Nebraska Public Power District

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May 7, 1993

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U. S. Nuclear Regulatory Commission
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Subject: Nebraska Public Power District
1992 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 1992. 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. R. Horn
Nuclear Power Group Manager

/rg
Enclosure (10)

cc: Regional Administer
USNRC - Region IV

NRC Resident Inspector
Cooper Nuclear Station

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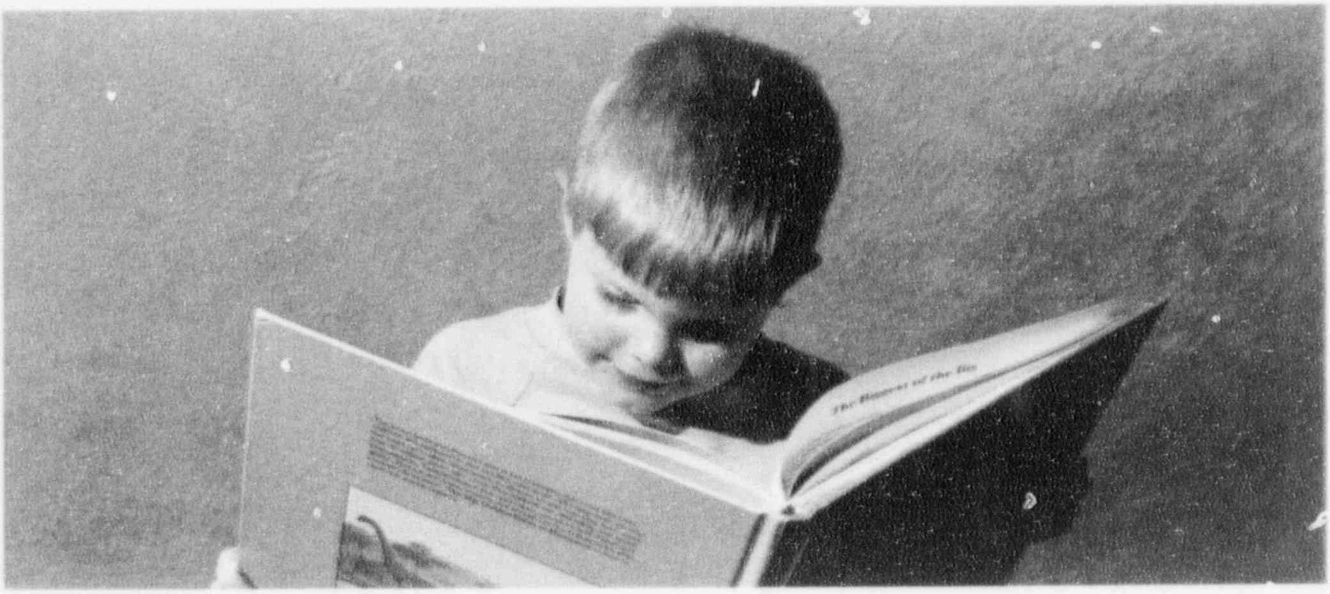


THE POWER | *to serve.*

Nebraska Public Power District
1992 Annual Report

REFERENCE *guide*

YEAR *at a glance*

Kilowatt-hour Sales (Electric System)	10.6 billion
Kilowatt-hour Sales to Midwest Power Systems Inc. (Nuclear Facility)	3.1 billion
Operating Revenues (Electric System)	$408.7 million
Operating Revenues from Sales to Midwest Power Systems Inc. (Nuclear Facility)	$85.1 million
Cost of Power Purchased and Generated (Including Nuclear Facility and Power Supply System)	$303.1 million
Other Operating Expenses	$88.7 million
Net Revenues	$2.65 million
Debt Service Coverage	1.69

THE *district*

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. The subdivisions encompass 86 of the State's 93 counties and all of five other counties except for the corporate area of one first-class city not served directly or indirectly by the District in each of these five counties. Management and operation of the District is accomplished with a staff of approximately 2,260 employees. The District has the power, among other things, to acquire, construct and operate generating plants, transmission lines, substations and distribution systems and to purchase, generate, distribute, transmit and sell electric energy, at both wholesale and retail, for lighting, power, heating and other purposes. The District operates an integrated electric utility system, including facilities for generation, transmission and distribution of electric power and energy for sale at wholesale and retail, and a surface water irrigation service. There are no investor-owned utilities providing retail electric service in Nebraska.

MESSAGE *from the Chairman and President*

"The Power to Serve," the theme of this annual report, reflects a long-standing commitment of Nebraska Public Power District to provide high-quality electric service to our customers while keeping rates low and stable. It is reflected in everything we do including the policies set by the Board of Directors, as well as the management of our operations. ¶ Challenges to our ability to keep those commitments sometimes require difficult decisions. For instance, last summer's unseasonably mild weather equated to slumping electricity sales for NPPD. As late as July it was anticipated that we could be faced with a year-end revenue shortfall of $18.5 million, providing the current weather trend continued through the year. We're pleased to report that as a result of some judicious cost-cutting, combined with cooperation from mother nature, we finished the year much stronger than anticipated with net revenues of $2.65 million. ¶ The successful retrenching resulted from our request of employees to tighten their collective belts by deferring capital projects and cutting expenses. They responded by eliminating some $17.9 million in expenses from the 1992 and 1993 budgets. This cost-cutting was not without personal sacrifice as employees' wage adjustments for 1993 were limited to two percent and a hiring freeze was imposed. ¶ Additionally, more than $9 million in capital projects were cut or deferred. Several of the austerity measures will continue throughout the coming year. ¶ To further our cost-reduction efforts, NPPD also took advantage of lower interest rates by reissuing revenue bonds that will save an estimated $76 million in debt service costs during the next 30 years. This refinancing of nearly $850 million in Nuclear Facility, Electric System and Power Supply System revenue bonds was completed in 1992 and early 1993. NPPD will continue to seek additional opportunities in the future since lower interest payments translate into continued low rates for our customers. ¶ Nebraska's economic health is also linked to the competitiveness of our rates. Customers will have more energy options in the future as a result of issues such as open transmission access and independent power production. Our rates, therefore, must remain competitive to attract and retain business and industry in the state. We must also be able to provide high-quality service, as well as expand our services to meet their needs. ¶ Our ability to succeed in this area was enhanced by two capital projects undertaken during the year. The construction of a railroad spur at Gerald Gentleman Station will provide us access to a second carrier which, through competition, should result in lower coal transportation costs. Because we believe the District will easily recoup its investment through the reduced costs, we are considering a similar project at our other coal-fired generating facility, Sheldon Station. ¶ The Board approved a one-year study and engineering work on a proposed 345,000-volt transmission line from our Pauline substation south of Hastings to the Mark Moore substation near Lincoln. The line will correct a bottleneck in our transmission system and improve overall reliability. In addition, it will broaden our ability to market power to areas in

the eastern part of our service territory. While we are concentrating our efforts on serving customers, NPPD faces several issues that have the potential to affect our ability to do so. For more than two years, we have been attempting to settle a billing dispute with Central Nebraska Public Power and Irrigation District. The dispute arose following an audit of power supply contracts with Central that were being renegotiated. We believe Central has been overcharging NPPD approximately $800,000 to $900,000 each year for the past 10 years. As this time, settlement negotiations are still pending. Two other issues which continue to have a major impact on the District's operations are the relicensing of our Platte River hydro-electric projects and finding a permanent facility to dispose of low-level radioactive waste. Nebraska Governor E. Benjamin Nelson has joined our relicensing efforts and is playing a leading role in attempting to find a resolution. We are concerned that federal delays in the licensing process have sharply driven up costs, making what was once our most economical source of energy the most costly. Delays in the licensing and construction of a low-level radioactive waste disposal facility are a growing concern. The state of Nebraska's Departments of Environmental Quality (DEQ) and Health announced in January 1993 their "intent to deny" the facility's license claiming the presence of wetlands on the site boundary. As a result, U.S. Ecology, the Central Interstate Compact Commission's contractor, has filed a "request for contested case hearing" with the DEQ because the wetlands are a non-issue. Our continued need for a low-level radioactive waste disposal facility to assure operation of the Cooper Nuclear Station demands our ongoing attention and aggressive efforts to resolve these matters. Clearly, settlement of all these issues is in the best interest of our customers upon whom the District depends for its very existence. In this report we are featuring some of those customers as representatives of our diverse customer mix. Each expects NPPD to provide the best service at the lowest practical cost. Our commitment to fulfilling that expectation is not taken lightly.

David L. Duren
Chairman

Ronald Watkins
President and C.E.O.

NPPD *board of directors*



David L. Damon - *Chairman, CPA, Columbus, served since January 1973*
Bruce W. Gustafson - *First Vice Chairman, Farmer/Rancher, Holdrege, served since January 1983*
Karen M. Cooper - *Second Vice Chairman, Home Economist/Homemaker, Beatrice, served since August 1988*




Darrell J. Nelson - *Secretary, Farmer/Rancher, Oconto, served since January 1985*
Wayne E. Boyd, *Attorney, South Sioux City, served since March 1982*
Warren R. Cook, *Businessman, Norfolk, served since January 1987*
John D. Hamilton, *Railroad Employee, Lincoln, served since January 1981*




Ralph E. Holdaway, *Agribusinessman/Farmer, Paxton, served since January 1981*
Ralph D. Johnson, *Economist, Lincoln, served since January 1985*
Thomas O. Michels, *Professional Engineer, Kearney, served since January 1983*
Leo S. Taylor, *Businessman, York, served since January 1979*


Assuming positions on the Board in 1993—
Gary G. Thompson, *Attorney, Beatrice*
Doralene Weed, *Businesswoman/Homemaker, Kearney*

NPPD | *senior management*

Ronald W. Watkins - *President and Chief Executive Officer*

Robert L. Gangel - *Vice President, Finance & Administration*
William A. Merrill - *Vice President, Operations*
Hugh G. Parris - *Vice President, Production*
Gene D. Watson - *General Counsel*

NPPD | *board staff*

Ronald W. Watkins, *President and C.E.O.*
Gene D. Watson, *General Counsel*
Ronald D. Asche, *Treasurer and Controller*
R. Annette Bailey, *Assistant Secretary*
T. Eugene Trouba, *Assistant Treasurer*

