1981 ANNUAL REPORT

Nebraska Public Power District

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About the cover...

NPPD's workforce is comprised of some 2,000 Nebraskans dedicated to serving our customers with low cost, dependable electricity — the energy of tomorrow, delivered today, so all may live, work and enjoy a more productive life.

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The Nebraska Public Power District's

Board of Directors

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

OFFICERS

Geo. H. Barber, **President**
Henry D. Kosman, **First Vice President**
Fred A. Herrington, **Second Vice President**
Ralph J. Lubeck, **Secretary**
Leslie S. Taylor, **Treasurer**
Durwood W. Hill, **General Manager**
Theodore M. Kyster, **Assistant Treasurer**
Robert D. Malmstrom, **Controller**
Janet H. McQuistan, **Assistant Secretary**

In Memoriam

H. Jackson Cary of Kearney, a farmer-livestock feeder, was elected to the Board of Directors in November, 1980, and his term began in January, 1981. He died July 24, 1981. Nebraska Governor Charles Thone appointed Alvie Payne, a Kearney business executive, to succeed Cary. Payne had previously served as a director of two predecessor utilities — Platte Valley Public Power and Irrigation District and Consumers Public Power District.

On Feb. 27, 1982, Director Jules W. Burbach of Hartington died. Wayne E. Boyd of South Sioux City was appointed to complete Burbach's term.

H. Jackson Cary

Geo. H. Barber
Beatrice
Electrical Contractor

Jules W. Burbach
Hartington
Grain Elevator Owner-Operator

Bernard M. DeLay
Norfolk
Banker

David L. Duren
Columbus
Certified Public Accountant

Fred A. Herrington
Lincoln
Businessman

Ralph E. Holzfaster
Paxton
Farmer-Agribusinessman

George W. Knight
Lincoln
Businessman

Henry D. Kosman
Scottsbluff
Banker

Ralph J. Lubeck
Stamford
Farmer-Livestock Feeder

Alvie E. Payne
Kearney
Businessman

Leslie S. Taylor
York
Businessman-Salesman

A message from the **Board of Directors**

It is important that this Board, which directs the activities and policies of Nebraska Public Power District, continue to demonstrate its collective ability to operate the District in a businesslike manner for the benefit of all the state. The result will be a mutual trust and understanding between the Board and the various publics that maintain an interest in our organization such as financial institutions, the state legislature, other electric utilities and our customers.

Increasing electric rates is one of the least pleasant responsibilities of a utility but a combination of factors forced us to enact a substantial rate increase effective in 1981 for the District to meet its financial obligations. Approved late in 1981 was another rate increase — effective in 1982 — that will enable the District to maintain its solid financial condition.

Despite the 1981 increase, a survey we conducted during the year of nearly 100 utilities across the nation revealed that our rates were in the lower one-third for a customer with an electric water heater using 750 kilowatt-hours per month in communities relatively the same size as those served by our utility.

Our efforts to seek out ways to improve efficiency and reduce costs must not cease if we are to retain our position of providing electricity at rates that are below the national average.

On the power supply scene, we feel our situation is one of the best in this region. We placed Gerald Gentleman Station Unit No. 2 into commercial operation on Jan. 1, 1982, joining with Unit No. 1 to provide our customers with 1,300 megawatts of coal generation that is among the least expensive of its type in this region.

With the installation of the new low pressure rotors at Cooper Nuclear Station, that facility has returned to full generating capability and continues to operate at a per kilowatt-hour cost that is below the national average for similar boiling water reactor plants.

This Board approved a contract with Central Nebraska Public Power and Irrigation District for the construction of the 50 megawatt Kingsley Hydro generating facility below Lake McConaughy that will commence providing power to our customers during the mid-1980s. Under terms of the contract, Central Nebraska will own and operate the hydro unit but NPPD will purchase the output for resale.

Although we currently have excess generating capacity on our system, the abundance of coal, nuclear and hydro power available will enable us to drastically reduce our dependence on oil and diesel fuels which are costly and in short supply. We instructed management to continue negotiating with other utilities for short-term sales of power and energy that would result in further financial benefits for the District's customers.

Payments in excess of $2.5 million were made during the year to school districts that sustained additional financial burdens due to the influx of workers and their families during the construction of Gentleman Station. Although the payments were not mandatory under the enabling legislation, we realized that all of our customers benefit from Gentleman Station and voluntary payments to the school districts were important in maintaining quality education and alleviating the financial burden.

With no major construction projects in progress, this is one of the quietest times this utility has experienced for many years. This period of reduced activity is welcomed from a business standpoint. It gives this Board an opportunity to reassess our overall approach to existing policies and procedures.

With the announced retirement of our veteran General Manager D. W. Hill at the end of 1982, this inert time in our growth will afford the new general manager an opportunity to more leisurely complete the transition period.

We are certainly not implying that this is a completely inactive time for this District. On the contrary, there is much to be done as we strive to maintain a utility that is responsive to the needs of its customers.

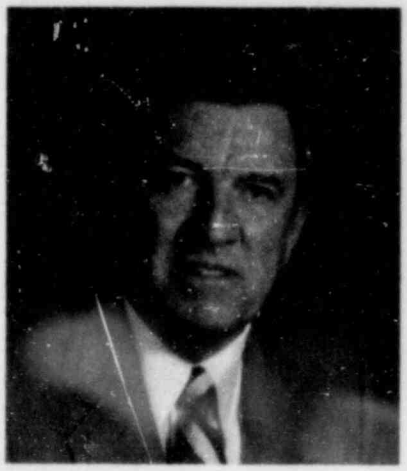
We will concentrate much of our efforts during 1982 on completing the contractual arrangements and licensing activities on the MANDAN transmission project to Manitoba, Canada. We have directed management to continue with the process of renewing and extending contracts with our full-requirements wholesale customers and to begin planning for the eventual extension of the leases with our retail communities.

