUCOR), a large industrial customer, filed a lawsuit in the United States District Court of Nebraska alleging overcharges from August 1, 1972, to January 1, 1980, in an undetermined amount and \$10 million from January, 1980, through December, 1984. The District's answer, among other things, denied that the District's rates charged NUCOR were unfair, unreasonable and discriminatory and further denied that NUCOR had been damaged as alleged, and asserted various affirmative defenses.

Investigation and discovery indicated that revenue collected by the District from the HTS-2 rate class, of which NUCOR is a member, from September 1, 1973, to December 31, 1986, exceeded the revenue requirements by \$1,527,301.

This surplus was adjusted by a decrease in the HTS-2 electric rate schedule for service provided from March 1, 1987, through December 31, 1987.

At trial, NUCOR expanded their original claim of damages to include the years 1985 and 1986. On May 6, 1987, at the conclusion of trial, the jury returned a verdict in favor of NUCOR for \$7,492,340. The judge then entered judgement against the District on May 15, 1987, reducing this amount as a result of the statute of limitations to \$4,403,547. NPPD has appealed the judgement to the Eighth Circuit Court of Appeals. NUCOR has filed a cross-appeal and contends that judgement should have been entered on the full amount of the jury verdict. The matter is awaiting oral argument before the Eighth Circuit Court of Appeals.

NUCOR is also disputing 1987 and 1988 rates with NPPD. In March, 1988, NUCOR withheld payment on the portion of the January, 1988, NPPD billing which is in dispute.

(9) CAPITAL ADDITIONS:

The 1988 construction plan for the Electric System includes authorization for estimated expenditures of \$20.2 million for 1988. These expenditures will be funded from revenues and other available funds.

(10) CONTINGENCIES:

On October 8, 1986, the Environmental Protection Agency (EPA) notified the District of a potential responsibility stemming from its having arranged for the transport, treatment or disposal of hazardous substances at the Martha C. Rose Chemicals, Inc. site in Holden, Missouri. EPA notified the District that public funds have been spent by EPA to investigate and respond to alleged releases and threatened releases of hazardous substances at the site. EPA also notified the District that it may be a responsible party, and that responsible parties may be legally obligated for response actions and costs incurred in connection with the site. While the potential legal liabilities of the District for costs in connection with the site may include the total cost of response actions related to the site at a cost of up to \$30 million or more, the District believes that its probable liability is much less. If the District's liability for such costs were determined on the basis of the total quantity of materials sent by the District to the Rose Chemicals site, and if the entire cost of actions at the site were allocated on that basis among those who sent materials to the site, the District believes its relative liability for such costs would not exceed 3% to 6% of the total costs. A provision has not been made in the financial statements because it is not yet determinable what the District's ultimate liability, if any, will be.

Nebraska Public Power District
POWER SUPPLY SYSTEM

Report of Independent Public Accountants

To the Board of Directors
Nebraska Public Power District:

We have examined the special-purpose statements of assets and liabilities of the Power Supply System of Nebraska Public Power District (a public corporation and political subdivision of the State of Nebraska) as of December 31, 1987 and 1986, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of, accounting requirements specified in the Power Supply System Revenue Bond Resolution adopted by the District on September 29, 1972, as supplemented, securing the revenue bonds issued thereunder. As described in Note 1(B), these requirements differ from generally accepted accounting principles. Accordingly, the special-purpose financial statements are not intended to present and do not present fairly the financial position, results of operations, and changes in financial position of the Power Supply System of Nebraska Public Power District in conformity with generally accepted accounting principles.

In our opinion, however, the aforementioned special-purpose financial statements of the Power Supply System of Nebraska Public Power District are presented fairly pursuant to the requirements of the Power Supply System Revenue Bond Resolution described in Note 1(B), applied in a consistent manner.

Coopers & Lybrand

600 Woodmen Tower
Omaha, Nebraska 68102
March 4, 1988.

Nebraska Public Power District
POWER SUPPLY SYSTEM

Statements of Assets and Liabilities
December 31, 1987 and 1986
Prepared Pursuant to Requirements of the
Power Supply System Revenue Bond Resolution

| | 1987 | 1986 |
|--|------------------------|------------------|
| | (Thousands of Dollars) | |
| ASSETS | | |
| Utility Plant, at Cost | \$758,208 | \$761,634 |
| Less- | | |
| Reserve for depreciation (Note 1) | 74,642 | 63,758 |
| Amounts funded from revenue (Note 1) | 12,614 | 13,845 |
| | <u>\$670,952</u> | <u>\$684,031</u> |
| Prepaid Capital Costs (Note 3) | \$ 68,724 | \$ 69,414 |
| Cash and Investments (Note 1): | | |
| Debt reserve account | \$ 58,559 | \$ 58,559 |
| Reserve and contingency fund | 6,087 | 8,510 |
| Additions and improvements account | 3,043 | 3,027 |
| Construction funds | 35,015 | 76,627 |
| Revenue fund | 748 | 2,424 |
| Operating fund | 12,778 | 15,723 |
| General reserve fund | 58,390 | 19,407 |
| | <u>\$174,620</u> | <u>\$184,277</u> |
| Accounts Receivable | \$ 3,847 | \$ 361 |
| Interest Receivable | \$ 2,682 | \$ 2,589 |
| Fuel Inventory, at average cost | \$ 17,354 | \$ 19,208 |
| Deferred Charges and Other Assets | \$ 360 | \$ 507 |
| | <u>\$938,539</u> | <u>\$960,387</u> |
| LIABILITIES | | |
| Revenue Bonds (Note 4): | | |
| Serial Bonds- | | |
| 5.00%-6.00%, due 1987 to 1990 | \$ 44,425 | \$ 57,740 |
| 5.50%-6.80%, due 1991 to 1995 | 92,545 | 92,545 |
| 5.70%-7.20%, due 1996 to 2000 | 75,240 | 75,240 |
| 6.00%, due 2001 to 2005 | 5,405 | 5,405 |
| Term Bonds, with annual sinking fund requirements- | | |
| 5.80%, due 1998 to 2012 | 168,930 | 168,930 |
| 6.125%, due 1999 to 2016 | 239,635 | 239,635 |
| 6.75%, due 1999 to 2001 | 23,025 | 23,025 |
| 6.90%, due 2002 to 2008 | 75,345 | 75,345 |
| 7.10%, due 2009 to 2016 | 129,005 | 129,005 |
| 7.375%, due 2001 to 2006 | 11,595 | 11,595 |
| 7.50%, due 2007 to 2019 | 50,320 | 50,320 |
| | <u>\$915,470</u> | <u>\$928,785</u> |
| Advance from Electric System | 6,190 | 6,100 |
| Accounts Payable and Other Accrued Liabilities | 5,999 | 10,891 |
| Operating Reserves (Note 1) | 10,970 | 14,611 |
| | <u>\$938,539</u> | <u>\$960,387</u> |