The year 1992 will be remembered, in Nebraska, as the year without a summer. Unusual weather patterns that engulfed the Plains States during much of the summer resulted in well below normal temperatures and above normal precipitation. This resulted in reduced peak demand and energy sales during the traditional summer months that were significantly below forecasted amounts for Nebraska Public Power District. Emphasizing the weather dependency of our utility, weather patterns during other seasons of the year remained close to normal resulting in year-end kilowatt-hour sales of only 0.2 percent below 1991 and revenue from power and energy sales only 1.7 percent below 1991. Considering rents and revenues, and deferred revenue from previous rate periods, total operating revenues were $408.7 million which was 8.4 percent higher in 1992 compared to 1991. Due to the energy demands of pump irrigation and air conditioning, we are traditionally a summer peaking utility. During 1992, however, the summer peak demand on the system was limited to 1,370 megawatts compared to the record peak demand of 1,819 megawatts set in July of 1991. It should be noted that in mid-January 1993, there was a new winter peak demand established on the system of 1,385 megawatts that actually surpassed the 1992 summer peak demand. But that winter peak record was short-lived when on February 17, 1993, very cold weather resulted in a demand of 1,393 megawatts. The previous winter peak, set in 1989, was 1,369 megawatts. We added 6,175 electric space heating and electric water heating installations to our system during 1992 resulting in the addition of 53,877 kilowatts of new load in the winter months. Decreasing summer peaks and increasing winter load remains the primary goal of our electric heat/electric water heating efficiency rebate program which emphasizes energy efficiency. Compared to new air conditioning equipment typically installed, efficient heat pumps reduce summer demand for electricity while also serving to increase winter load. Individual consumers can save energy and money, without sacrificing comfort. A financial analysis was performed during the summer when it became evident the cool, wet weather was going to impact energy sales and revenues. In order to minimize the effects of the lower revenues, expense budgets were analyzed and reductions of $4.5 million in 1992 and $13.4 million for 1993 were implemented. Included in the budget reductions were a der ase in 1993 salary range

"Labor Day last year turned out to be a real day of labor for the Wakefield utility department and NPPD," Wakefield Mayor Merlin Olson says. "The night before Labor Day, a devastating lightning storm hit the town. Electrical services and systems were lost all over town. The worst damage was to the M.G. Waldbaum Company. The egg processing plant's main power line was fried in the storm. Our utility people were busy all over town, so NPPD sent in a crew that worked from 4 a.m. to 3 p.m. rewiring the plant and saving thousands of dollars of refrigerated eggs."

Mayor Mathe Olson at Wakefield

adjustments. A hiring freeze, modification of the electric heat incentive program, loss control activities in our health care program, a reduction in the coal inventory at our two coal-fired power plants and refinancing of existing debt were among other budget controls implemented. Capital items of $2.7 million in 1992, $2.2 million in 1993 and $4.1 million in 1994 also were cut or deferred. As provided in contracts with our wholesale customers, surplus revenues from past rate periods are applied as a credit against revenue requirements in future rate periods. Such surpluses are accounted for as a deferral of revenue in the year realized. In establishing rates for 1992, we planned to utilize only $16.8 million in surplus revenue from prior rate periods. However, due to the lower summer sales we utilized $22.9 million of surplus revenues from prior rate periods. Utilizing the surplus revenue from previous rate periods enabled us to end 1992 with total operating revenues of $408.7 million, 8.4 percent more than in 1991. We had budgeted operating revenues of $418.7 in 1992. Kilowatt-hour sales to retail customers during 1992 were down 2.7 percent compared to 1991. Firm wholesale sales to other public power districts and rural cooperatives were down 9.2 percent from 1991 and firm wholesale sales to municipalities dropped 2.5 percent in 1992 from the year before. However, a 44.6 percent increase in unit participation sales to other utilities in the region helped limit the total decrease in kilowatt hours sold to 0.2 percent in 1992 compared to 1991. On five occasions during a 15-month period, we refinanced revenue bonds to take advantage of the lower interest rates to save our customers money. In January 1992, we issued $140 million in Electric System revenue bonds and a portion of the proceeds was used to refinance $71.4 million of bonds originally issued in 1976. In October, we issued $176.9 million in Nuclear Facility revenue bonds, refinancing bonds issued in 1970, 1974, 1975 and 1983. In January 1993, $346.4 million in Power Supply System revenue bonds were issued to refinance borrowings in 1978 and 1986. In March 1993, $116.6 million of Electric System revenue bonds were issued to refinance bonds issued in 1970, 1977, and 1979 and $132.6 million of Power Supply System revenue bonds were issued to refinance borrowings in 1976. The refinancings will save our customers an estimated $76 million in debt service costs by the year 2020. Any variations between actual fuel costs and fuel cost projections made at the time rates are set are accounted for in the Production Cost Adjustment (PCA) account. This account is assessed periodically and a refund or a charge is included on electric billings, depending on the status of the account. During 1992, the PCA factor was a charge. The charge was established to recover an estimated year-end 1991 deficit in the PCA account of approximately $2.6 million. During 1992 the PCA charge recovered all but $118,000 of this amount. At year-end 1992, the PCA account held a surplus balance of approximately $2.1 million, due primarily to the mild summer and lower fuel costs at our Gerald Gentleman Station coal-fired power plant. Based on this, the 1993 PCA factor will be a credit resulting in decreased electric

Glen Blakeman, on his farm near Merna

costs to our wholesale customers of approximately 1.5 to 2 percent and to our retail customers of approximately 1.0 to 1.5 percent. Despite the decreased summer energy sales and associated revenue loss in 1992, we did not raise rates for 1993. Electric rates for both our wholesale and retail customers have remained relatively steady over the past 10 years. When comparing rate adjustments to the Consumer Price Index (CPI), our rate adjustments have actually been much lower than the rate of inflation. During the past 10 years, our wholesale rates rose 4.7 percent while the CPI rose approximately 46 percent. This means wholesale rates have increased less than one-half of one percent a year. Retail rates during that period rose only 10.9 percent, just slightly more than one percent a year. Wholesale rates were developed for 1992-1993 using a new rate methodology that, for the first time, includes winter/summer rate differentials for wholesale customers. The new rate methodology is, in and of itself, revenue-neutral, but changes the way the District collects revenue. It places greater emphasis on the control of summer loads through higher rates and encourages growth in winter loads through lower rates. Controlling summer load and adding winter load helps us use resources more efficiently and defers construction of new power resources. Retail rate adjustments also became effective during 1992. Retail rates also reflect a greater emphasis placed on balancing summer/winter loads through rate differentials. The new retail rates resulted from a cost-of-service study which analyzed customer usage patterns and the costs necessary to serve various types of customers. The study showed that adjustments were needed to more accurately reflect the costs of providing electric service to various categories of customers. Our customers are expected to receive a bonus of nearly $100 million through the year 2000 as a result of surplus capacity sales to other Midwest utilities. Surplus capacity is generating capacity above that needed to meet the normal electrical demands of our total requirements customers and long-term unit participation sales plus an amount for reserves. By selling this surplus generating capacity to other utilities on a short-term or long-term basis, we offset revenue requirements that would otherwise be recovered in the rates from our own customers. Present forecasts indicate sufficient generating capacity to meet total requirements customer needs to the year 2004. Since long-range electric

Long-time farmer Glenn Blakeman has seen a lot of changes on the farm, many of which have to do with electricity. "When I started farming you used to have to shovel grain into the grain bin. Now you just plug in an electric auger. My sons even have computers to keep track of things on their farms." Electricity can be found all around the Blakeman farm; it's there by choice. "I'm not a strong environmentalist, but I like electricity because a lot of it in Nebraska comes from hydro power which doesn't mess up the environment."

demand predictions are difficult, we have not committed our resources for surplus capacity sales beyond the year 2000. Since our utility is extremely weather sensitive, we also reserve resources in an amount equal to five percent of our forecast peak to meet unexpected demands during summers that are hotter or dryer than normal. During 1992, we were able to acquire agreements to sell all of the surplus generating capacity, resulting in revenues in excess of $8.8 million. Existing agreements through the year 2000 project revenues of more than $10 million per year. A long-term surplus capacity sale was made to Midwest Power Systems Inc. of Iowa, with the capacity, through contract provisions, made available to Interstate Power Company of Iowa. Short-term surplus capacity sales were made to Northern States Power Company and United Power Association, both in Minnesota. All are members, along with our utility, in the Mid-Continent Area Power Pool (MAPP). Since 1972 we have been members of MAPP which enables us to gain the advantages of both higher reliability and lower operating costs. Through the MAPP network, we can depend on the support pledged by other members of the power pool in the event of an emergency. At the same time, through the MAPP marketplace, we can take advantage of opportunities to buy and sell energy to lower our costs and improve efficiency. We were among seven utilities that participated in construction of a new power transmission project completed during 1992 that links three states and two regional power pools in the central United States. Completed two months ahead of schedule it came in approximately $7 million under budget. The line is called the MINT (Missouri-Iowa-Nebraska Transmission) Project since the cooperating utilities are located in those three states. The 345,000 volt line extends 105 miles from our Cooper Nuclear Station near Brownville, Nebraska, to a substation near St. Joseph, Missouri. The line significantly increases the power transfer capability between MAPP and the Southwest Power Pool and is co-owned by a diverse group of utilities, including private power companies, a municipal utility, public power districts and a rural electric cooperative. Our total requirements wholesale customers includes 25 public power districts and rural cooperatives and 49 municipalities. In addition there are 20 interconnected and partial requirements customers who buy power and energy at wholesale. Our retail customers include those living in 202 cities and villages in which we lease

If Lexington City Manager Bill Pabazo has his way, tires now cluttering landfills across Nebraska will permanently be put to better use—producing electricity. Bill is involved in a cooperative effort involving our utility and local, state and federal agencies coordinating waste tires to produce electricity at our Sheldon Station. "It's a win-win situation," Bill says. "We get a reliable, renewable energy source and eliminate waste from our over-burdened landfills."

Bill Pedraza, City Manager of Lexington

the distribution systems under long-term lease agreements and four communities in which we directly own the distribution systems. There are other retail customers living outside of incorporated municipalities. As a result of the lease agreements for distribution systems, those cities and villages will receive approximately $13.1 million in lease payments for 1992. Seventy counties, where we provide retail electric service to one or more communities or own other property, will receive in-lieu-of-tax and gross-revenue tax payments of more than $5 million. These payments are required under state law, and distribution of the funds is made by county treasurers to counties, cities, villages and school districts according to a prescribed formula relating to mill levies. Relicensing of our North Platte hydroelectric facility associated with the Platte River and siting a low-level radioactive waste disposal facility in the state are two issues that continued to demand considerable commitment of our resources and attract widespread media and public attention. Since the original 50-year license on our North Platte Hydroelectric Project (Project No. 1835) expired in 1987, we have been operating on annual licenses issued by the Federal Energy Regulatory Commission (FERC). These annual licenses contain several conditions including a requirement to construct eight endangered least tern and threatened piping plover nesting islands in the critical habitat area of the Platte River. Completed during the year was the construction of our third island which is about 3.8 acres in size. Two of the three islands completed are on leased land. This particular island was built in cooperation with the Platte River Whooping Crane Trust which had the experience and equipment to build such islands. Because sand pits have long been used by these endangered and threatened birds as nesting sites, we decided, on our own initiative, to develop and manage abandoned sand and gravel pits adjacent to the Platte River as nesting habitat. The sand pits are easier to maintain, are cost effective to develop and are not as vulnerable to erosion and flooding as islands. The initiative is being pursued to allow a comparative evaluation of off-river sand pit habitat with riverine habitat. The historic Cottonwood Ranch, nurtured for years by a Platte Valley ranch family dedicated to wildlife and conservation, will continue its tradition in the future under our ownership. We purchased 2,770 acres of the ranch during the year and anticipate it will provide for wildlife habitat enhancement in connection with the relicensing of our hydro facility. A draft environmental impact statement (DEIS) was issued in January 1992, and concerns were raised by the various agencies and interests over that draft. In July, FERC announced the drafting of a revised DEIS and during the latter portion of 1992, FERC held a series of workshops in the state to gather input concerning its revised DEIS to be issued on our Project and a Project owned and operated by The Central Nebraska Public Power and Irrigation District. The final environmental impact statement on the two separate but interrelated Projects is expected to be issued during 1993. We continue to urge a negotiated settlement of the