There are other activities of importance. Management has been requested to determine the need for and interest in an innovative program to make the temporary excess of summer energy available to our wholesale customers for such uses as irrigation and industrial growth, without the normal minimum billing associated with having capacity available in order to meet high peak demands. It is presently contemplated that the program would be coincident with systemwide summer controls to eventually moderate the peak demand.

An improved system load factor would be beneficial to all customers so we will accelerate efforts toward such load balancing programs as electric heat.

We were gratified with the financial results of 1981 compared to the disappointing results of 1980. But 1981 is history. We face 1982 with enthusiasm, confident that this utility is on a sound course for the future.

Board of Directors



A message from the **General Manager**

I am pleased to report 1981 was a good year for Nebraska Public Power District.

A host of people contributed significantly to this dramatic development following a year that was disappointing to us. Much of the credit for the drastic turnaround goes to our employees who were willing to tighten their belts by cutting back on some existing programs and reducing expenses throughout the organization.

Concurrently, our Board of Directors approved a retail rate increase and an off-year wholesale rate increase which certainly were instrumental in our recovery.

We had net revenues in 1981 of $8.8 million. These revenues less expenses provided funds which were sufficient to cover debt service requirements 1.61 times. This is not unusual. The unusual year was 1980 when we experienced negative net revenues in excess of $10 million.

Over the years we have had to do a significant amount of short-term borrowing primarily due to the relative ease of acquiring funds under that process. It appears that at the end of 1981 we will be able to begin to reduce our short-term indebtedness.

Although the exact amount is not yet known, we will have approximately $100 million remaining in the Gerald Gentleman Station Unit No. 2 construction fund. Not only was the plant constructed under budget but there are additional funds available due to a reduced cash flow and a higher than anticipated interest income from invested funds. It is contemplated that approximately $38 million of the surplus will be allocated to Unit No. 1 to help pay the costs of common facilities between the two Units and another $18.6 million may be needed for Unit No. 2 water treatment facilities in the event the facilities are required by the Nebraska Department of Environmental Control.

We will be able to utilize the remaining funds from Unit No. 2 to pay some of the preliminary costs of our next major power supply program which currently is the 500,000 volt MANDAN power line to Manitoba, Canada. An alternate in the power supply program is a coal-fired plant in central Nebraska. With these funds available we should not be in the short-term or long-term bond market for power supply purposes for a couple of years.

Hopefully, when we face the need to return to the market, the interest rates will have stabilized at a more reasonable figure.

Our Production Cost Adjustment (PCA) fund exceeded $8 million in excess revenue during 1981 which triggered the mechanism to begin crediting our wholesale and retail customers from the fund. A credit from the PCA fund also carried over into the 1982 rate period. The excess funds were accumulated primarily due to a slower than anticipated increase in fuel costs and good operating experience from our lower cost base load generating units.

We successfully concluded two major lawsuits during the year. One was the suit against General Electric, Westinghouse, Burns and Roe and others concerning schedule delays and cost overruns at our Cooper Nuclear Station and the other was the nuclear fuel litigation involving General Electric. These matters were settled out of court and in each instance the results were beneficial to the District's ratepayers. Still pending is the suit with the contractor on Gentleman Station Unit No. 1.

We also benefited from regulatory relief during the year when the Nebraska Department of Environmental Control rescinded its permit order requiring the testing of the sulfur content and BTU content of coal being burned at Gentleman Station before it could leave the mine.

Extremely important in the operation of a utility the size of NPPD — which is the state's largest electric utility — is our relationship with others. Improving our relationship with the various publics over the years has been of prime importance in maintaining our credibility and image.

The District's relationship with the rating agencies, bondholders and bankers continues to be excellent and, although we are not currently in the bond market, we maintained those relationships during the year by personal visits to the various financial institutions. We considered it an opportunity to explain the difficulties that beset us during 1980 and to reassure the financial world that the District was, indeed, a sound financial organization.

Through the Wholesale Customers' Committee, this class of customers has ample opportunity to discuss concerns with our staff and management and a reorganization of this committee during 1981 hopefully resulted in an even broader opportunity for communication.

During 1981 the District made in-lieu-of-tax payments, lease payments and gross revenue payments, as required by law or under contracts, totaling approximately $9.2 million. This money is delivered to the various taxing agencies by our local representatives who are our front line in communicating with the retail customers. These payments are based in major part on retail revenue.

Although we have had to reduce the workforce significantly due to a slowdown in the growth of annual kilowatt-hour sales and the fact that we have no major generation projects under construction, most of the employees who left the District were of the calibre that their talents were immediately recognized by other employers.

Through our advertising program, the District has initiated an "open door" policy with the public. Only by inviting questions and comments from Nebraskans can we continue the level of communication necessary to appropriately guide the activities of a public power district according to the wishes of its customer/owners.

Dustile

General Manager

1981 in Review

Financial

Mild winter and summer temperatures, ample summer rainfall, and continuing energy conservation were primarily responsible for a decrease in kilowatt-hour consumption by our retail and wholesale customers during 1981.

Total energy sales to our wholesale customers were down 3.2% during the year and energy sales to retail customers decreased 2.5% from 1980.

Despite a decrease in sales to those two classes of customers, the District's total kilowatt-hour sales during 1981 were 1.7% more than during 1980 due to a substantial increase in non-firm transactions and participation sales to other utilities. 1981 saw total kilowatt-hour sales of 8.46 billion compared to 8.32 billion in 1980.