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

Nebraska Public Power District
POWER SUPPLY SYSTEM

Statements of Revenues and Costs
for each of the Three Years in
the Period Ended December 31, 1987
Prepared Pursuant to Requirements of the
Power Supply System Revenue Bond Resolution

| | 1987 | 1986 | 1985 |
|--|------------------------|------------------|------------------|
| | (Thousands of Dollars) | | |
| Revenues (Notes 1 and 2): | | | |
| Sales to the Electric System | \$134,101 | \$140,696 | \$133,104 |
| Investment and other income | 15,602 | 10,736 | 20,644 |
| Total revenues | <u>\$149,703</u> | <u>\$151,432</u> | <u>\$153,748</u> |
| Costs: | | | |
| Operating expenses— | | | |
| Production— | | | |
| Fuel | \$ 56,455 | \$ 52,912 | \$ 60,850 |
| Operation and maintenance (Note 3) | 16,308 | 18,880 | 16,241 |
| Provisions for operating reserves (Note 1) | — | 4,044 | 3,247 |
| General and administrative | 3,971 | 3,117 | 2,839 |
| Insurance | 1,101 | 1,070 | 972 |
| | <u>\$ 77,835</u> | <u>\$ 80,023</u> | <u>\$ 84,150</u> |
| Debt service— | | | |
| Principal (Note 1) | 13,315 | 12,095 | 11,725 |
| Interest | 58,553 | 59,314 | 57,873 |
| Total costs | <u>\$149,703</u> | <u>\$151,432</u> | <u>\$153,748</u> |

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

Nebraska Public Power District
POWER SUPPLY SYSTEM

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES:

A. Organization—

The District has three separate divisions for accounting purposes as follows:

- Electric System
- Power Supply System
- Nuclear Facility

As required by Bond Resolutions, separate records are maintained for each division. The Power Supply System financial statements exclude the Electric System and Nuclear Facility, for which financial statements are presented

separately herein. The Power Supply System financial statements should be read in conjunction with such other financial statements.

B. Basis of Accounting—

Revenues are recognized and billed at an amount equal to costs as defined by the Power Supply System Revenue Bond Resolution (Power Supply Resolution) which include operating expenses (excluding depreciation), and debt service on the revenue bonds, less investment income. Revenues are computed and billed so that no equity is accumulated in the Power Supply System.

Revenues and costs as defined by the Power Supply Resolution differ in the following respects from generally accepted accounting principles:

- (1) Amortization of the debt principal is included as a cost in the accompanying Statements of Revenues and Costs as "Debt service-Principal".

Depreciation is not recorded as a cost. Had the District provided straight-line depreciation over a 40-year life rather than including amortization of debt principal over the same period, costs would have increased \$6.0 million in 1987, \$6.6 million in 1986, and \$6.5 million in 1985. Accumulated depreciation through December 31, 1987, would have increased costs approximately \$55.6 million. The reserve for depreciation shown on the Statements of Assets and Liabilities was provided by recording amounts equal to repayment of debt. Upon retirement of property subject to depreciation, the cost of property is removed from plant accounts and charged to the reserve for depreciation, along with the removal costs, net of salvage.

(2) Billings to provide capital for renewals and replacements of property and capital additions are included in the accompanying statements as "Operating Reserves" and "Provisions for operating reserves". Under generally accepted accounting principles, capital additions and provisions for renewals and replacements are not expenses but (exclusive of minor items of property) are charged to utility plant. Renewals and replacements of property and capital additions funded from revenues are fully reserved. Other income in 1987 includes \$6.2 million of excess funds which have been recognized as revenues and applied for the benefit of the Electric System in reduction of payments by the Electric System to the Power Supply System for purchased power.

(3) Interest income on construction fund investments is credited to utility plant. Under generally accepted accounting principles, such income would have increased revenues \$5.1 million in 1987, \$5.9 million in 1986, and \$7.7 million in 1985.

C. Utility Plant-

Interest expense, less interest earned on investment securities, all financing costs and all other costs related to construction projects are capitalized.

D. Cash and Investments-

Funds consist of \$173.5 million of investment securities and \$1.1 million of cash deposits at December 31, 1987, and \$181.5 million of investment securities and \$2.8 million of cash deposits at December 31, 1986. The carrying value of investment securities approximates market.

Cash deposits, primarily interest bearing, at December 31, 1987, and throughout much of the year, were covered by federal depository insurance or unregistered U.S. Government and municipal securities held by various depositories. Investments at December 31, 1987, were in unregistered U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

The Debt Reserve Account in the Debt Service Fund and the Reserve Account in the Reserve and Contingency Fund are valued semi-annually at January 1 and July 1 at the lower of cost or market in accordance with requirements of the Power Supply Resolution. Gains or losses on valuations are included in investment income. The securities in the remaining funds are valued at the lower of cost or principal amount in accordance with requirements of the Power Supply Resolution.

(2) RATE COVENANT:

The District is required under the Power Supply Resolution to charge rates for electric power and energy from the Power Supply System so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the Power Supply System Revenue Bonds, amounts to be paid into the Debt Reserve Account and Reserve and Contingency Fund, and all other charges or liens payable out of revenues of the Power Supply System. The debt service payments of the Power Supply System Revenue Bonds are \$71.9 million per year through 1992 and principal payments, as a component of debt service payments, are \$14.0 million, \$14.8 million, \$15.6 million, \$16.5 million, and \$17.4 million for each of the years 1988 through 1992 respectively.

(3) PREPAID CAPITAL COSTS:

Prepaid capital costs are associated with the purchase of the capacity of the Kingsley Project, a 50 MW hydroelectric generating facility owned and operated by The Central Nebraska Public Power and Irrigation District (Central). The prepayment is being amortized to expense over the life of the 1986 Series Revenue Bonds.