Bob Vibbey, Instructor, Centennial Schools, Utica

Tenth, eleventh and twelfth-graders at Centennial School in Utica are learning to use a computer data base courtesy of our utility. We called the school asking them if they would be interested in some software packages we no longer needed. School Superintendent Ron Oswald jumped at the chance to upgrade the school's software. "It was a real windfall from out of the blue. We had been investigating purchasing some data base software, so the gift couldn't have come at a better time."

various issues involved in the granting of the new licenses for the two projects as being in the best interest of Nebraska. To that end, we have encouraged FERC to evaluate an "environmental account concept," proposed by Nebraska Governor E. Benjamin Nelson, for the maintenance of habitat flows in the Platte River downstream from the Projects. We also support the use of the environmental account as a framework from which a resolution of the issues may ultimately be developed. We are seeking the guarantee that any plan FERC recommends provide for the continued availability of the 125,000 acre feet of water stored in Lake McConaughy for our surface irrigation customers in the Platte River Valley on an annual basis. We also have stipulated that the respective responsibilities of our utility and Central for supplying water to an environmental account and for funding of supplemental measures be fair, equitable and commensurate with the environmental impacts of each Project. Our proposed independent offer of settlement before FERC was withdrawn because of that agency's inaction on the offer and our concern that FERC would treat the offer only as another alternative in the relicensing process and, contrary to its own rules, pick and choose various aspects as it sees fit. In the event the Governor's plan is not accepted by FERC, we could utilize aspects of our withdrawn offer for further settlement discussions with any parties interested in resolving the relicensing matter. We continued the funding of a licensing effort to locate a five-state low-level radioactive waste disposal site in Boyd County, Nebraska, as proposed by the Central Interstate Low-Level Radioactive Waste Compact Commission of which the state is a member. However, early in 1993, the Nebraska Department of Environmental Quality (DEQ) filed a notice of intent to deny the license based on the existence of wetlands within the site boundary. A ballot-type poll conducted by the Local Monitoring Committee during 1992, promoted as an effort to determine "community consent," resulted in residents of the county overwhelmingly voting to disapprove the siting of a disposal facility, although the turnout of eligible voters was less than 50 percent. The State of Nebraska filed a lawsuit in Federal Court in January 1993, asking the project be halted until community consent can be demonstrated. The lawsuit and DEQ notice of intent to deny could jeopardize the Central Interstate Compact's agreement with the Southeast Compact under their import policy which provides access to

members of the Central Interstate Compact to ship low-level radioactive waste to the Barnwell, South Carolina, site. That import policy provides for making reasonable progress toward siting of a facility. It should also be realized that, although a federal court has ruled that the states are not required to accept title to the low-level waste, federal law still requires that each state accept responsibility for its own waste by 1996. In response to this situation and due to the delays in siting of a facility in the Central Interstate Compact, we are proceeding to make provisions for the temporary storage of low-level radioactive waste on the site of our Cooper Nuclear Station in southeast Nebraska. Current Nuclear Regulatory Commission policy allows for on-site storage only up to five years.

Cooper Nuclear Station continues to be one of our more effective generation resources. At year-end, Cooper Station had set a new annual generating record of 6.2 million megawatt-hours (net), surpassing the old record of 5.5 million megawatt-hours set in 1987. The facility also achieved the lowest annual exposure from radioactivity (approximately 73 person rem) of any boiling water reactor in the nation in 1992.

Burning of coal for fuel continues to be our dominate generation source. In fact, coal accounted for 52.5 percent of the fuel used to supply our customers with electric energy during the year compared to 30.8 percent for nuclear, 16.6 percent for hydro (water), and a miniscule amount of generation from gas, oil and diesel.

Our largest generation source, and the largest generating plant in the state, is the Gerald Gentleman Station, a 1,300 megawatt coal-fired facility. During the year, we awarded a contract for the construction of an alternate rail spur to the plant site that will permit coal hauling competition. The spur, to be completed in 1994, will link the plant with the Union Pacific Railroad main line. The existing spur connects the plant with the Burlington Northern line. Total project costs are estimated at $26.8 million but lower transportation costs are expected to enable us to recover our costs by the year 2000.

Upon completion of the second line, both railroads will be capable of hauling coal to the Gentleman Station site from the Powder River Basin mines in Wyoming. The plant is capable of burning as much as 800 tons of coal per hour at full generating capacity.

Due to the potential for substantial cost savings with alternate coal transportation, we also have begun action that could result in a second railroad spur to our Sheldon Power Station. We purchased 13 miles of track, including

Living just 200 yards from the dam at our Lake Maloney, Nick Abt just naturally gravitated to the outdoors. "I've been hunting forever," Nick says. "Now I concentrate mostly on waterfowl because it's so difficult to get permission to hunt pheasants on private land. In fact, there would be few hunting, fishing and recreational areas around this part of the state without the lakes and canals provided by NPPD." Nick spends much of his time hunting around our Sutherland Reservoir and fishing in the connecting canals.

Outdoorsman Nick Aki and Amos, Lake Mahoney

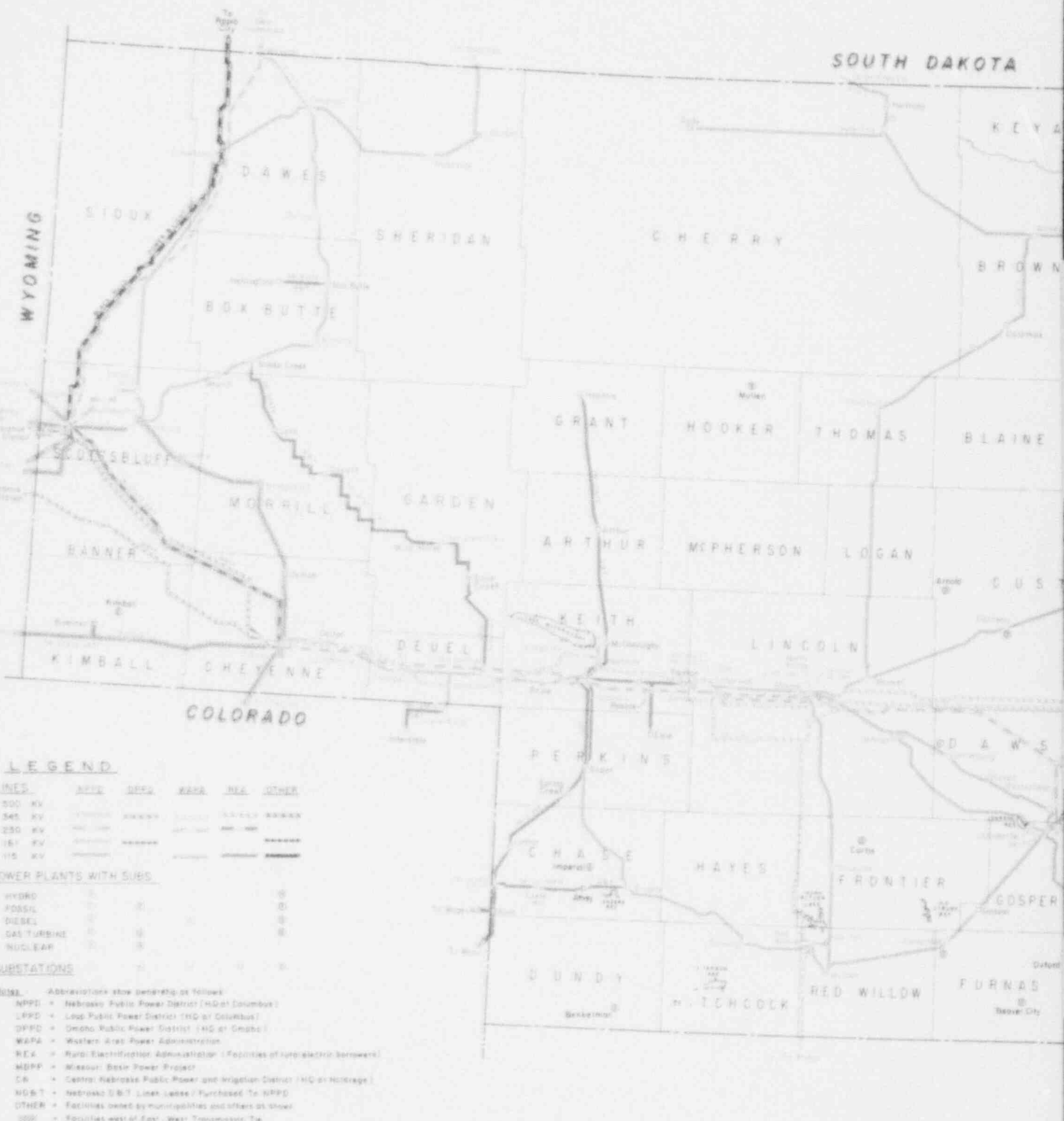
110 acres of right-of-way, in the vicinity of that facility to provide for a possible spur line to the Burlington Northern trackage. The coal-burning plant is presently served only by Union Pacific. A final decision to build the line will not be made until we complete feasibility studies. One of our more exciting ventures during the year was the testing of 4,800 tons of tire-derived fuel (TDF) mixed and burned with coal to provide an alternate fuel at Sheldon Station. Based on preliminary findings, the plant could possibly burn more than 70,000 tons of TDF per year, mixing 10 percent rubber with 90 percent coal. That means the plant could consume 10 to 20 thousand tires per day, or four to seven million tires per year, depending on the mixture. That is equal to the total number of tires discarded annually by Nebraska, Iowa, Kansas and South Dakota. We are awaiting action from the Lincoln-Lancaster County Health Department on our request for a permit to permanently burn TDF at the plant. We are also working with various agencies, primarily through a special committee of our wholesale customers, in an effort to obtain state funding assistance through a state environmental fund tire tax that is being added to the cost of purchasing new vehicle tires in the state. Such revenue could be used to offset additional costs of burning rubber or could fund the costs of delivery and shredding of tires. In an effort to decrease our dependency on high-BTU coal at Sheldon Station, we installed scroll burners on the cyclone burners of one unit, making it the first time, so far as we know, that a utility has replaced existing burners with scroll burners. Even though the plant's boilers were designed to burn high-BTU coal, low-BTU coal has been used extensively in recent years while blending a small percentage of high-BTU coal. Besides decreasing the need for fuel blending with the more expensive high-BTU coal, the burner conversion will also reduce the amount of unburned carbon in the flyash thus improving the performance of the precipitator. Preliminary plans began in 1992 for the construction of a 96-mile-long, 345,000 volt transmission line that will strengthen our transmission system, particularly in the eastern portion of our service area. During 1993, we will proceed with engineering, environmental and land use studies, corridor and line route selection and public meetings. Total estimated cost of the project, to be completed in 1997, is $57 million. The line is expected to result in net benefits of $213 million during the next 35 years by reducing line losses, allowing expanded generation capacity at Gentleman Station, and providing additional means of marketing excess power and energy to markets east and south of Nebraska. Plans to plant approximately 106,000 trees in the state prior to 2002 was undertaken during the year as part of the American Public Power Association's (APPA) Tree Power Program. We have already planted about 40,000 trees, primarily along canals, around reservoirs and in wildlife habitat. The goal of 106,000 trees represents one tree for each of our retail customers. NPPD is one of 37 Tree Power participants across the nation helping APPA reach its goal of 16 million trees—one tree for every public power customer. Also initiated in our