As expected, the District's customers did not set a new summer peak demand on the system during 1981. The summer's peak of 1,717,548 kilowatts was about one-tenth of one percent below the all-time record peak on the system set in 1980. The record stands at 1,719,800 kilowatts.

The 1980 record peak was 9.7% more than the previous all-time high which was one of the largest increases in the District's history. This high demand was attributed to a hot and dry summer period in 1980 and it was for this reason the District's planning division had forecast that, in all probability, a new record would not be set in 1981. Still, the 1981 peak was slightly above the forecast.

Electric System operating revenues in 1981 rose to a new high of $273.9 million which is an increase of 13.3% over the 1980 figure of $241.7 million.

The larger operating revenues are primarily the result of an increase in rates.

Electric System operating expenses amounted to $256.1 million which represents an increase of 2.5% over 1980's figure of $249.9 million.

Operations of the Electric System resulted in net revenues of $8.8 million for 1981 and a debt service coverage of 1.61.

This is a substantial recovery from a year ago when the District experienced negative net revenues of $10.2 million.

The District's planning department is projecting an effective annual compound growth rate of 4.2% through 1991 in the summer peak demand and an energy sales effective annual compound growth rate of 4.4% during the same time frame.

During the year the Board approved the borrowing of $22.8 million in two-year notes to pay for additional construction costs at Cooper Nuclear Station. The notes were issued at an interest rate of 10%. The Board opted for short-term notes instead of long-term financing during this period of high interest rates.

Activities

In October, General Manager D. W. Hill announced that he will be retiring from that position effective Dec. 31, 1982.

Hill came to Nebraska in 1964 to be named general manager of the former Consumers Public Power District. He has served as the only head of Nebraska Public Power District since the merger that created NPPD in 1970. Hill said he was announcing his retirement more than a year in advance in order to give the Board of Directors ample time to conduct a thorough search for his replacement.

The Board, in September, voted to amend the charter of the District to revise the boundaries of director subdivisions to more closely approximate an equal number of registered voters in each subdivision as required by state law. However, that action has been challenged before the Nebraska Power Review Board by certain customers and the amendment has not yet been implemented.

Early in the year the District announced the initiation of its residential energy audit program required under the Residential Conservation Service Program Plan of the National Energy Act. The District is one of eight covered participating utilities in Nebraska.

Auditors are trained in home energy conservation and can point out and explain specific practices and measures that may improve the energy efficiency of the home.

Solar energy potential is an important part of the residential energy audit program.

A new emphasis was placed on employee committee meetings during the year. These meetings have been taking place within the District over the past several years and are held twice annually in each regional office and power plant.

Employees and management discuss benefits, policies, working conditions, salaries, projects and use of equipment — any subject in which employees or management have expressed concern.

The purpose of these meetings is communication and there are currently 10 employee committees throughout the state.

Initiated during the year was a cooperative program with the Electric Power Research Institute (EPRI) and the United States Department of Agriculture developing a process of regulating the growth of trees under power lines. The process chosen has two positive side effects. First of all, it is environmentally acceptable and secondly, it will save money for the ratepayers.

Chemical injection helps control growth of trees under power lines.

A chemical is injected into the trees to control growth in power line rights-of-way. If the experiment is successful in Nebraska, as it has been on the East and West coasts for several years, it will eliminate the need to trim the trees every two years. Control of tree growth under power lines is a major expense of electric utilities.

The District also instituted a program that will reduce expenses associated with the training of personnel at its Gerald Gentleman Station. The Public Affairs audio-visual department spent 320 hours video taping vendor presentations at the plant site during 1981 which will eliminate the need to transport personnel to industry headquarters for future training. It will also aid employees in locating potential problem areas in the event of a malfunction at the plant. During 1981 alone the District estimates it saved approximately $180,000 in eliminating travel expenses for training purposes.

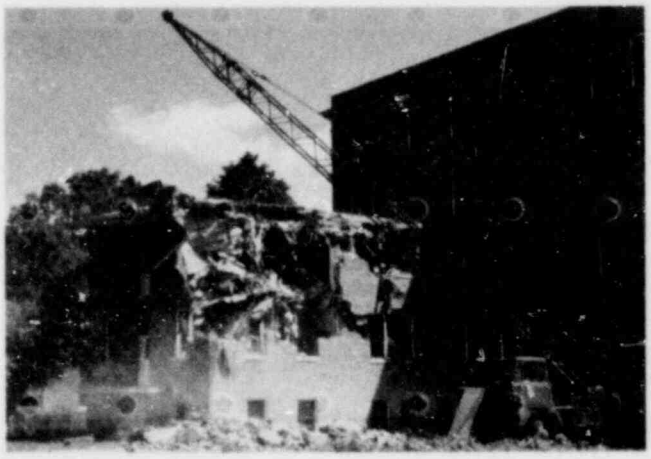
Video taping vendor presentations has saved thousands of dollars.

In a cooperative effort with the Department of Environmental Control and the Nebraska Game and Parks Commission, the District announced an effort to improve the quality of fishing resources in the Lower Niobrara

River during the year. The District reduced the number of times it flushes the Spencer Hydroelectric Dam on the Niobrara River.

It is necessary to flush the reservoir occasionally as silt from the river builds up, reducing the amount of water that can be stored. The Commission thinks the flushing may have a detrimental effect on the fish environment in the river.

Because of these concerns, the District has modified the operation of the Spencer Hydro which has reduced the number of flushings and has scheduled the necessary flushings at times to minimize any adverse effects on the fish environment. The modified operation of the facility has resulted in some loss of hydroelectric power generation.



During the year the District completed demolition of an old landmark that was a neighbor to our general office headquarters in Columbus. The old St. Mary's hospital building which was on property owned by the District was razed when no further use could be determined for the structure. The District plans to renovate and landscape the site and the District will retain the property.