Under terms of the Kingsley Project Construction, Operation and Power Purchase Agreement, Central makes available all of the production of the Kingsley Project and the District pays all costs of operating and maintaining the facility plus a charge based on the amount of energy delivered to the District. Costs of \$498,000 in 1987 are included in "Production-Operation and maintenance".

(4) DEFEASANCE OF DEBT:

In 1986, the District issued Power Supply System Revenue Bonds, 1986 Series, to advance refund the outstanding Power Supply System Revenue Bonds, 1985 Series. The 1985 Bonds were defeased by placing the proceeds of the 1986 Bonds in an irrevocable trust account with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At December 31, 1987, \$64.0 million of bonds outstanding are considered defeased.

(5) CAPITAL ADDITIONS:

The 1988 construction plan for the Power Supply System includes authorization for estimated expenditures of \$5.8 million for 1988. These expenditures will be funded from excess construction funds.

Nebraska Public Power District
NUCLEAR FACILITY

Report of Independent Public Accountants

To the Board of Directors
Nebraska Public Power District:

We have examined the special-purpose statements of assets and liabilities of the Nuclear Facility of Nebraska Public Power District (a public corporation and political subdivision of the State of Nebraska) as of December 31, 1987 and 1986, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The special-purpose financial statements referred to above have been prepared for the purpose of complying with, and on the basis of, accounting requirements specified in the Nuclear Facility Revenue Bond Resolution adopted by the District on August 22, 1968, as supplemented, securing the revenue bonds issued thereunder. As described in Note 1(B), these requirements differ from generally accepted accounting principles. Accordingly, the special-purpose financial statements are not intended to present and do not present fairly the financial position, results of operations, and changes in financial position of the Nuclear Facility of Nebraska Public Power District in conformity with generally accepted accounting principles.

In our opinion, however, the aforementioned special-purpose financial statements of the Nuclear Facility of Nebraska Public Power District are presented fairly pursuant to the requirements of the Nuclear Facility Revenue Bond Resolution described in Note 1(B), applied in a consistent manner.

Coopers & Lybrand

600 Woodmen Tower
Omaha, Nebraska 68102
March 4, 1988.

Nebraska Public Power District
NUCLEAR FACILITY

Statements of Assets and Liabilities
December 31, 1987 and 1986
Prepared Pursuant to Requirements of the
Nuclear Facility Revenue Bond Resolution

| | 1987 | 1986 |
|---|------------------------|------------------|
| | (Thousands of Dollars) | |
| ASSETS | | |
| Utility Plant, at Cost | \$560,113 | \$545,697 |
| Less- | | |
| Reserve for depreciation (Note 1) | 122,665 | 110,453 |
| Amounts funded from revenue (Note 1) | 149,673 | 136,518 |
| | <u>\$287,775</u> | <u>\$298,726</u> |
| Nuclear Fuel-Net of Amortization (Note 1) | \$ 83,207 | \$107,326 |
| Cash and Investments (Note 1): | | |
| Debt reserve account | \$ 28,461 | \$ 28,596 |
| Reserve and contingency fund | 10,666 | 9,861 |
| Additions and improvements account | 10,487 | 11,149 |
| Construction fund | 13,446 | 14,354 |
| Fuel reserve account | 48,848 | 25,397 |
| Fuel disposal fund (Note 1) | 3,625 | 2,889 |
| Operating fund | 5,096 | 2,838 |
| Revenue fund | 773 | 453 |
| Decommissioning fund (Note 4) | 8,724 | 6,356 |
| | <u>\$130,126</u> | <u>\$101,893</u> |
| Accounts Receivable | \$ 2,512 | \$ 6,254 |
| Interest Receivable | \$ 2,431 | \$ 1,435 |
| Deferred Charges and Other Assets | \$ 998 | \$ 1,826 |
| | <u>\$507,049</u> | <u>\$517,460</u> |
| LIABILITIES | | |
| Revenue Bonds: | | |
| Serial Bonds- | | |
| 4.80%-7.50%, due 1987 to 1990 | \$ 22,900 | \$ 36,245 |
| 6.00%-8.80%, due 1991 to 1995 | 24,020 | 24,020 |
| 7.375%-9.20%, due 1996 to 2003 | 26,600 | 26,600 |
| Term Bonds, with annual sinking fund requirements- | | |
| 5.10%, due 1987 to 2002 | 154,805 | 155,000 |
| 6.30%, due 1993 to 2003 | 68,430 | 68,430 |
| 6.60%, due 1992 to 2003 | 67,200 | 67,200 |
| | <u>\$363,955</u> | <u>\$377,495</u> |
| Operating Reserves (Note 1) | 127,579 | 123,039 |
| Accounts Payable and Other Accrued Liabilities (Note 1) | 15,515 | 16,926 |
| | <u>\$507,049</u> | <u>\$517,460</u> |

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

Nebraska Public Power District
NUCLEAR FACILITY

Statements of Revenues and Costs
 for each of the Three Years in
 the Period Ended December 31, 1987
 Prepared Pursuant to Requirements of the
 Nuclear Facility Revenue Bond Resolution

| | 1987 | 1986 | 1985 |
|--|------------------------|------------------|------------------|
| | (Thousands of Dollars) | | |
| Revenues (Notes 1 and 2): | | | |
| Sales- | | | |
| Electric System | \$ 66,164 | \$ 60,773 | \$ 60,479 |
| Iowa Power and Light Company | 66,169 | 60,775 | 60,477 |
| Investment and other income | 15,491 | 7,576 | 12,590 |
| Total revenues | <u>\$147,824</u> | <u>\$129,124</u> | <u>\$133,546</u> |
| Costs: | | | |
| Operating expenses- | | | |
| Production- | | | |
| Fuel | \$ 35,766 | \$ 26,371 | \$ 7,177 |
| Operation and maintenance | 31,006 | 34,375 | 31,783 |
| Provisions for operating reserves (Note 1) | 25,593 | 18,446 | 49,870 |
| Technical and administrative | 16,406 | 10,278 | 5,506 |
| Insurance | 2,830 | 3,439 | 3,016 |
| | <u>\$111,601</u> | <u>\$ 92,909</u> | <u>\$ 97,352</u> |
| Debt service- | | | |
| Principal (Note 1) | 13,540 | 12,845 | 12,185 |
| Interest | 22,683 | 23,370 | 24,009 |
| Total costs | <u>\$147,824</u> | <u>\$129,124</u> | <u>\$133,546</u> |

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

Nebraska Public Power District NUCLEAR FACILITY

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization-

The District has three separate divisions for accounting purposes as follows:

- Electric System
- Power Supply System
- Nuclear Facility

As required by Bond Resolutions, separate records are maintained for each division. The Nuclear Facility financial statements exclude the Electric System and Power Supply System, for which financial statements are presented separately herein. The Nuclear Facility financial statements should be read in conjunction with such other financial statements.