Bluffs Business Center Owner
Irvin Kushall, Scottsbluff

Western Region was the testing of a tree replacement program to encourage the proper pruning and the replacement of trees under power lines with appropriate lower growing trees. Tree trimming is costly and appropriate trees under power lines will reduce the need to trim. ■ Site dedication ceremonies were held for our new system control center at Doniphan which will be completed in 1993. Total cost of the facility, including land, construction, parking, landscaping, computer equipment and utilities is estimated at $21.6 million. The one-story building will have about 34,000 square feet of floor space. The center will be the computerized control point of our electric system, monitoring system operations and automatically controlling generating stations' output to meet changing demands at the lowest cost. Full operation is not expected until 1994. ■ Working primarily through our Wholesale Customer Committee, we continue to explore additional services we can provide to our wholesale customers. During the year we placed an order for a 1,600-kilowatt mobile diesel generator, which will be the largest in our inventory, and will double our emergency mobile generating capability to serve our customers. The generator will be able to supply the total electrical needs of a town of 800 people in an emergency situation. ■ Other customer services initiated during the year included: ■ The marketing of accounting services software including accounting functions for utility billing, general ledger, payroll, accounts receivable, accounts payable, bank reconciliation, electronic bank transactions, inventory control, work orders and meter orders. ■ Providing energy management training programs directed toward city, county, school, hospital and nursing home maintenance personnel. ■ Formation of a study group within the structure of our Wholesale Customer Committee to seek ways to further enhance customer relations and better understand their needs. ■ Expanded the schedule and capabilities for our regional dispatchers to better assist retail and wholesale customers in responding to outages. ■ Revised our co-op electric space and water heating incentive program with greater emphasis on the efficiency of the equipment. ■ Expanded the availability of our safety and training programs to wholesale customers.

"When this building was built 20 years ago, the foundation was set into the water table. They had to pump water out every day to keep it dry." Irvin Rushall, owner of the Bluffs Business Center in Scottsbluff, says. "When I purchased the building last year, we wanted the most energy efficient way to heat and cool it. NPPD engineers worked with us to design a system that distributes the groundwater to 17 heat pumps before it leaves the building. The system has provided economical temperature control for us that far exceeds our best expectations."

ELECTRIC *generation & transmission facilities*



State of Nebraska
Existing January 1, 1993

Electric System, Nuclear Facility, and Power Supply System Combined

SALES	Average Number of Customers	MWh Sales AMOUNT	MWh Sales %	Revenues from Electric Sales ($000) AMOUNT	Revenues from Electric Sales ($000) %
Retail:					
Residential	80,961	754,329	7.1	$ 52,280	12.8
Rural & Farm	4,912	72,264	0.7	5,188	1.3
Commercial	18,023	666,034	6.3	42,738	10.5
Industrial	71	791,206	7.4	28,891	7.1
Public Lighting	252	25,754	0.2	2,416	0.6
Municipal Power	192	40,238	0.4	2,440	0.5
Miscellaneous Municipal	2,689	94,088	0.9	4,817	1.2
Total Retail	107,100	2,443,913	23.0	$ 138,770	34.0
Wholesale:					
49 Municipalities (Total Requirements)		1,249,374	11.7	$ 44,294	10.8
20 Municipalities (Interconnections & Partial Requirements)		68,903	0.7	2,146	0.5
25 Public Power Districts & Cooperatives (Total Requirements)		3,366,615	31.6	113,762	27.8
Total Wholesale Sales (Excluding Non-Firm and Participation Sales)		4,684,892	44.0	$ 160,202	39.1
Total Retail and Wholesale Sales (Excluding Non-Firm and Participation Sales)		7,128,805	67.0	$ 298,972	73.1
Other Utilities (Firm and Non-Firm)		1,621,023	15.2	24,004	5.9
Participation Sales (1)		1,889,075	17.8	55,123	13.5
Total Revenues from Electric Energy Sales		10,638,903	100.0	$ 378,099	92.5
Other Operating Revenues (Net of Deferred Revenues)				$ 30,646	7.5
Total Electric System Operating Revenues				$ 408,745	100.0

GENERATION	MWh AMOUNT	MWh %	Production Costs ($000) AMOUNT	Production Costs ($000) %
Production:				
Electric System (Including Interchange)	1,059,885	9.4	$ 26,823	8.8
Purchased:				
Power Supply System (1)	5,535,684	48.9	$ 148,993	49.2
Nuclear Facility (1)	3,113,426	27.5	91,840	30.3
Other	1,600,940	14.2	35,416	11.7
Total Power Purchased	10,250,050	90.6	$ 276,249	91.2
Total Power Produced and Purchased	11,309,935	100.0	$ 303,072	100.0

(1) The Electric system purchases 100% of the net generation and power purchases of the Power Supply System and 50% of the Nuclear Facility based upon the total costs of the respective systems. Pursuant to the Power Sales Contract, Midwest Power Systems Inc. purchased 3,114,503 MWh. Midwest Power Systems Inc. participation is not included in the table.

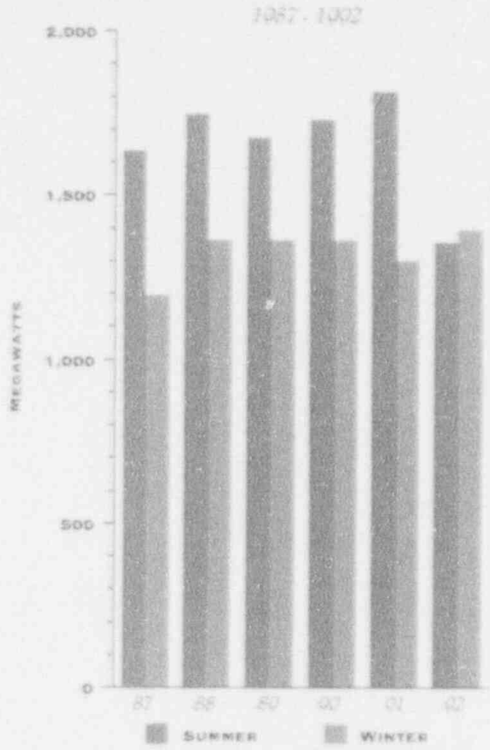
	1992	1991	Increase (Decrease)
		($000)	
Utility Plant (at cost): (1)			
Electric System	$ 784,451	$ 743,900	$ 40,551
Power Supply System	725,931	719,597	6,334
Nuclear Facility	665,718	651,231	14,487
Total Utility Plant	$ 2,176,100	$ 2,114,728	$ 61,372
Outstanding Debt:			
Electric System (4)	$ 382,411	$ 341,605	$ 40,806
Power Supply System	837,140	854,560	(17,420)
Nuclear Facility	292,300	301,675	(9,375)
Total Outstanding Debt	$ 1,511,851	$ 1,497,840	$ 14,011

	Number of Plants (2)	Accredited Capability (MW)	Percent of Total
Production Plant Facilities:			
Steam — Conventional	3	1,511.0	58.0 %
Steam — Nuclear (3)	1	778.0	29.9
Hydro	9	159.9	6.1
Diesel	8	37.9	1.5
Peaking Turbine	3	116.0	4.5
Total Production Plant Facilities	24	2,602.8	100.0 %

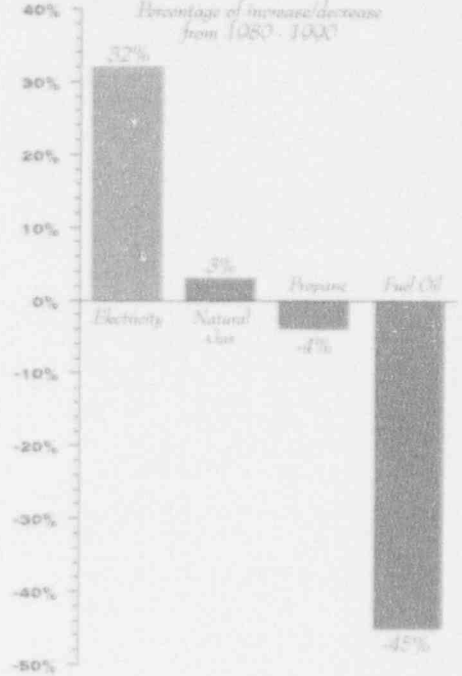
(1) Net of retirements
(2) Includes one steam plant, six hydro plants and eight diesel plants under contract to the District
(3) Includes 389 MW contracted to Midwest Power Systems Inc.
(4) Includes Tax-Exempt Commercial Paper

Transmission Facilities: Miles of Transmission Line in Service	6,321
Personnel: Number of Permanent Employees	2,268