Portion of Gentleman Station control room.

Customers

A combination of unforeseen events happened to the District during 1980, some of which involved temporary emergency modifications at our Cooper Nuclear Station, Gerald Gentleman Station and Sheldon Station. In addition, our customers used less kilowatt-hours of electricity than had been anticipated during the year due to milder than normal weather.

The combination of these and other inflation-related factors forced the District to raise rates effective in 1981 in order to meet financial obligations.

However, due to a better than anticipated experience in fuel costs and other production costs during the latter part of 1980, the rate increase was not as large as it might have been. The new 1981 rates were expected to raise approximately 8.7% more in wholesale revenue than in 1980 and approximately 14% more in retail revenue.

District customers received a break on their electric bills effective in April due to lower than anticipated costs for purchased electrical energy and the District's ability to

utilize lower cost fuels in the generation process.

The reduction came about because of a surplus of approximately $8 million in the Production Cost Adjustment (PCA) fund which is a separate charge to the District's retail and wholesale customers reflecting increases or decreases from the original estimate of certain variable costs such as the cost of purchased energy or fuel.

The surplus in the PCA fund resulted in a reduction of approximately 4.7% in the cost of power and energy to wholesale customers and approximately 2.5% in the costs to retail customers.

However, near the end of 1981, the Board of Directors approved new wholesale and retail rates which would be effective in 1982. The rates are projected to collect $275.8 million in operating revenues from the District's wholesale and retail customers during 1982. This represents an increase of $39.7 million over the revenues that would have been collected based upon the 1981 rates. These amounts do not include revenues from participation and non-firm sales.

The first year of debt service and operating requirements for the Gentleman Station Unit No. 2 coal-fired plant was the major ingredient causing the higher 1982 rates.

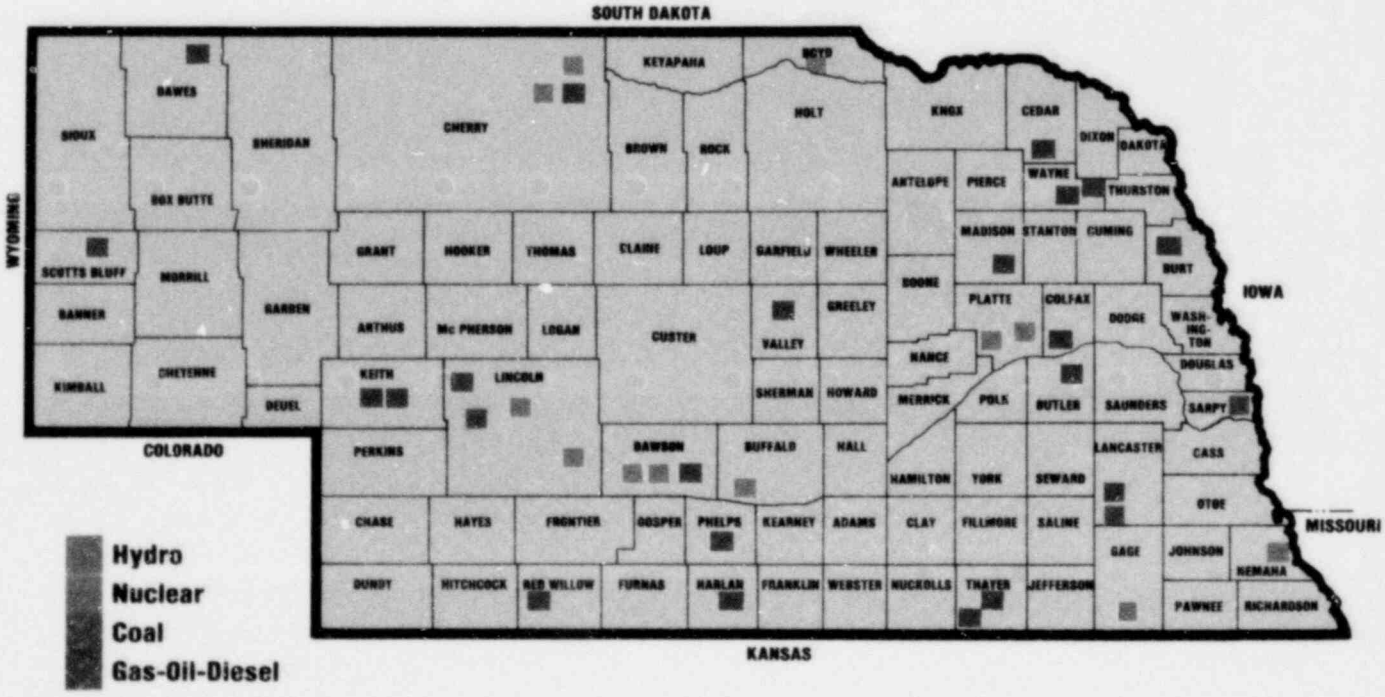
In addition, the Board approved an average increase of 27.1% in irrigation water rates for the District's 600 surface water irrigation customers in the Platte River Valley. The increase affects approximately 38,000 irrigated acres.

During 1981 the District conducted a rate survey using a "typical" residential customer consuming 750 kilowatt-hours per month with an electric water heater. This type of customer is representative of NPPD residential customers and is one of the consumption levels used for rate comparisons by the Federal Energy Regulatory Commission.

The 100 cities and towns across the nation surveyed had populations between 1,500 and 25,000 which are representative of the communities served at retail by the District.

The District's average residential rate for the type of customer used in the survey was $38.78 per month. Out of 73 cities responding, 20 cities in the survey had residential rates which are lower than the District's rates and 52 of the cities had higher rates. The average rate for all utilities responding was $43.76.