B. Basis of Accounting-

Revenues are recognized and billed at an amount equal to costs as defined by the Nuclear Facility Revenue Bond Resolution (Nuclear Resolution) which include operating expenses (excluding depreciation), and debt service on the revenue bonds, less investment income. Revenues are computed and billed so that no equity is accumulated in the Nuclear Facility.

Revenues and costs as defined by the Nuclear Resolution differ in the following respects from generally accepted accounting principles:

(1) Amortization of the debt principal is included as a cost in the accompanying Statements of Revenues and Costs as "Debt service-Principal".

Depreciation is not recorded as a cost. Had the District provided straight-line depreciation over a 30-year life rather than including amortization of debt principal over the same period, costs would have increased \$1 million in 1987, \$8 million in 1986, and \$1.5 million in 1985. Accumulated depreciation through December 31, 1987, would have increased costs approximately \$46.6 million. The reserve for depreciation shown on the Statements of Assets and Liabilities was provided by recording amounts equal to repayment of debt. Upon retirement of property subject to depreciation, the cost of property is removed from plant accounts and charged to the reserve for depreciation, along with the removal costs, net of salvage.

(2) Billings to provide capital for renewals and replacements of property, capital additions, and nuclear fuel are included in the accompanying statements as "Operating Reserves" and "Provisions for operating reserves". Under generally accepted accounting principles, capital additions and provisions for renewals and replacements are not expenses but (exclusive of minor items of property) are charged to utility plant. Provisions for working capital for nuclear fuel are not expenses under generally accepted accounting principles until the fuel is used. Renewals and replacements of property and capital additions funded from revenues are fully reserved. Other income in 1987 includes \$7.7 million of excess funds which have been recognized as revenues and applied for the benefit of the Electric System and Iowa Power and

Light Company (Iowa Power) in reduction of payments by the Electric System and Iowa Power to the Nuclear Facility for purchased power.

(3) Interest income on construction fund investments is credited to utility plant. Under generally accepted accounting principles, such income would have increased revenues \$.9 million in 1987, \$1.0 million in 1986, and \$1.2 million in 1985.

C. Nuclear Fuel-

Nuclear fuel in the reactor is being amortized on the basis of energy produced as a percentage of total energy expected to be produced.

The District has entered into contracts for various nuclear fuel components for fuel loadings as follows:

| Nuclear Fuel Component | Suppliers | Year Through Which Requirements Are Provided |
|------------------------|----------------------|--|
| Uranium Concentrates | Various | 1989 |
| Conversion | Allied Corp. | 1989 |
| Enrichment | U.S. Dept. of Energy | 2014 |
| Fabrication | General Electric | 1994 |

Fees for disposal of fuel in the reactor are being provided as part of the fuel cost and collected through revenues of the Nuclear Facility. Some of these fees may ultimately be the responsibility of General Electric Company (GE) under the nuclear fuel supply contract for the initial fuel for the Nuclear Facility.

The District and GE have entered into an agreement setting out certain rights and responsibilities relating to the shipment from Cooper Nuclear Station to Morris, Illinois, of spent fuel associated with the initial fuel supplied by GE under the nuclear fuel supply contract. The initial shipment of spent fuel was accomplished in August, 1984. Each party has a full reservation of rights with respect to buyback payments, all shared costs, and ultimate responsibility for disposition of the spent fuel and attendant costs. Buyback payments of \$7.1 million for 1987, and \$6.4 million for 1986 have been included in "Accounts Payable and Other Accrued Liabilities".

D. Cash and Investments-

Funds consist of \$129.1 million of investment securities and \$1.0 million of cash deposits at December 31, 1987, and \$101.0 million of investment securities and \$.9 million of cash deposits at December 31, 1986. The carrying value of investment securities approximates market.

Cash deposits, primarily interest bearing, at December 31, 1987, and throughout much of the year, were covered by federal depository insurance or unregistered U.S. Government and municipal securities held by various depositories. Investments at December 31, 1987, were in unregistered U.S. Government securities and Federal Agency obligations held in the District's name by the custodial banks.

The Debt Reserve Account in the Debt Service Fund and the Reserve Account in the Reserve and Contingency Fund are valued semi-annually at January 1 and July 1 at the lower of cost or market in accordance with requirements of the Nuclear Resolution. Gains or losses on valuations are included in investment income. The securities in the remaining funds are valued at the lower of cost or principal amount in accordance with requirements of the Nuclear Resolution.

(2) RATE COVENANT:

The District is required under the Nuclear Resolution to charge rates for electric power and energy from the Nuclear Facility so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the Nuclear Facility Revenue Bonds, amounts to be paid into the Debt Reserve Account and Reserve and Contingency Fund, and all other charges or liens payable out of revenues of the Nuclear Facility. The debt service payments of the Nuclear Facility Revenue Bonds are \$36.3 million per year through 1992 and principal payments, as a component of debt service payments, are \$14.3 million, \$15.1 million, \$16.0 million, \$16.9 million, and \$17.9 million for each of the years 1988 through 1992 respectively.

(3) POWER SALES CONTRACTS:

Under terms of a power sales contract with Iowa Power, the District makes available one-half of the production of the Cooper Nuclear Station to Iowa Power with the balance available to the District's Electric System. Iowa Power and the District's Electric System each pay a proportionate share of the nuclear fuel costs (based on energy actually delivered) plus one-half of all other costs of the facility.

The District has also agreed to make available, through its Electric System, 12½% of the output of the Cooper Nuclear Station to the City of Lincoln (Lincoln).