Summer and Winter Peaks

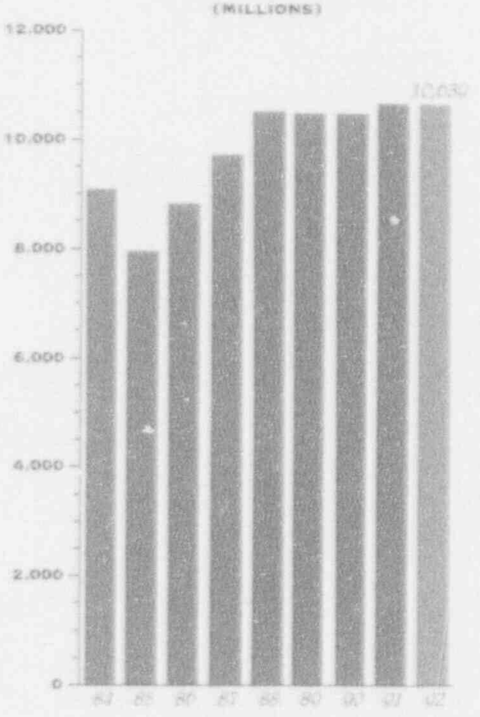


Nebraska Home Heating Installations



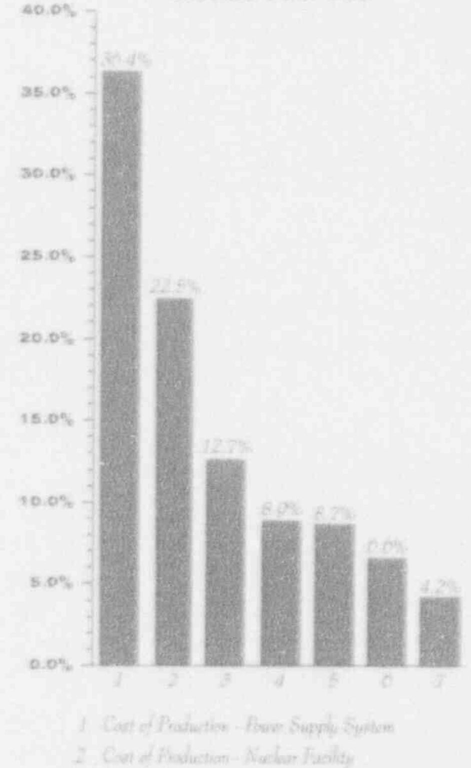
Source: U.S. Census Figures

Total KWH Sales



This represents a .2% decrease from 1991

How NPPD's Dollar Works For You



1. Cost of Production - Power Supply System
2. Cost of Production - Nuclear Facility
3. Cost of Other Operation and Maintenance Expenses
4. Bond Retirements, Construction From Revenues, Etc
5. Cost of Purchased Power - Other
6. Cost of Production - Other
7. Interest, Other Income Deductions and Taxes (net of interest income and other revenues)

Report of Independent Accountants

To the Board of Directors
Nebraska Public Power District:

We have audited the accompanying 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, 1992 and 1991, and the related statements of revenues and expenses and accumulated net revenues, and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electric System of Nebraska Public Power District as of December 31, 1992 and 1991, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of the calculation of the debt service ratios in accordance with the Electric System Bond Resolution for each of the three years in the period ended December 31, 1992, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Coopers & Lybrand

Omaha, Nebraska
March 5, 1993

	1992	1991
	(Thousands)	
ASSETS		
Utility Plant, at Cost	$ 784,451	$ 743,900
Less—Reserve for depreciation and amortization (Note 1)	358,863	336,038
	$ 425,588	$ 407,862
Debt Reserve Account (Note 1)	$ 35,188	$ 30,171
Receivables:		
Advance to Power Supply System (Note 3)	$ 6,100	$ 6,100
Sale of property	5,919	5,980
	$ 12,019	$ 12,080
Current Assets:		
Cash and investments (Note 1)	$ 116,883	$ 112,223
Receivables, less reserves	50,950	47,085
Materials and supplies, at average cost	10,196	11,236
Prepayments and other assets	605	515
	$ 178,634	$ 171,059
Deferred Compensation Plan Assets (Note 6)	$ 12,744	$ 12,422
Deferred Charges:		
Nuclear Facility billings (Note 1)	$ 16,526	$ 23,010
Unamortized financing costs	2,869	1,425
Other	540	694
	$ 19,935	$ 25,129
	$ 684,108	$ 658,723
LIABILITIES AND CAPITAL		
Accumulated Net Revenues (Note 1)	$ 223,172	$ 220,518
Long-Term Debt (Note 2)	$ 336,496	$ 282,690
Commercial Paper Notes (Note 3)	45,915	58,915
	$ 382,411	$ 341,605
Less—Current maturities (Note 2)	14,677	13,360
	$ 367,734	$ 328,245
Current Liabilities:		
Current maturities	$ 14,677	$ 13,360
Accounts payable	18,913	14,864
Accrued lease payments	3,212	6,860
Other	10,637	10,956
	$ 47,439	$ 46,040
Deferred Compensation Plan Liabilities (Note 6)	$ 12,744	$ 12,422
Deferred Revenues (Note 1)	$ 32,142	$ 50,461
Unamortized Payment Received for Refinancing Costs	$ 877	$ 1,037
	$ 684,108	$ 658,723

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

Statements of Revenues and Expenses and Accumulated Net Revenues for each of the Three Years in the Period Ended December 31, 1992	1992	1991	1990
		(Thousands)	
Revenues and Expenses:			
Operating Revenues (Note 1)	$ 408,745	$ 377,123	$ 379,283
Operating Expenses:			
Power purchased—			
Nuclear Facility and Power Supply System (Note 1)	$ 240,833	$ 214,588	$ 223,622
Other	35,416	40,383	33,551
Production—			
Fuel	1[illegible],528	10,534	10,803
Operation and maintenance	16,295	14,306	14,707
Other operation and maintenance	38,907	37,213	35,775
Lease payments (Note 1)	13,080	13,354	12,657
Depreciation and amortization (Note 1)	31,647	30,029	25,555
Payments in lieu of taxes	5,036	5,203	4,984
Total operating expenses	$ 391,742	$ 365,610	$ 361,654
Net operating revenues	$ 17,003	$ 11,513	$ 17,629
Interest and Other Revenues:			
Allowance for funds used during construction	$ 1,445	$ 1,344	$ 995
Interest and other	8,631	11,053	12,903
Total interest and other revenues	$ 10,076	$ 12,397	$ 13,898
Net revenues before other deductions	$ 27,079	$ 23,910	$ 31,527
Other Deductions:			
Bond interest	$ 20,102	$ 18,029	$ 18,693
Other interest	2,055	2,216	3,011
Total other deductions	$ 22,157	$ 20,245	$ 21,704
Net Revenues Before Extraordinary Charge (Note 1)	$ 4,922	$ 3,665	$ 9,823
Extraordinary Charge Due to Early Extinguishment of Debt (Note 10)	2,268	—	—
Net Revenues	$ 2,654	$ 3,665	$ 9,823
Accumulated Net Revenues (Note 1):			
Beginning balance	220,518	216,853	207,030
Ending balance	$ 223,172	$ 220,518	$ 216,853

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

Statements of Cash Flows for each of the Three Years in the ~eriod Ended December 31, 1992	1992	1991	1990
		(Thousands)	
Cash flows provided by (used in) operating activities:			
Net revenues	$ 2,654	$ 3,665	$ 9,823
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,647	30,029	25,555
Depreciation charged to operations	1,134	879	842
Amortization of deferred charges—Nuclear Facility	15,975	6,964	20,300
Changes in assets and liabilities:			
Receivables, less reserves	3,804	3,480	2,969
Materials and supplies	1,040	(1,575)	323
Prepayments and other assets	(90)	(27)	40
Addition to deferred charges—Nuclear Facility	(9,491)	(13,237)	(14,146)
Other deferred charges	(1,290)	1,804	1,457
Accounts payable and Accrued leased payments	401	(1,468)	(667)
Deferred revenues	(18,319)	15,559	4,699
Other liabilities	(345)	3,217	(1,401)
Net cash flows provided by operating activities	$ 27,120	$ 49,290	$ 49,794
Cash flows provided by (used in) investing activities:			
Utility plant additions	$ (58,715)	$ (49,472)	$ (35,201)
Proceeds from sale of property	1,530	1,008	1,458
Net change in Debt Reserve Account	(5,017)	(39)	54
Sale of investment securities	300,090	311,070	320,926
Purchase of investment securities	(302,825)	(287,723)	(331,652)
Net cash flows used in investing activities	$ (64,937)	$ (25,156)	$ (44,415)
Cash flows provided by (used in) financing activities:			
Repayment of long-term debt	$ (14,548)	$ (12,733)	$ (12,286)
Repayment of notes payable	(13,000)	—	—
Issuance of long-term debt	138,649	—	—
Early extinguishment of long-term debt	(71,360)	—	—
Net cash flows provided by (used in) financing activities	$ 39,741	$ (12,733)	$ (12,286)
Net increase (decrease) in cash	$ 1,924	$ 11,401	$ (6,907)
Cash beginning of year	41,413	30,012	36,919
Cash end of year	$ 43,337	$ 41,413	$ 30,012

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

Supplemental Schedule of Non-Cash Investing Activities:

The Electric System sold property and recognized a receivable of approximately $7 million in 1990.

Supplemental Schedules—Calculation of Debt Service Ratios in accordance with the Electric System Bond Resolution for each of the Three Years in the Period Ended December 31, 1992

	1992	1991	1990
		(Thousands)	
Operating revenues (Note 1)	$408,745	$377,123	$379,283
Operating expenses (Note 1)*	391,742	365,610	361,654
Net operating revenues	$ 17,003	$ 11,513	$ 17,629
Interest and other revenues	10,076	12,397	13,898
Interest deductions	22,157	20,245	21,704
Extraordinary charge due to early extinguishment of debt	2,268	—	—
Net revenues	$ 2,654	$ 3,665	$ 9,823
Add:			
Deferred (Accrued) revenues excluded from (included in) operating revenues (Note 1)	$ (18,319)	$ 15,559	$ 4,699
Interest deductions	22,157	20,245	21,704
Depreciation and amortization	32,781	30,908	26,397
Extraordinary charge due to early extinguishment of debt	2,268	—	—
	$ 38,887	$ 66,712	$ 52,800
Deduct:			
Provision for operating expense reserve (Note 1)**	$ (18,319)	$ 15,559	$ 4,699
Allowance for funds used during construction	1,445	1,344	995
Investment income retained in construction funds	1,152	141	3,637
	$ (15,722)	$ 17,044	$ 9,331
Net revenues available for debt service under the Electric System Bond Resolution (Note 1)*	$ 57,263	$ 53,333	$ 53,292
Amounts deposited in the Electric System Debt Service Account:			
Principal	$ 13,815	$ 12,425	$ 11,767
Interest	20,102	18,029	18,693
	$ 33,917	$ 30,454	$ 30,460
Ratio of net revenues available for debt service to debt service deposits (Note 1)	1.69	1.75	1.75

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

* *The amortization of deferred charges is included in these summary statements as Operating Expenses to avoid overstating Net Revenues. These deferred charges were funded by commercial paper notes and other matured short-term indebtedness, which constitute subordinated indebtedness under the Electric System Bond Resolution. The Electric Resolution requires subordinated indebtedness to be paid from the General Reserve Fund created under the Electric Resolution.*

** *The Electric Resolution defines Operating Expenses to include payments into reserves in the Operating Fund for the payment of future operating expenses. The provision for operating expense reserve represents the net change in the cumulative surplus revenues in each respective year from both wholesale and retail service.*

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.

Nebraska Public Power District is an electric utility which sells electric energy to wholesale and retail customers in the Midwest. The District's contracts and rate schedules specify the time period in which billings are to be paid after services are rendered.

B. *Depreciation, Amortization and Maintenance*—

The District records depreciation over the estimated useful life of the property. Depreciation on Utility Plant was approximately 3% in each of the years ended December 31, 1992, 1991, and 1990.