NPPD RESOURCES



During 1981 the District paid approximately $9.2 million back into the state's economy in the form of lease agreement payments, gross retail revenue payments and payments in-lieu-of-taxes as required under contracts and by law. In addition the District made payments in excess of $2.5 million to school districts in two counties that sustained additional financial burdens due to the influx of workers and their families during construction of Gerald Gentleman Station. Although the payments are not mandatory, Nebraska law allows public power districts or other entities engaged in the construction of electric generating facilities to make payments to school districts affected by the construction.

Litigation

Two lawsuits involving Cooper Nuclear Station were brought to successful conclusions during the year. Both were the result of out-of-court settlements.

One settlement involved a lawsuit brought by the District in September, 1975, against General Electric Company, Westinghouse Electric Corporation, the architect-engineering firm of Burns and Roe, Chicago Bridge and Iron Company and Control Components, Inc.

Results of the settlement included cash payments and credits to the District of more than $11.7 million and the dropping of more than $8.5 million in counterclaims against the District.

The District received approximately $5.5 million as cash settlement and also is entitled to $6.2 million in credits on future equipment and services from General Electric, Burns and Roe and Chicago Bridge and Iron — generally over the next seven years.

The suit asserted five claims relating to delayed start-up and extra expenses incurred in the construction of Cooper Station. The settlement resolves four of the five claims but retains the District's right to reinstitute legal action against General Electric and Burns and Roe for a claim relating to extra costs incurred in modifying the Station's containment system.

During the trial in June, 1981, the District reached an interim settlement agreement with General Electric which deferred a multimillion dollar lawsuit against General Electric regarding buy-back payments and removal from Cooper Nuclear Station of spent fuel supplied by General Electric under a nuclear fuel supply contract.

The agreement provided that General Electric remove "as soon as it is legally possible and practicable" all of such spent fuel after it is discharged from the nuclear reactor. Although responsibility for the ultimate disposition of the spent fuel was not resolved, General Electric paid the District $1 million and will make cash payments in an amount equal to one-half of the buy-back payments contemplated by the fuel supply contract in addition to sharing certain costs associated with the removal of the spent fuel.

Aside from the initial payment of $1 million, both parties have a full reservation of rights if the matter is litigated again in the future.

Attorneys for the District and the Winnebago Indian Tribe appeared in United States District Court in Omaha in December on the issue of whether the District can proceed with right-of-way condemnations for a transmission line the District is proposing to construct across portions of the Winnebago Indian Reservation in Thurston County, Nebraska.

The District is constructing the 345,000 volt line from the Iowa Public Service Neal Generating Station in Iowa to the Hoskins substation in northeast Nebraska. Construction is complete on the line from the Iowa substation across the Missouri River into Dakota County, Nebraska, and structures have been erected from the Hoskins substation to the Thurston County line. No construction has been done in Thurston County pending the judge's decision.

This is the second attempt made by the Winnebago Indian Tribe to halt construction of the line.

Earlier in the year the United States Supreme Court denied an effort by the Tribe to overturn a decision of the United States Eighth Circuit Court of Appeals which upheld the sufficiency of an environmental impact assessment made by the United States Army

Corps of Engineers. The Tribe filed that suit in 1979 against the District and the Corps alleging that an environmental impact assessment filed by the Corps had failed to consider possible harmful environmental effects on the Indian Reservation and the Missouri River Valley wildlife, especially the bald eagle.

Generating Facilities

A major milestone in the District's power supply program was reached at one minute after midnight on Jan. 1, 1982, when the second of two coal-fired units at the Gerald Gentleman Power Station went into commercial operation.

Gentleman Station Unit No. 2, a 650,000 kilowatt facility, joined Unit No. 1 to complete Nebraska's largest electrical generating plant. Unit No. 1, also a 650,000 kilowatt facility, went into commercial operation April 2, 1979.

An accreditation of 600 (net) megawatts for Unit No. 2 was filed with the Mid-Continent Area Power Pool (MAPP). MAPP is an organization of utilities in eight upper

Coal stacker-reclaimer at Gentleman Station.

Midwest States that are interconnected by high voltage transmission lines. These interconnections provide reliability for each system as well as allow for the interchange of electricity among the various independent systems.

Before it went into commercial operation, Unit No. 2 had been operating satisfactorily in a test mode since late summer. Construction on the $287 million Unit began with ground breaking on June 7, 1977. The Unit was built by Austin Power, Inc., of Dallas, Tex., and has a Babcock & Wilcox boiler and General Electric turbine-generator. Coal to fire the two Units is sub-bituminous low sulfur content Western coal from Wyoming's Powder River Basin. Both Units have electrostatic precipitators which remove fly ash from the stacks to meet air quality standards.

Gentleman Station is situated along the south shore of Sutherland Reservoir in west-central Nebraska.