(4) PLANT DECOMMISSIONING COSTS:

The District has estimated the cost of funding the eventual decommissioning of Cooper Nuclear Station. It is expected that the costs of decommissioning will be funded from (1) revenues developed by a component included in firm wholesale and retail rates of the Electric System, including revenues from Lincoln for its purchase of power and energy from Cooper Nuclear Station; (2) revenues from Iowa Power, pursuant to its contract for the purchase of power and energy from Cooper Nuclear Station; (3) certain reserve funds established under the Nuclear Resolution; and (4) surplus funds derived from the ownership and operation of the Nuclear Facility. The District continues to review such costs and methods of funding as a result of changing conditions and requirements for decommissioning.

(5) CAPITAL ADDITIONS:

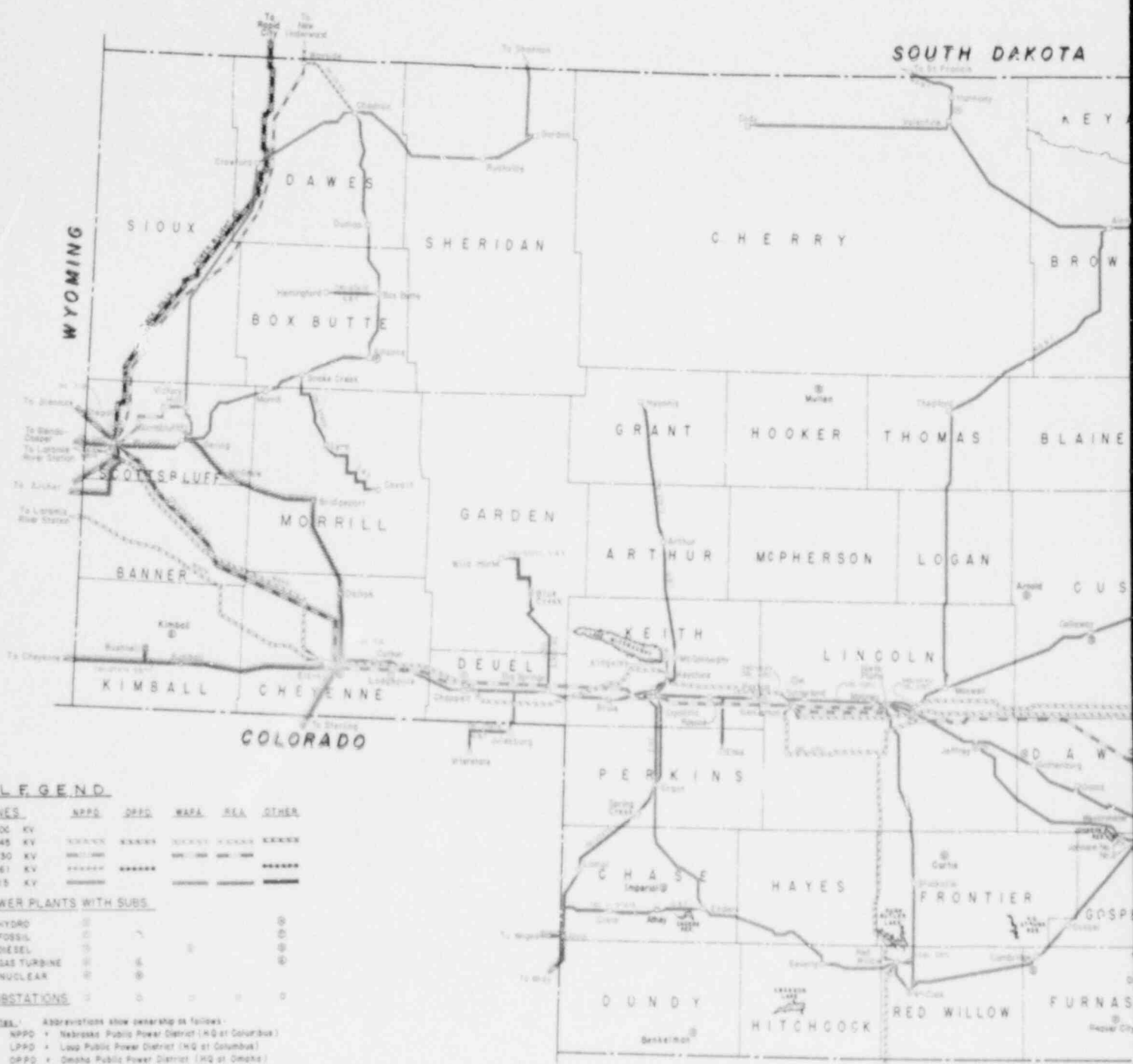
The 1988 construction plan for the Nuclear Facility includes authorization for estimated expenditures of \$15.5 million for 1988. \$13.3 million of these expenditures will be billed to participants as "Provisions for operating reserves" on the basis of estimated cash flow requirements and \$2.2 million will be funded from Nuclear Facility construction funds.

(6) OPERATIONS:

The District and Westinghouse were previously engaged in negotiations with respect to a settlement for damages to the turbine-generator and extra costs incurred as a result of a plant shutdown occurring subsequent to a maintenance overhaul of the turbine-generator by Westinghouse. These negotiations have been settled with all material costs to repair the damages being absorbed by Westinghouse. In addition, Iowa Power and Lincoln requested that the District study the recovery of consequential damages from Westinghouse resulting from the plant shutdown. Lincoln submitted a claim to the District of \$520,289 for the excess cost of replacement energy as a result of the plant shutdown. This claim, along with Iowa Power's request, have both been dropped.

(7) CONTINGENCIES:

Under the provisions of the Federal Price-Anderson Act, the District and all other licensed nuclear power plant operators could each be assessed for claims in amounts up to \$5.0 million per year per unit owned in the event of any nuclear incident involving any licensed facility in the nation with a maximum of \$10.0 million per year per unit owned in the event of more than one incident. Iowa Power would be liable to the District for one-half of such assessment under the Power Sales Contract. To satisfy the obligation, the District has obtained a \$5.0 million line of credit and Iowa Power has demonstrated its financial integrity and responsibility for \$5.0 million.