The District has long-term lease agreements with approximately 200 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, net of retirements, for amortization of leased plant additions of $7.2 million in 1992, $6.7 million in 1991, and $5.3 million in 1990. These leased plant additions, which are fully reserved, totaled $69.9 million at December 31, 1992, and $64.4 million at December 31, 1991.

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 (AFUDC)*—

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 capitalization rate for construction financed by revenues is based on the weighted average rate of interest of the current outstanding borrowings. For the periods presented herein, the AFUDC rates vary from 6.0% to 8.0%.

D. *Deferred Charges*—

Deferred charges as of December 31, 1992, represents $16.5 million of Nuclear Facility billings for certain capital additions. The District has included amortization of deferred charges of $16.0 million in 1992, $7.0 million in 1991, and $20.3 million in 1990 in power purchased expense. Current deferred charges are expected to be amortized as follows: 1993-$16.0 million; 1994-$.5 million.

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,	1992	1991
	(Thousands)	
Revenue Fund	$ 17,276	$ 20,794
Operating Fund	24,579	15,284
Construction Funds	33,165	202
Commercial Paper Account	23,198	16,817
Reserve and Contingency Fund	1,236	1,236
General Reserve Fund	17,429	57,890
	$ 116,883	$ 112,223

Funds consist of $73.6 million of investment securities and $43.3 million of cash deposits at December 31, 1992, and $70.8 million of investment securities and $41.4 million of cash deposits at December 31, 1991. The carrying value of investment securities approximates market.

Cash deposits, primarily interest bearing, at December 31, 1992, 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, 1992, 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 Revenues*—

As provided in the Electric Resolution, the District covenants to charge rates for wholesale and retail electric service so that revenues will be sufficient to pay annual operating expenses including: 1) Nuclear Facility and Power Supply System charges, 2) operating expenses other than depreciation, 3) debt service, and 4) certain capital additions.

Variation between actual energy costs (primarily fuel) and the estimated energy costs included in the basic rates may be recovered by a Production Cost Adjustment (PCA). Billings for the PCA provide for the recovery of the variation in energy costs either in current or future years.

In the event the District's rates for wholesale and retail service, excluding the PCA, result in a surplus or deficit in revenues during a rate period, such surplus or deficit is taken into account in projecting estimated revenue requirements for future rate periods. Such

treatment of wholesale revenues is stipulated by the District's long-term wholesale power supply contracts.

The deficit which arose in 1992 from the PCA, wholesale, and retail service has been accounted for in these financial statements by an accrual of revenue. The combined surplus which arose in 1991 and 1990, from the PCA, wholesale, and retail service has been accounted for in these financial statements by a deferral of revenue. The cumulative surplus at December 31, 1992, to be reflected in future revenue requirements is approximately $32.1 million.

I. *Revenue Recognition—*

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. Operating revenues are also impacted by the surplus or deficit in revenues as described in Note 1H.

J. *Accumulated Net Revenues—*

The accumulated net revenues consist primarily of cumulative operating revenues collected for utility plant additions net of related accumulated depreciation. The remaining accumulated net revenues will be fully offset by future depreciation expense. In addition, accumulated net revenues include cumulative interest income earned on Construction Funds which is not subject to the deferred revenue accounting described in Note 1H. This interest income was $1.2 million in 1992 and $0.1 million in 1991.

2. LONG-TERM DEBT:

December 31,	1992	1991
	(Thousands)	
Revenue Bonds:		
Serial Bonds—		
4.20%-6.00%, due 1993 to 1995	$ 33,560	$ —
4.90%-6.40%, due 1992 to 1995	—	26,730
4.90%-6.10%, due 1996 to 2000	71,115	39,850
5.00%-6.30%, due 2001 to 2005	64,730	49,740
5.75%-6.40%, due 2006 to 2009	27,820	27,820
Term Bonds, with annual sinking fund requirements—		
5.10%, due 1992 to 2002	30,075	32,340
6.00%, due 2003 to 2005	25,920	—
6.25%, due 2006 to 2021	49,450	—
6.60%, due 1993 to 2003	33,200	33,200
6.75%, due 1992 to 1995	—	14,110
7.00%, due 1996 to 2005	—	57,250
	$ 335,870	$ 281,040
Lease Purchase Payables—		
2.00%, due 1992 to 2005	2,404	2,604
Unamortized Bond Discount	(1,778)	(954)
	$ 336,496	$ 282,690

As of December 31, 1992, principal payments of Electric System Long-Term Debt for the next five years are: 1993-$14.7 million; 1994-$16.5 million; 1995-$17.3 million; 1996-$18.3 million; 1997-$19.3 million.

On March 4, 1993, the District issued $116.6 million in Electric System Revenue Bonds, 1993 Series A, to refund the outstanding Electric System Revenue Bonds, 1970 Series, 1977 Series A and 1979 Series A. This issuance consisted of $116.6 million of Serial Bonds with coupon rates of 2.80% to 5.40%.

As a result of this issuance of Electric System Revenue Bonds, the revised principal payments of the Electric System Long-Term Debt over the next five years are: 1993 - $14.2 million; 1994 - $17.5 million; 1995 - $18.3 million; 1996 - $19.1 million; and 1997 - $20.0 million.

3. COMMERCIAL PAPER NOTES:

The District is authorized to issue up to $100.0 million of commercial paper notes. A letter of credit is maintained with a bank to support the sale of the commercial paper notes. This letter of credit expires in November, 1994. The effective interest rates on outstanding notes for 1992 and 1991 were 3.0% and 4.5%, respectively.

The proceeds of these notes are being used (1) to finance certain capital additions of the Nuclear Facility, and (2) for other lawful purposes of the District, including an Advance to the Power Supply System.

In 1992, $13.0 million of commercial paper notes were retired with proceeds from the Electric System Revenue Bonds, 1992 Series A. The remaining balance is anticipated to be retired from repayment of the Advance to the Power Supply System and from Electric System Revenues.

4. RETIREMENT PLAN:

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 $7.3 million for 1992, $6.9 million for 1991, and $6.4 million for 1990.

5. POSTRETIREMENT BENEFITS:

The District currently pays the entire cost of certain hospital-medical and life insurance premiums for retired employees. Substantially all of the District's retired and active employees are eligible for such benefits. Currently, the cost of these benefits is recognized as expense as the premiums are paid. The total cost of postretirement hospital-medical and life insurance benefits was $2.2 million for 1992, $1.5 million for 1991, and $1.0 million for 1990.

The District amended the plan effective January 1, 1993. Employees hired on or after that date must participate in the plans as an active employee the last five years of employment in order to qualify for these benefits. In addition, employees hired on or after January 1, 1993, are subject to a contribution cap that limits the District's portion of the cost of such coverage to the full premium the year the employee reached age 65, or the year in which the employee retires if older than age 65. Any increases in the cost of such coverage in subsequent years would be paid by the retired employee.

A new standard on accounting for postretirement benefits issued by the Financial Accounting Standards Board requires, not later than 1993, that the expected cost of these benefits be charged to expense during the years that the employees render service rather than the

year during which the benefits are paid. The District may not be required to adopt the new standard.

If adopted, the District has the option of immediately recognizing the entire accumulated postretirement benefit obligation (APBO) or amortizing the APBO over a maximum of 20 years or the average remaining service period to retirement date of active plan participants. The District's APBO at December 31, 1992, measured in accordance with the new standard, is estimated to range from $74 million to $87 million. In addition, the District's annual benefit expense, measured in accordance with the new standard, is estimated to range from $9 million to $10 million, exclusive of the APBO.

6. 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.

7. LITIGATION

A large industrial customer has filed several lawsuits against the District and members of its Board of Directors, both in federal and state court, requesting judgements for alleged overcharges since 1972 and for alleged violation of various legal rights of the customer. There are currently pending in federal court a dispute over $1.5 million related to electric service prior to 1987, which matter is now before the United States Court of Appeals for the Eighth Circuit, disputes involving undetermined amounts related to electric service for years 1987 and thereafter, and other claims for alleged violations of the customer's legal rights. In addition, the customer refused to make full payment of billings for electric service provided to it during the period of January, 1988 through March, 1992, withholding approximately $7.1 million, exclusive of interest, which amount has been included as operating revenues in the financial statements. The customer has made full payment of billings issued for service on and after April 1, 1992 but the customer has indicated that it does not agree with the District's current rate schedule. Lawsuits involving all time periods since commencement of electric service to the customer remain pending in both federal and state courts.

8. CAPITAL ADDITIONS:

The Electric System construction plan includes authorization for estimated expenditures of $46.8 million for 1993. These expenditures will be funded from revenues, 1992 bond proceeds and other available funds.

9. FERC HYDROELECTRIC PROJECT LICENSES:

The District is currently seeking a new long-term license from the Federal Energy Regulatory Commission (FERC) for the District's hydroelectric Project No. 1835. Project No. 1835 includes the North Platte hydroelectric generating station and related facilities. Said North Platte generating station and related facilities are part of the Electric System. Lands and waters of Project No. 1835 are utilized by Gerald Gentleman Station for cooling water purposes. Gerald Gentleman Station is part of the Power Supply System.

The Central Nebraska Public Power & Irrigation District (Central) is currently seeking a new long-term license for FERC Project No. 1417. Project No. 1417 includes the Kingsley Dam, Lake McConaughy, four hydroelectric generating plants and related facilities.

The relicensing of both projects is addressing numerous environmental issues including, among other things, species protected under the Endangered Species Act. In order to obtain these new long-term licenses, the District and Central could be required to meet certain terms and conditions which may adversely impact the operations of the project facilities and Gerald Gentleman Station. The District is unable to predict the nature of the terms and conditions that will be contained in the new licenses for the projects, however, the District does have the right to judicial review of those terms or conditions.

10. EXTRAORDINARY CHARGE DUE TO EARLY EXTINGUISHMENT OF DEBT:

The District issued $140.0 million of Electric System Revenue Bonds, 1992 Series A, on January 22, 1992. The 1992 Series A Bonds were issued to refund the District's outstanding $71.4 million Electric System Revenue Bonds, 1976 Series A, retire $13.0 million of commercial paper notes, and the remaining $55.6 million will be used, in part, to fund 1992 and 1993 capital projects. Generally accepted accounting principles require calculating the net carrying amount and reacquisition price of the 1976 Series A debt. The difference between the reacquisition price and the net carrying amount of the extinguished debt is to be recognized as an extraordinary charge in the period of extinguishment. The components of this charge consist mainly of the call premium, unamortized discount, and issuance expenses associated with the 1976 Series A debt.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value at December 31, 1992:

Cash and Investments: The carrying value of investment securities approximates fair value as described in Note 1G.

Debt: Rates currently available to the District for its debt are used to estimate the fair value of existing debt. The fair value is estimated to be $384.0 million.

Report of Independent Accountants

To the Board of Directors
Nebraska Public Power District:

We have audited the accompanying 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, 1992 and 1991, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying 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, as described in Note 1B, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the accompanying special-purpose financial statements of the Power Supply System of Nebraska Public Power District present fairly, in all material respects, the assets and liabilities as of December 31, 1992 and 1991, and its revenues and costs for each of the three years in the period ended December 31, 1992, on the basis of accounting described in Note 1B.