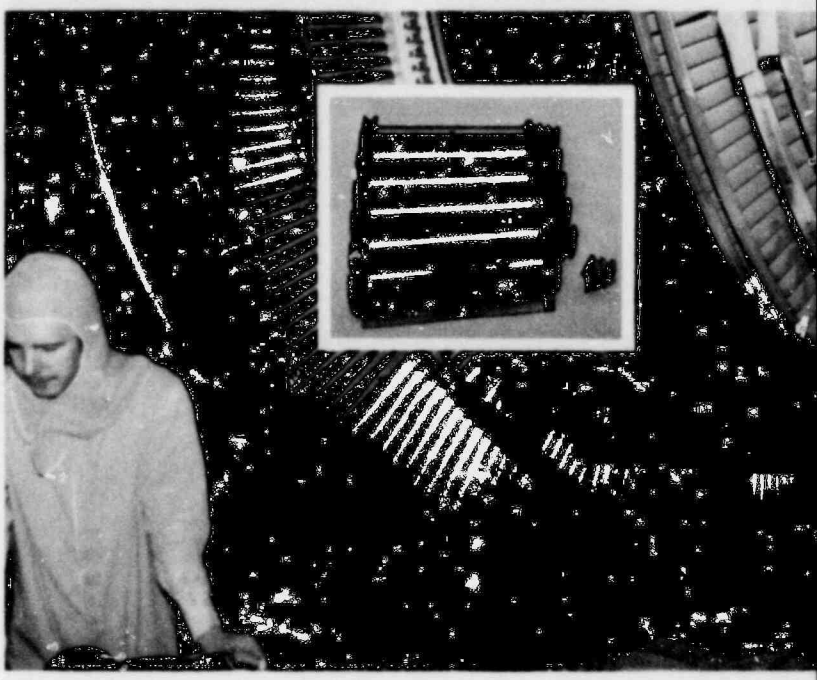
A financial analysis revealed that Unit No. 2 went on line with more than $100 million remaining in the construction account. It is estimated that Unit No. 2 will be completed at approximately $52.7 million under budget and there is an additional $48.1 million excess due to a higher than anticipated interest income and a reduced cash flow.

It is contemplated that approximately $38 million of that surplus will be allocated to Unit No. 1 to be applied primarily to the costs for common facilities at the site. In addition, $18.6 million may be needed in the event the District is required by the Nebraska Department of Environmental Control (DEC) to install supplemental water cooling equipment in order to operate Unit No. 2.

The District previously obtained a National Pollution Discharge Elimination System (NPDES) permit for Units 1 and 2 providing that there would be no discharge of heat into Sutherland Reservoir from Unit No. 2. As a part of the renewal process of the permit, the DEC has temporarily waived the no-discharge-of-heat requirement subject to the completion of a monitoring program approved by the DEC.

A stipulation, as a part of the NPDES permit, was approved by the Board of Directors providing that upon completion of the monitoring program DEC will issue findings in an order which will either permanently waive the provisions of the permit specifying no discharge of heat from Unit No. 2 or will order the District to meet a compliance schedule for installation of appropriate off-stream cooling equipment.

The District has maintained that any additional heat from Unit No. 2 into the reservoir will not be harmful to the water's population.



Removed section of low pressure turbine at Cooper Station showing removed blades. Insert is a close-up of broken blade.

Two low pressure rotors and nearly 3,000 stationary blades were replaced during a fall outage at our 800,000 kilowatt Cooper Nuclear Station near Brownville.

Rotor disc cracking was discovered during a 1980 inspection and the District temporarily corrected the problem by removing some of the discs from the turbine rotors and installing baffles which alleviated pressure drop. Four rows of stationary blading were also removed at that time.

The plant was shut down four days prior to the scheduled spring refueling outage in 1981 when abnormal vibrations were detected in one of the low pressure rotors. Subsequent investigation revealed that several small blades in the turbines sustained cracks and as a result two more rows of blades in each of the turbines were replaced.

Kingsley Dam is the site of the Kingsley Hydro Project. Location of the hydro unit is depicted by line drawing. Inset is groundbreaking for the facility featuring (from left) NPPD General Manager D. W. Hill, Central Nebraska President C. J. Hargleroad, Central Nebraska General Manager Richard Dormeyer and NPPD Board Member David Duren.

Also completed during the two outages were some Nuclear Regulatory Commission (NRC) ordered modifications to the torus and drywell.

Between commercial operation in 1974 and April 1, 1981, Cooper had been off the line a total of 430 out of 2,376 days and 328 of those days were scheduled outages. That leaves only 102 days of forced outages. Forced down time at the plant is approximately 4% which is better than the average for nuclear power plants nationwide.

An independent evaluation by the Institute of Nuclear Power Operations (INPO) conducted in August concluded that Cooper Station is "in excellent physical condition and is being operated in a safe manner by qualified personnel."

INPO is a non-profit organization made up of utilities that own nuclear plants. The group, formed after the accident at Three Mile Island, Pa., establishes standards for the facilities and helps utilities meet those standards.

INPO conducted this first evaluation of site activities to make an overall determination of plant safety, to evaluate management systems and controls and to identify areas needing improvement.

In August, the District's Board of Directors approved the action of the Central Nebraska Public Power and Irrigation District's issuance of $30 million in notes to finance a portion of the cost of the Kingsley Hydro Project.

The District's approval of the terms and conditions of the borrowing was required under terms of the Power Sales Agreement approved by the two Boards in June. The interim financing for the hydroelectric project near Lake McConaughy in Western Nebraska enabled Central to start construction of the 50,000 kilowatt facility.

Under the contract between the two Districts, Central will construct the facility and NPPD will pay certain costs by purchasing the power generated.

The Nebraska Power Review Board approved the Kingsley Hydro Project in July.

A management recommendation to delay for an indefinite period any further activity on the proposed pumped storage hydro electric facility in Boyd County was approved by the Board in March.

All activities on the project were halted and the District's permit application to construct the facility was dismissed without prejudice by the Federal Energy Regulatory Commission (FERC). Dismissal without prejudice means that the District may refile an application for the project again at a later date if it chooses.

The District had been studying the feasibility of the project since the early 1970s and had chosen a location along the Missouri River in northern Boyd County in 1973.

It was the cost of the pump back energy that cast doubts on the economic feasibility of the project in recent years. When the District first planned the pumped storage facility, it was intended to use low cost nuclear power for pump back purposes but another nuclear plant in the state was cancelled a few years ago and NPPD currently has no plans to construct another nuclear unit on its system.