LEGEND

| LINES | NPPD | OPPD | WAPA | REA | OTHER |
|--------|-------|-------|-------|-------|-------|
| 500 KV | ————— | ————— | ————— | ————— | ————— |
| 345 KV | ————— | ————— | ————— | ————— | ————— |
| 230 KV | ————— | ————— | ————— | ————— | ————— |
| 161 KV | ————— | ————— | ————— | ————— | ————— |
| 115 KV | ————— | ————— | ————— | ————— | ————— |

POWER PLANTS WITH SUBS.

| | | | | | |
|-------------|---|--|--|--|---|
| HYDRO | ⊙ | | | | ⊙ |
| FOSSIL | ⊙ | | | | ⊙ |
| DIESEL | ⊙ | | | | ⊙ |
| GAS TURBINE | ⊙ | | | | ⊙ |
| NUCLEAR | ⊙ | | | | ⊙ |

SUBSTATIONS

| | | | | |
|---|---|---|---|---|
| ⊙ | ⊙ | ⊙ | ⊙ | ⊙ |
|---|---|---|---|---|

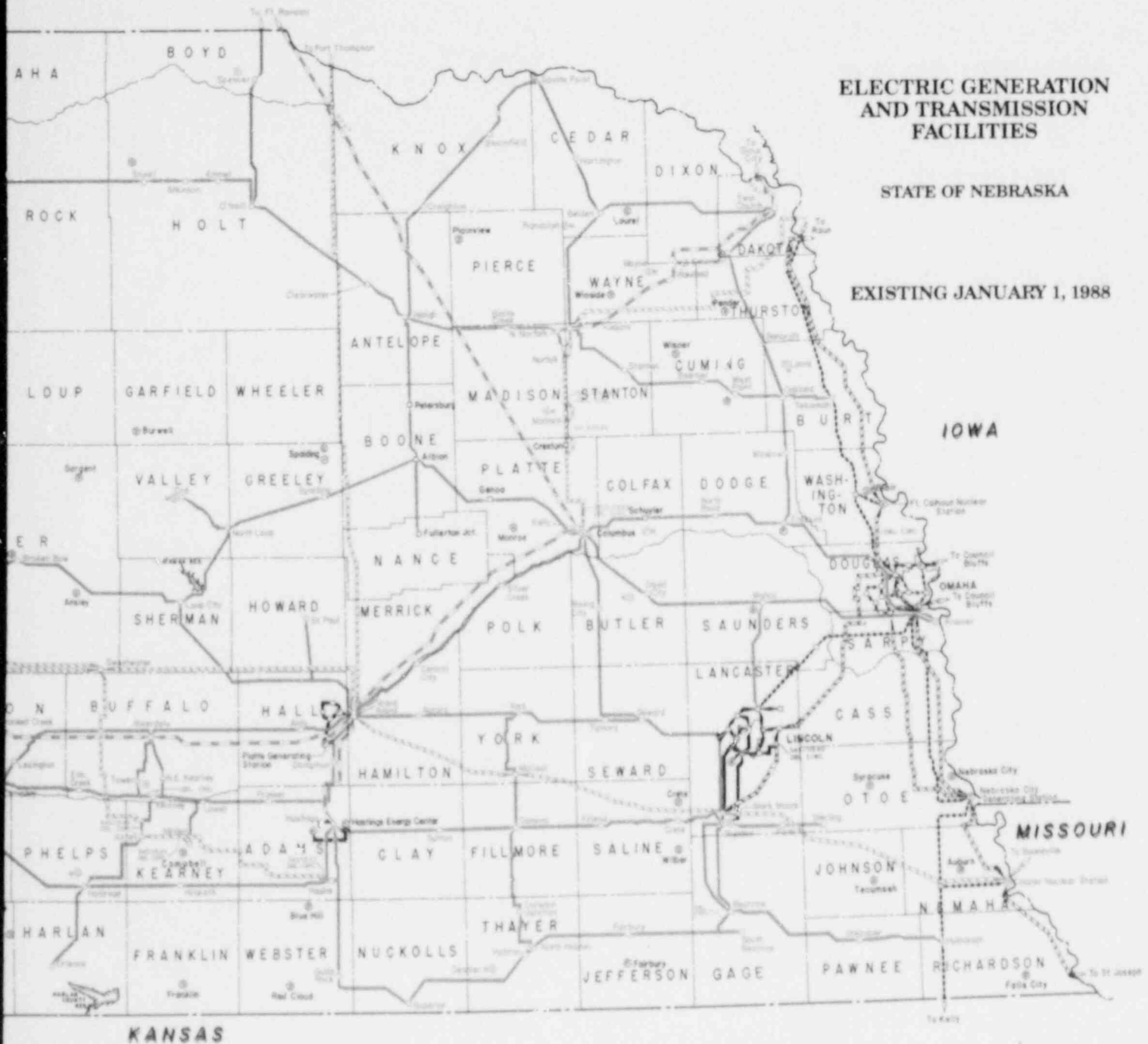
- Notes:** Abbreviations show ownership as follows:
- NPPD - Nebraska Public Power District (HQ at Columbus)
 - LPPD - Laramie Public Power District (HQ at Columbus)
 - OPPD - Omaha Public Power District (HQ at Omaha)
 - WAPA - Western Area Power Administration
 - REA - Rural Electrification Administration (Facilities of rural electric borrowers)
 - MBPP - Missouri Basin Power Project
 - CN - Central Nebraska Public Power and Irrigation District (HQ at Holdrege)
 - NS&T - Nebraska S & T Lines Lease / Purchased To NPPD
 - OTHER - Facilities owned by municipalities and others as shown
 - ⊙ - Facilities west of East-West Transmission Tie

⊙ - Municipality generated under license agreement with NPPD
 ⊙ - LPPD owned generation under license with NPPD
 ⊙ - NS&T owned generation under license with NPPD