Coopers & Lybrand

Omaha, Nebraska
March 5, 1993

Statements of Assets and Liabilities December 31, 1992 and 1991
Prepared Pursuant to Requirements of the Power Supply System Revenue Bond Resolution

	1992	1991
	(Thousands)	
ASSETS		
Utility Plant, at Cost (Note 1)	$ 725,931	$ 719,597
Less—		
Reserve for depreciation (Note 1)	135,349	120,290
Amounts funded from revenue (Note 1)	16,038	13,754
	$ 574,544	$ 585,553
Prepaid Capital Costs (Note 3)	$ 66,189	$ 67,063
Cash and Investments (Note 1):		
Debt reserve account	$ 58,572	$ 58,594
Reserve and contingency fund	17,494	6,497
Additions and improvements account	8,674	5,656
Construction funds	40,527	38,436
Revenue fund	268	930
Operating fund	15,172	25,032
General reserve fund	29,064	39,321
	$ 169,771	$ 174,466
Accounts Receivable	$ 1,315	$ 118
Interest Receivable	$ 2,104	$ 2,684
Fuel Inventory, at average cost	$ 13,885	$ 15,275
Deferred Charges and Other Assets (Note 1)	$ 39,755	$ 40,462
	$ 867,563	$ 885,621
LIABILITIES		
Revenue Bonds (Note 4):		
Serial Bonds—		
5.60%-6.80%, due 1992 to 1995	$ 58,640	$ 76,060
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
	$ 837,140	$ 854,560
Advance from Electric System	$ 6,100	$ 6,100
Accounts Payable and Other Accrued Liabilities	$ 9,981	$ 10,401
Operating Reserves (Note 1)	$ 14,342	$ 14,560
	$ 867,563	$ 885,621

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

Statements of Revenues and Costs for each of the Three Years in the Period Ended December 31, 1992 Prepared Pursuant to Requirements of the Power Supply System Revenue Bond Resolution	1992	1991	1990
		(Thousands)	
Revenues (Notes 1 and 2):			
Sales to the Electric System	$150,469	$143,755	$139,781
Investment and other income	9,503	11,764	13,886
Total revenues	$159,972	$155,519	$153,667
Costs (Note 1):			
Operating expenses—			
Production—			
Fuel (Note 6)	$ 55,751	$ 51,914	$ 53,739
Operation and maintenance (Note 3)	25,161	23,806	21,970
Provisions for operating reserves (Note 1)	—	—	—
General and administrative	7,206	7,938	6,096
	$ 88,118	$ 83,658	$ 81,805
Debt service—			
Principal (Note 1)	17,420	16,485	15,605
Interest	54,434	55,376	56,257
Total costs	$159,972	$155,519	$153,667

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

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 b[illegible]ad 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:

(i) 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 $1.2 million in 1992, $1.9 million in 1991, $2.7 million in 1990, and accumulated depreciation through December 31, 1992, would have increased costs approximately $69.3 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.

(ii) Previous 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. Renewals and replacements and capital additions are currently being funded from existing bond proceeds that have been transferred to the General Reserve Fund.

(iii) Interest income on construction fund investments is credited to utility plant. Under generally accepted accounting principles, such income would have increased revenues $2.3 million in 1992, $2.6 million in 1991, and $2.9 million in 1990.

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 $164.2 million of investment securities and $5.6 million of cash deposits at December 31, 1992, and $168.5 million of investment securities and $6.0 million of cash deposits at December 31, 1991. The carrying value of investment securities approximates market.

Cash deposits, primarily interest bearing, at December 31, 1992, 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, 1992, 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.

E. *Deferred Charges*—

Costs arising from the termination of incomplete generation and transmission projects are being amortized over the life of the bonds, the proceeds of which were used in part to pay these costs. This amortization is included as part of debt service cost.

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 1997 and principal payments, as a component of debt service payments, are $18.5 million, $19.5 million, $20.7 million, $21.9 million, and $23.2 million for each of the years 1993 through 1997, respectively.

3. PREPAID CAPITAL COSTS:

Prepaid capital costs are associated with the purchase of the capacity of a 50 MW hydroelectric generating facility owned and operated by The Central Nebraska Public Power and Irrigation District (Central). The prepayment is being amortized over the life of the bonds, the proceeds of which were used to pay these costs. The amortization is included as part of debt service cost.

The District has an agreement whereby Central makes available all of the production of the facility 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 $0.9 million in 1992, $1.0 million in 1991, and $0.7 million in 1990 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, 1992, the remaining principal amount of such defeased bonds was $61.8 million.

5. CAPITAL ADDITIONS:

The Power Supply System construction plan includes authorization for estimated expenditures of $9.3 million for 1993. These expenditures will be funded from existing bond proceeds that have been transferred to the General Reserve Fund.

6. COAL SUPPLY AND TRANSPORTATION AGREEMENTS:

The District has in existence a coal supply agreement which permits the District to purchase coal for an initial term ending December 31, 1996. The agreement provides for the District to purchase a minimum of 2,700,000 tons per year through 1996, and all requirements up to a maximum of 3,800,000 tons per year during the calendar years 1993 through 1996. The District also has in existence an agreement which provides for, among other things, transportation of coal to Gerald Gentleman Station until December 31, 1996, at specified tariff rates which are to be escalated or de-escalated pursuant to an index promulgated by the Interstate Commerce Commission.

7. LONG-TERM DEBT:

On January 28, 1993, the District issued $346.4 million in Power Supply System Revenue Bonds, 1993 Series, to refund the outstanding Power Supply System Revenue Bonds, 1978 Series A and 1986 Series.

On March 4, 1993, the District issued $132.6 million in Power Supply System Revenue Bonds, 1993 Series B, to refund the outstanding Power Supply System Revenue Bonds, 1976 Series B.

As a result of the above issuances of Power Supply System Revenue Bonds, the revised principal payments of the Power Supply System over the next five years are: 1993 - $12.8 million; 1994 - $22.1 million; 1995 - $23.1 million; 1996 - $24.2 million; 1997 - $25.4 million.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value at December 31, 1992:

Cash and Investments: The carrying value of investment securities approximates fair value as described in Note 1D.

Debt: Rates currently available to the District for its debt are used to estimate the fair value of existing debt. The fair value is estimated to be $839.7 million.

Report of Independent Accountants

To the Board of Directors
Nebraska Public Power District:

We have audited the accompanying 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, 1992 and 1991, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying 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, as described in Note 1B, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the accompanying special-purpose financial statements of the Nuclear Facility of Nebraska Public Power District present fairly, in all material respects, the assets and liabilities as of December 31, 1992 and 1991, and its revenues and costs for each of the three years in the period ended December 31, 1992, on the basis of accounting described in Note 1B.

Coopers & Lybrand

Omaha, Nebraska
March 5, 1993

Statements of Assets and Liabilities December 31, 1992 and 1991
Prepared Pursuant to Requirements of the Nuclear Facility Revenue Bond Resolution

	1992	1991
	(Thousands)	
ASSETS		
Utility Plant, at Cost	$ 665,718	$ 651,231
Less—		
Reserve for depreciation (Note 1)	192,357	181,632
Amounts funded from revenue (Note 1)	258,364	245,392
	$ 214,997	$ 224,207
Nuclear Fuel—Net of Amortization (Note 1)	$ 91,024	$ 79,755
Cash and Investments (Note 1):		
Debt service fund	$ 2,333	$ —
Debt reserve account	19,659	28,342
Reserve and contingency fund	25,168	12,751
Additions and improvements account	12,110	11,414
General reserve fund	1,380	—
Construction fund	7,067	8,240
Fuel reserve account	38,002	45,146
Operating fund	12,173	10,180
Revenue fund	266	1,263
Decommissioning fund (Note 4)	14,438	9,278
	$ 132,596	$ 126,614
Accounts Receivable	$ 22,394	$ 25,682
Interest Receivable	$ 1,217	$ 1,610
Deferred Charges and Other Assets	$ 20,696	$ 1,403
External Decommissioning Fund (Note 4)	$ 20,311	$ 14,366
	$ 503,235	$ 473,637
LIABILITIES		
Revenue Bonds:		
Serial Bonds—		
2.80%-5.70%, due 1993 to 2003	$ 176,920	$ —
6.00%-8.80%, due 1992 to 1995	—	15,375
7.375%-9.20%, due 1996 to 2003	—	26,600
Term Bonds, with annual sinking fund requirements—		
5.10%, due 1992 to 2002	115,380	124,070
6.30%, due 1993 to 2003	—	68,430
6.60%, due 1992 to 2003	—	67,200
	$ 292,300	$ 301,675
Operating Reserves (Note 1)	$ 157,272	$ 142,943
Accounts Payable and Other Accrued Liabilities (Note 1)	$ 13,352	$ 14,653
External Decommissioning Fund (Note 4)	$ 20,311	$ 14,366
DOE Facilities Decommissioning Assessment (Note 8)	$ 20,900	$ —
	$ 503,235	$ 473,637

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

Statements of Revenues and Costs for each of the Three Years in the Period Ended December 31, 1992. Prepared Pursuant to Requirements of the Nuclear Facility Revenue Bond Resolution

	1992	1991	1990
		(Thousands)	
Revenues (Notes 1 and 2):			
Sales—			
Electric System	$ 85,095	$ 76,826	$ 77,422
Midwest Power Systems Inc.	85,090	76,822	77,404
Investment and other income	14,870	20,041	20,401
Total revenues	$ 185,055	$ 173,689	$ 175,227
Costs (Note 1):			
Operating expenses—			
Production—			
Fuel	$ 32,161	$ 26,318	$ 29,069
Operation and maintenance (Note 10)	68,962	65,470	64,244
Provisions for operating reserves	40,878	33,209	35,607
General and administrative	12,731	12,416	10,044
	$ 154,732	$ 137,413	$ 138,964
Debt service—			
Principal (Note 1)	11,708	16,910	15,980
Interest	18,615	19,366	20,283
Total costs	$ 185,055	$ 173,689	$ 175,227

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

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:

(i) 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 $1.7 million in 1992, decreased $3.4 million in 1991, and decreased $2.7 million in 1990. Accumulated depreciation through December 31, 1992, would have increased costs approximately $39.9 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.

(ii) 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.

(iii) Interest income on construction fund investments is credited to utility plant. Under generally accepted accounting principles, such income would have increased revenues

$0.3 million in 1992, $0.6 million in 1991, and $0.7 million in 1990.

(iv) As part of a 1989 settlement agreement with General Electric Company (GE), the District will receive discounts on future purchases of certain equipment and services for Cooper Nuclear Station and will receive credits and discounts under an amendment to the fuel fabrication contract. The District amortized over a two-year period ending in 1991, the entire amount of the benefits allocated to operations. Under generally accepted accounting principles, such benefits would be recognized when received which in the case of the settlement would be over the next 18 years. This difference results in an increase in revenues during the two-year amortization period and increased costs thereafter. The agreement stipulates that the dollar value of the settlement should not be disclosed.