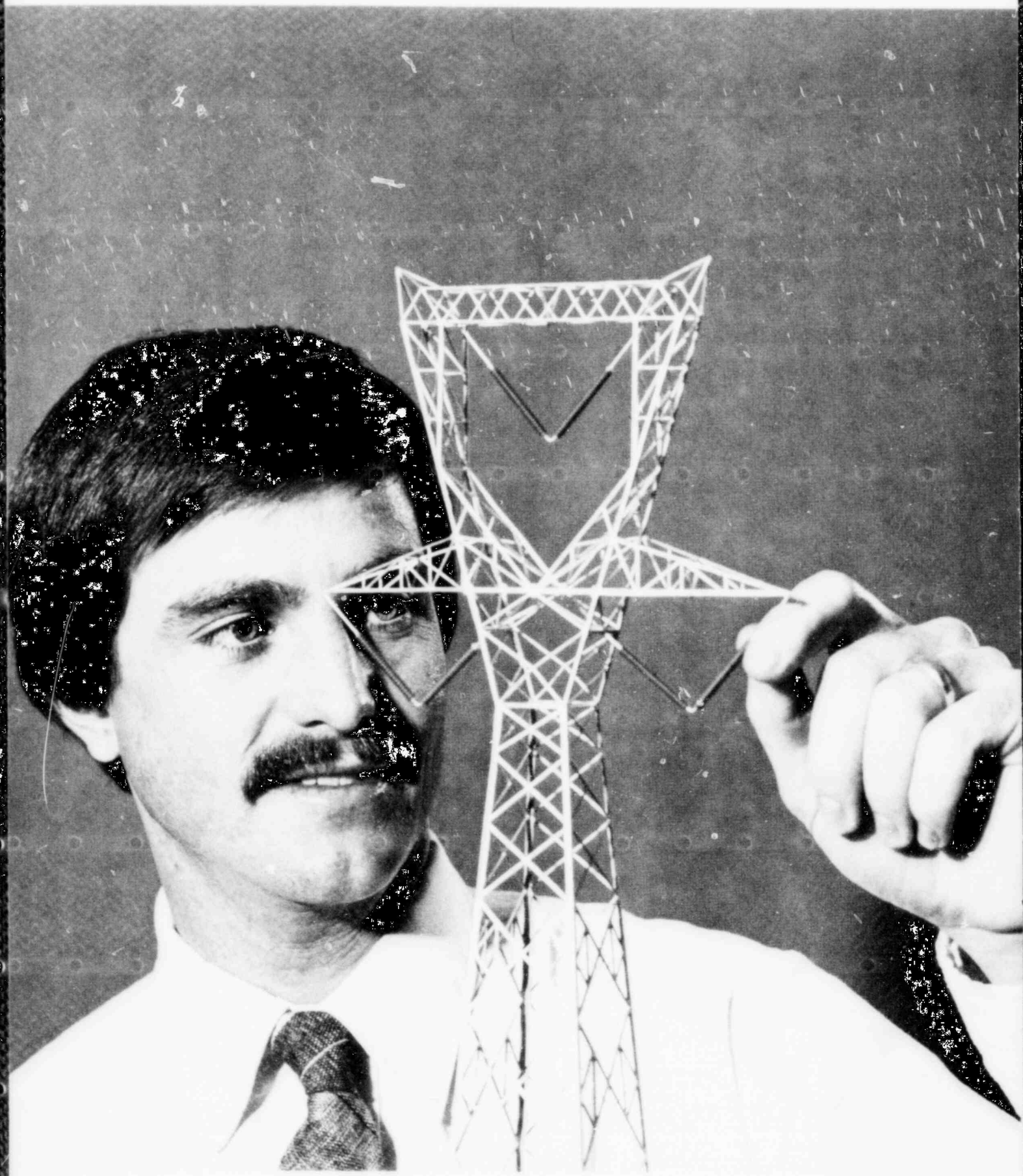
A pumped storage hydro project is used primarily to meet day-to-day peak electrical demands and the water must be pumped back to an upper reservoir during non-peak periods.

Transmission

The MANDAN Project, a 600-mile, 500,000 volt transmission line which will link summer-peaking utilities such as NPPD with winter-peaking utilities in Manitoba, Canada, and the northern United States, moved ahead during 1981.

Early in 1981, the District's Board voted to make the MANDAN Project the next major power supply resource on the system and deferred construction of a coal-fired plant in Custer County.

Not only is the MANDAN Project a less expensive source of power for our customers but with the growing diversity between our summer peak demand and our winter peak, it will help alleviate one of our major power supply problems. The project has the backing of the Nebraska Power Association (NPA) and a number of individual utilities.



Early in 1982 the South Dakota Public Utilities Commission denied the application to build and operate the portion of the $686 million line in that state. The District has appealed the decision to the state circuit court at Pierre, S.D.

The South Dakota PUC turned down the application on the basis of the "need" issue, saying the District "failed to establish by a preponderance of the evidence" that the power from the line would be needed. District predictions, backed up by independent forecasting firms, indicate the additional power to be supplied by the line will be needed in Nebraska in the late 1980s.

MANDAN Project representatives held public meetings in Nebraska and North Dakota to gather information from landowners and others for use in selecting a line route.

The North Dakota Public Service Commission approved a modified corridor which contained several possible line route options and a specific line route application will be filed in North Dakota in 1982. The North Dakota PSC, in handing down its corridor approval, said there is "no present credible evidence" that the line would cause adverse biological effects as had been claimed by some opponents of the line. The PSC also said that "it is not technologically or economically feasible" to build the line underground which had been proposed in some quarters.

An application for a construction permit was filed in Nebraska with the Power Review Board. The application was approved early in 1982.