ELECTRIC GENERATION AND TRANSMISSION FACILITIES

STATE OF NEBRASKA

EXISTING JANUARY 1, 1988



KANSAS

0 10 20 30 40 50
SCALE OF MILES



STATISTICAL REVIEW | Nebraska Public Power District Electric System, Nuclear Facility,

| | Average Number of Customers | KWH Sales (Thousands) | % | Revenue From Sales (Thousands) | % |
|---|-----------------------------------|--------------------------|--------------|--------------------------------------|--------------|
| SALES | | | | | |
| Retail: | | | | | |
| Residential | 80,712 | 726,105 | 7.5 | \$ 46,401 | 13.3 |
| Rural & Farm | 5,331 | 82,656 | .8 | 5,679 | 1.6 |
| Commercial | 17,330 | 609,584 | 6.3 | 37,436 | 10.7 |
| Industrial | 75 | 684,416 | 7.0 | 24,231 | 7.0 |
| Municipal & Federal | 3,053 | 145,554 | 1.5 | 8,495 | 2.4 |
| Total Retail | <u>106,501</u> | <u>2,248,315</u> | <u>23.1</u> | <u>\$122,242</u> | <u>35.0</u> |
| Wholesale: | | | | | |
| 52 Municipalities (Total Requirements) | | 1,096,998 | 11.3 | \$ 40,069 | 11.5 |
| 19 Municipalities (Interconnection-Partial Requirements) | | 98,024 | 1.0 | 2,771 | .8 |
| 26 Public Power Districts & Cooperatives (Total Requirements) | | 3,123,662 | 32.1 | 105,444 | 30.2 |
| Other Utilities-Non-Firm & Participation | | 3,169,011 | 32.5 | 69,632 | 20.0 |
| Total Wholesale | | <u>7,487,695</u> | <u>76.9</u> | <u>\$217,916</u> | <u>62.5</u> |
| Total Electric Revenues | | <u>9,736,010</u> | <u>100.0</u> | <u>\$340,158</u> | <u>97.5</u> |
| Other Operating Revenues | | | | 8,718 | 2.5 |
| Total Electric System Operating Revenues | | | | <u>\$348,876</u> | <u>100.0</u> |
| GENERATION | | | | | |
| Production: | | | | | |
| Electric System (Including Interchange) | | <u>477,681</u> | <u>4.7</u> | <u>\$ 14,530</u> | <u>5.7</u> |
| Purchased: | | | | | |
| Power Supply System ⁽¹⁾ | | 5,000,113 | 49.5 | \$138,327 | 53.9 |
| Nuclear Facility ⁽¹⁾ | | 2,760,685 | 27.4 | 68,739 | 26.8 |
| Other | | 1,857,095 | 18.4 | 34,896 | 13.6 |
| Total Power Purchased | | <u>9,617,893</u> | <u>95.3</u> | <u>\$241,962</u> | <u>94.3</u> |
| Total Power Produced and Purchased | | <u>10,095,574</u> | <u>100.0</u> | <u>\$256,492</u> | <u>100.0</u> |

(1) The Electric System purchases 100% of the net generation and power purchases of the Power Supply System and 50% of the net generation of the Nuclear Facility based upon the total costs of the respective systems. Pursuant to the Power Sales Contract, Iowa Power and Light Company purchased 2,761,441,000 KWH. Iowa Power and Light participation is not included in the table.

| | 1987 | 1988 | Increase (1) |
|---|------------------------|------------------------|------------------|
| | (Thousands of Dollars) | | |
| GENERAL | | | |
| Utility Plant (at cost): | | | |
| Electric System | \$ 676,692 | \$ 667,455 | \$ 9,237 |
| Power Supply System | 758,208 | 761,634 | (3,426) |
| Nuclear Facility | 560,113 | 545,697 | 14,416 |
| Total Utility Plant | <u>\$1,995,013</u> | <u>\$1,974,786</u> | <u>\$ 20,227</u> |
| Production Plant Facilities: | | | |
| Steam-Conventional | 5 | 1,647,500 | |
| Steam-Nuclear | 1 | 778,000 ⁽³⁾ | |
| Hydro | 11 | 161,020 | |
| Diesel | 10 | 36,849 | |
| Peaking Turbine | 3 | 116,000 | |
| Total Production Plant Facilities | <u>30</u> | <u>2,739,369</u> | |

(1) Net of retirements

(2) Includes two steam plants, six hydro plants, and ten diesel plants under contract to the District

(3) Includes 389,000 KW contracted to Iowa Power and Light

Transmission Facilities:

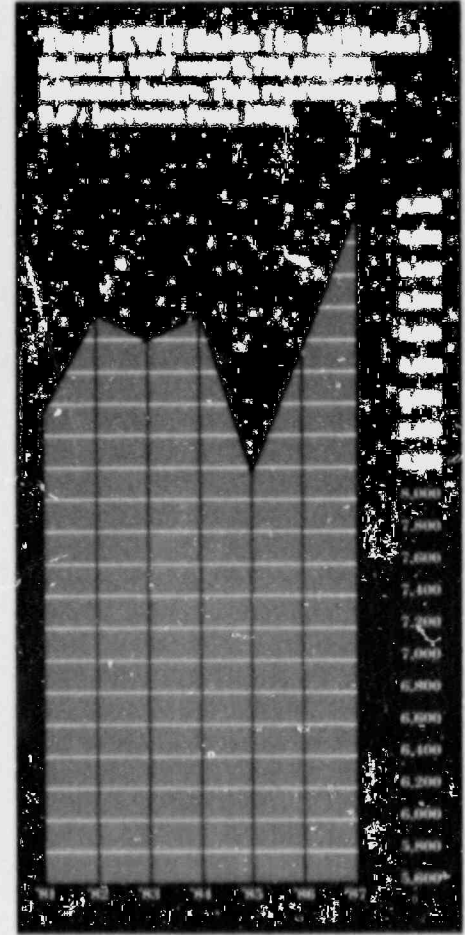
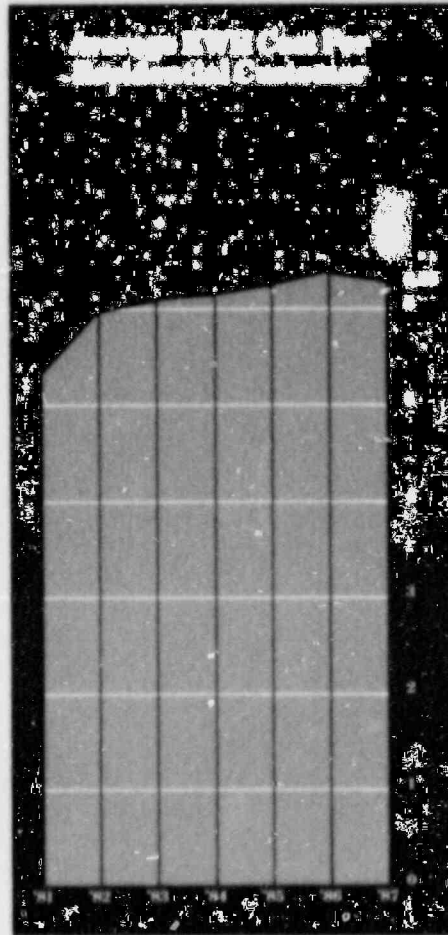
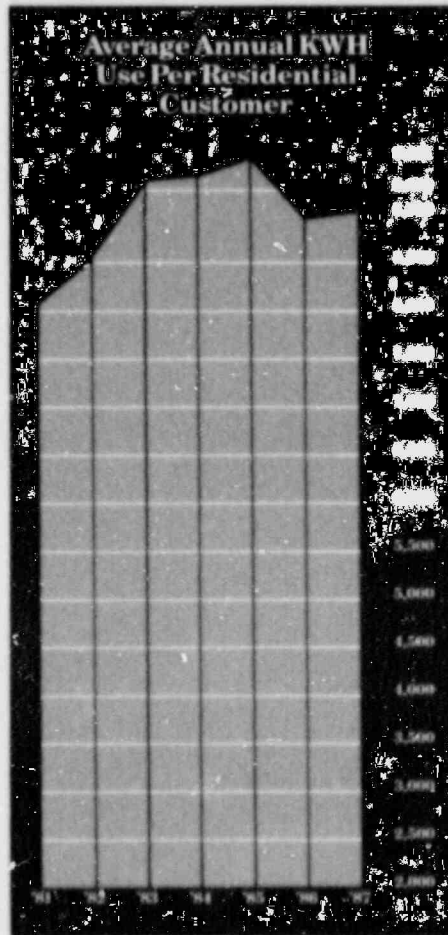
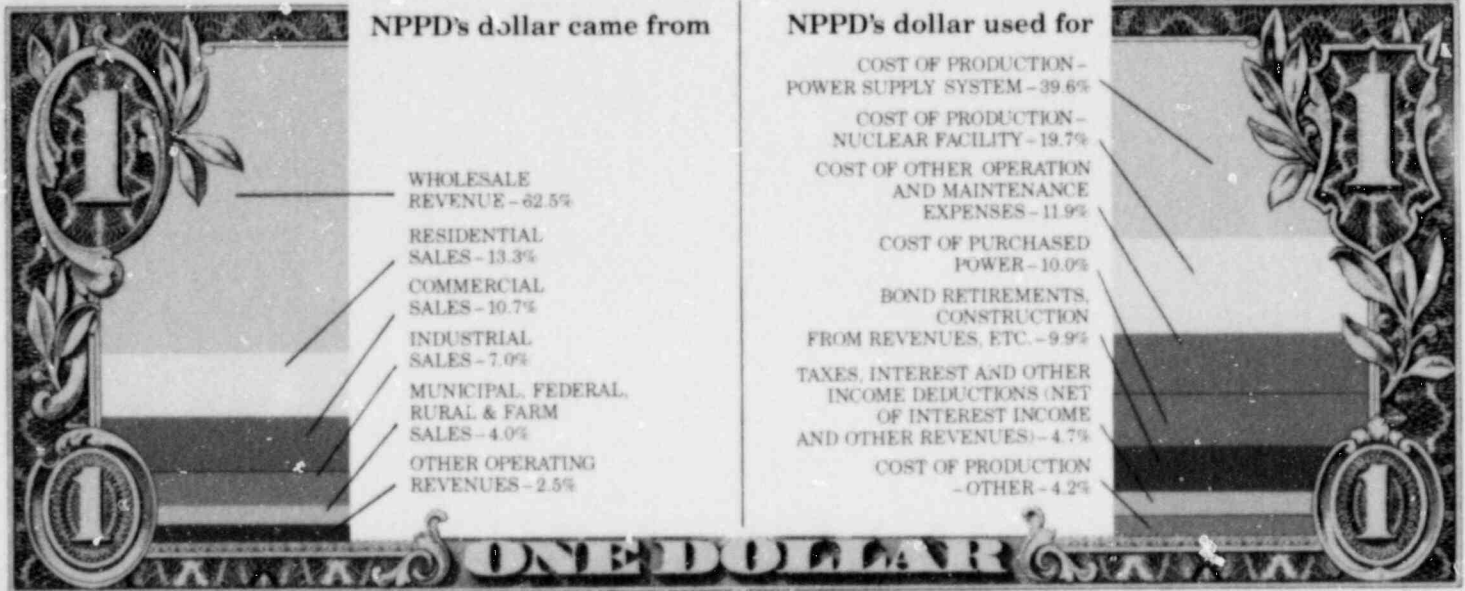
Miles of Transmission Line in Service

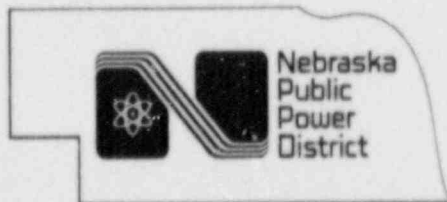
6,360

Personnel:

Number of Permanent Employees

1,997





General Offices
1414 - 15th Street
P.O. Box 499
Columbus, NE 68601



Nebraska Public Power District

GENERAL OFFICE
P.O. BOX 499, COLUMBUS, NEBRASKA 68601-0499
TELEPHONE (402) 564-8561

NLS8800259
May 13, 1988

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

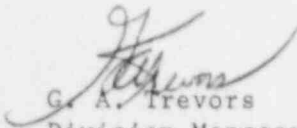
Subject: Nebraska Public Power District
1987 Annual Report
NRC Docket No. 50-298, DPR-46

Gentlemen:

In accordance with the requirements cited in 10 CFR Part 50.71(b), Nebraska Public Power District submits its Annual Report for calendar year 1987. As specified in Regulatory Guide 10.1, we are enclosing ten (10) copies of the report.

Should you have any questions or require additional information, do not hesitate to contact me.

Sincerely,


G. A. Trevors
Division Manager
Nuclear Support

/rg
Enclosure (10)

cc: Regional Office
USNRC - Region IV

NRC Resident Inspector
Cooper Nuclear Station

M004
1/10