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	1997 (estimated)
Conversion	Allied - Signal	1995
Enrichment	U.S. Dept. of Energy	2014
Fabrication	General Electric Co.	2007

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.

D. *Cash and Investments—*

Funds consist of $127.7 million of investment securities and $4.9 million of cash deposits at December 31, 1992, and $123.7 million of investment securities and $2.9 million of cash deposits at December 31, 1991. The carrying value of investment securities approximates market.

Cash deposits, primarily interest bearing, at December 31, 1992, 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, 1992, 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 $30.5 million in 1993 and $35.1 million per year for the years 1994 through 1997 and principal payments, as a component of debt service payments, are $16.1 million, $21.5 million, $22.4 million, $23.4 million, and $24.5 million for each of the years 1993 through 1997, respectively.

3. POWER SALES CONTRACTS:

Under terms of a power sales contract with Midwest Power Systems Inc. (Midwest Power) formerly known as Iowa Power, Inc., the District makes available one-half of the production of the Cooper Nuclear Station to Midwest Power with the balance available to the District's Electric System. Midwest 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, 12.5% of the output of the Cooper Nuclear Station to the City of Lincoln, Nebraska.

4. PLANT DECOMMISSIONING COSTS:

Pursuant to regulations promulgated by the Nuclear Regulatory Commission (NRC), the District established in July 1990, an external trust fund segregated from the District's assets in which amounts accumulated to pay the decommissioning costs of Cooper Nuclear Station are to be deposited. The NRC prescribed minimum amount to be accumulated by the District in said fund for decommissioning costs, in 1992 dollars, is approximately $119.6 million. This amount does not include the cost of removal and disposal of spent fuel or of nonradioactive structures and materials beyond that necessary to terminate the District's operating license. For purpose of accumulating amounts for complete dismantlement and site restoration of Cooper Nuclear Station, the District is estimating the total decommissioning costs, in 1988 dollars, to be approximately $316 million.

It is expected that the costs of decommissioning will be funded from revenues, certain reserve funds established under the Nuclear Resolution, and surplus funds derived from the ownership and operation of the Nuclear Facility. The District anticipates sufficient funds will be available in accordance with the NRC decommissioning rules to decommission Cooper Nuclear Station at the end of its useful life. The District intends to periodically review the costs and methods of funding as a result of changing conditions and requirements for decommissioning. The next review is scheduled to be performed in 1993.

5. CAPITAL ADDITIONS:

The Nuclear Facility construction plan includes authorization for estimated expenditures of $16.8 million for 1993. These expenditures will be billed to participants as "Provisions for operating reserves" on the basis of estimated cash flow requirements.

6. 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 $66.2 million 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 incident per unit owned. Midwest 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 Midwest Power has demonstrated its financial integrity and responsibility for $5.0 million.

As part of the 1989 settlement agreement between General Electric Company (GE) and the District, General Electric has agreed to store at its facility at Morris, Illinois, the 1,056 spent nuclear fuel assemblies from the first two core loadings at no cost to the District until May, 2002, which is the expiration of the current license for the GE facility. After that date, storage will be at no cost to the District so long as GE can maintain without certain additional costs the NRC license for the facility. If after May, 2002, storage of the 1,056 bundles results in certain additional costs to GE then the District shall be responsible for such costs. Such costs would be collected through revenues of the Nuclear Facility as part of fuel costs.

7. LOW-LEVEL RADIOACTIVE WASTE DISPOSAL:

The Low-Level Radioactive Waste Policy Amendments Act of 1985 (the "1985 Act") requires each state to be responsible for providing for the availability of capacity for the disposal of low-level radioactive wastes generated within its borders except for certain defense related radioactive wastes. Among other things, the 1985 Act authorizes and encourages states to enter into interstate compacts, subject to Congressional consent, to provide for the establishment and operation of regional disposal facilities for low-level radioactive waste generated within the states entering into a compact.

Pursuant to the 1985 Act, Nebraska has entered into the Central Interstate Low-Level Radioactive Waste Compact (the "Central Interstate Compact") with the states of Arkansas, Kansas, Louisiana, and Oklahoma. The Central Interstate Compact has been approved by each of said states and by Congress.

The District is a party to an agreement to provide partial funding for the prelicensing costs of a proposed disposal facility up to $47.4 million. Under a cost sharing formula agreed to by the owners/operators of nuclear plants within the Central Interstate Compact ("Major Generators"), the District's share of such costs is 16.51%. Funding arrangements for prelicensing after the $47.4 million is expended (estimated to be mid 1993) and for construction have not been determined. A Major Generator can terminate at any time its funding obligation by providing 90 days written notice to the Central Interstate Compact.

Numerous obstacles have arisen regarding the proposed facility, including, among other things, challenges to the constitutionality of the 1985 Act, local legislative opposition to the site, notice of intent to deny the license application for the proposed facility by the Nebraska Department of Environmental Quality and a lawsuit filed by the State of Nebraska.

Under the 1985 Act, the three existing low-level radioactive waste disposal sites can deny access to certain generators including the District effective January 1, 1993, however two of the three facilities, Barnwell, South Carolina and Richland, Washington will continue to operate as the disposal facilities for certain other regional compacts.

The South Carolina legislature has authorized the Barnwell facility to accept non-Southeast Compact waste for up to an additional 18 months. However, access is contingent upon development of new waste disposal facilities in North Carolina and certain limitations imposed by South Carolina on North Carolina facility siting activities. The Central Interstate Compact has entered into an agreement with the Southeast Compact allowing access to all generators in the Central Interstate Compact through June 30, 1994. Access to the Barnwell facility can be terminated prior to June 30, 1994, if the Central Interstate Compact fails to make progress toward providing disposal capacity after June 30, 1994. In addition, either party has the right to terminate this agreement for any reason upon 60 days notice.

The District has entered into an agreement with Chem-Nuclear Systems, Inc., the operator of the Barnwell facility, for disposal of low-level radioactive waste during this 18-month period. The District's estimated volume of 12,000 cubic feet of low-level radioactive waste requires the District to make six quarterly payments of $440,000 each in addition to disposal payments to the facility operator. Total disposal costs are estimated to average approximately $300 per cubic foot. Pursuant to the terms of the Southeast Compact Waste Import Policy which is incorporated into the District's disposal agreement with Chem-Nuclear Systems, Inc., the District has agreed to continue paying the quarterly installments for the access fee unless (i) the Southeast Compact terminates access to the Central Interstate Compact or the State of Nebraska, (ii) the Barnwell facility closes permanently, (iii) the Central Interstate Compact terminates its access agreement with the Southeast Compact because the Central Interstate Compact's own disposal facility becomes operational or (iv) the Southeast Compact grants the District an exemption under the Southeast Compact's Waste Import Policy.

Current on-site storage capacity should provide storage for approximately six months of waste generated during typical non-outage conditions. The District has constructed an earthen pad and is completing design work for a new on-site temporary storage facility which could be completed within approximately six months of receiving notification, should access to the Barnwell facility be terminated before June 30, 1994.

On December 8, 1992, an "unofficial" poll was conducted by the Local Monitoring Committee in Boyd County purportedly for the purpose of determining whether there is county-wide community consent for the facility. Approximately 93 percent of the votes which were cast were against construction of the facility. In a letter dated December 23, 1992, Nebraska Governor Ben Nelson advised the Central Interstate Compact, that based upon the results of the December 1992 Boyd County poll, Boyd County should be withdrawn from consideration and that if the Central Interstate Compact did not do so by January 8, 1993, he requested the Nebraska Attorney General to "take this matter to court to determine if there are legal avenues that allow the state to prevent the siting of the facility in Boyd County." The Central Interstate Compact has stated that it believes there is no basis for disqualifying the site. On January 13, 1993, a lawsuit was filed in U.S. District Court for the District of Nebraska by the State of Nebraska. The Central Interstate Compact and U.S. Ecology are the defendants. The complaint requests, among other things, a finding that the defendants have failed to demonstrate that community consent exists and requests a permanent injunction on licensing, construction, and operation of the proposed facility, until such time as community consent is demonstrated. On January 22, 1993, the NDEQ and the Nebraska Department of Health jointly issued a public notice of intent to deny U.S. Ecology's license application for the facility allegedly due to evidence of flooding, frequent ponding and wetlands at the proposed site. A public fact finding hearing was held on March 17, 1993, to receive public testimony on the proposed license denial. The NDEQ and the Nebraska Department of Health have stated that they will issue a decision after considering the public testimony. On February 24, 1993, the Southeast Compact's import policy committee met and heard testimony from the Central Interstate Compact, the State of Nebraska and the Major Generators regarding development of a new disposal facility in the Central Interstate Compact. The chairman of the committee stated that all generators in the Central Interstate

Compact are in jeopardy of losing access to the Barnwell facility. The committee will make a recommendation to the entire Southeast Compact regarding continued access for the Central Interstate Compact and/or the State of Nebraska. The next regularly-scheduled meeting of the Southeast Compact is on April 14, 1993, but a special meeting could be called earlier.

The District is unable at this time to predict what effect the lawsuits or the notice of intent to deny could have on construction and operation of the Central Interstate Compact facility or continuing access to the Barnwell facility, but such construction and operation as well as the operation of Cooper Nuclear Station and continuing access to the Barnwell facility could be adversely affected.

8. DEPARTMENT OF ENERGY FACILITIES ASSESSMENT:

Under the provisions of the National Energy Policy Act adopted in 1992, the District is subject to assessments estimated to be $1.33 million per year (to be adjusted for inflation) for a period up to 15 years for the purpose of paying the costs of decontaminating and decommissioning Department of Energy ("DOE") operated uranium enrichment facilities. Such assessments are expected to commence in 1993. The present value for such annual assessments for the maximum period of 15 years is approximately $20.0 million. The District has recorded on the Nuclear Facility financial statements as of December 31, 1992, the present value of such annual assessments by recording a liability and a matching deferred charge of approximately $20.0 million.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value at December 31, 1992:

Cash and Investments: The carrying value of investment securities approximates fair value as described in Note 1D.

Debt: Rates currently available to the District for its debt are used to estimate the fair value of existing debt. The fair value is estimated to be $291.5 million.

10. LONG-TERM DEBT

On October 8, 1992, the District issued $176.9 million in Nuclear Facility Revenue Bonds, 1992 Series, to refund the outstanding Nuclear Facility Bonds, 1970 Series, 1974 Series, 1975 Series, and 1983 Series.

The refunding cost of $4.6 million, which includes original issue discount ($0.7 million), underwriters fees ($1.2 million), issuance costs ($0.3 million) and call premium ($2.4 million) has been presented in the Statements of Revenues and Costs under "Operating Expenses - Operation and maintenance." If this transaction had been recorded under generally accepted accounting principles, the current year charge would have been $5.6 million.

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