Negotiations are underway between the District and Manitoba Hydro, the Canadian utility cooperating in the project, on details of a contract between the two prime project utilities.

MANDAN, an acronym for Manitoba, Dakotas and Nebraska, will allow the exchange of surplus power and energy between utilities with differing peak load patterns. The line will run between substations near Hoskins, Neb., and Winnipeg, Man., with substations in North Dakota and South Dakota to allow utilities in those states to interconnect.

A $20.7 million transmission line project that brings additional energy into an eight-county area and improves system reliability in south-central Nebraska was placed into service during the year.

Completed were two new 345,000/115,000 volt substations and approximately 50 miles of 345,000 volt transmission line.

One of the substations, called Sweetwater, is located in Custer County and the other substation, called Axtell, is located in Kearney County. The transmission line connects the two substations. The Sweetwater substation is connected by 345,000 volt lines coming from Gentleman Station to the west and Sheldon and Cooper Stations to the east.

Another 14 miles of 345,000 volt line to be built in 1982 will carry power east from the Axtell substation to a substation in Adams County, completing the high voltage project in that area.

Activity will also continue during 1982 on a 45-mile 345,000 volt line in northeast Nebraska that will connect the Hoskins substation with the Shell Creek substation near Columbus. A 65-mile segment of 345,000 volt line between the Hoskins substation and a substation near Iowa Public Service Company's Neal Generating Station in northwest Iowa has been delayed by litigation filed by the Winnebago Indian Tribe concerning right-of-way over the reservation.

FINANCIAL COMMENTARY

Comparisons of the net revenues and debt service coverage of Nebraska Public Power District for the years 1980 and 1981 reveal a dramatic change. The improvement is primarily attributable to increased revenues as a result of a rate increase which became effective during the year 1981. Revenues for the year reached an all time high of $273.9 million which was an increase of $32.2 million or 13.3%. These revenues less expenses as described in the District's Electric System Revenue Bond Resolution provided funds which were sufficient to cover debt service requirements 1.61 times. Other significant events include the commencement of a new contractual relationship with the City of Lincoln which among other things provided for participation in certain production facilities and the completion of required modifications at Cooper Station and Gerald Gentleman Station Unit No. 1 which permits each unit to operate at approximately 100% of rated capacity. Continued operating success at these facilities is of major importance to the District. These events are reflected in the financial statements of the District which are summarized below.

Operating Revenues and KWH Sales

The 1981 operating revenues reflect an increase of $32.2 million or 13.3% over the year 1980. The exclusion of non-firm, participation and non-electric sales indicates that the total operating revenues increased 1.91% over 1980. Retail revenues for 1981 were $94.6 million which is an increase of $7.7 million or 8.8% over 1980. The increase was primarily a result of higher rates in effect during 1981.

Wholesale revenues declined $3.5 million to $124.7 million from 1980. The decrease can be primarily attributed to a decrease in KWH sales of 14.1% which reflects the change in the contract relationship with the City of Lincoln. Revenues derived from sales on a non-firm basis and participation sales increased $25.9 million from 1980. The increase is related primarily to the City of Lincoln becoming a participation customer.

The District's 1981 peak demand, excluding non-firm and participation sales was 1,717,548 kilowatts. This is 0.1% less than the year 1980.

Operating Expenses

The District's operating expenses for the year 1981 totaled $256.1 million. This total exceeded 1980 by $6.1 million or 2.5%. Purchased power and production expenses total $202.2 million or 79.0% of the total operating expenses. Purchased power expense amounts to 24.2% of the $202.2 million. Expenditures for purchased power have decreased in recent years due to completion of the District's Cooper Station and Gerald Gentleman Station. The remaining operating expenses amount to $53.9 million, an increase of $5.5 million or 11.4% over 1980.

Net Revenues

The net revenues for the Electric System operations total $8.8 million which is a significant improvement over 1980. The increase is primarily associated with increased rates since there was only a nominal increase in KWH sales.

General

The improvement of net revenues in 1981 over 1980 was truly important to the District. It is gratifying to know that the Board of Directors accepts the responsibilities associated with a utility and is willing to respond to the needs of the District by implementing rates that will provide sufficient revenues to allow for payments of all costs so that the District can maintain a sound financial condition.

T. M. Kyster

T. M. Kyster
First Assistant General Manager & Assistant Treasurer

Nebraska Public Power District
ELECTRIC SYSTEM

Report of Independent Public Accountants

To the Board of Directors of
Nebraska Pubiic Power District:

We have examined the balance sheets of the ELECTRIC SYSTEM of NEBRASKA PUBLIC POWER DISTRICT (a public corporation and political subdivision of the State of Nebraska) as of December 31, 1981 and 1980, and the related statements of revenue and expenses, accumulated net revenues and changes in financial position for each of the three years in the period ended December 31, 1981. We have also examined the supplemental schedules of the calculation of the debt service ratios for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Electric System of Nebraska Public Power District as of December 31, 1981 and 1980, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1981, and the supplemental schedules of the calculation of the debt service ratios for each of the three years in the period ended December 31, 1981, present fairly the information set forth therein, all in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Omaha, Nebraska,
March 12, 1982.

Nebraska Public Power District
ELECTRIC SYSTEM

Balance Sheets
December 31, 1981 and 1980

ASSETS	1981	1980
	(Thousands of Dollars)	
Utility Plant, at Cost	$549,013	$513,312
Less—Reserve for depreciation and amortization (Note 1)	177,304	164,216
	$371,709	$349,096
Debt Reserve Account:		
Cash	$ 2	$ 4
Investment securities	30,730	30,738
	$ 30,732	$ 30,742
Receivables from Sale of Property	$ 2,575	$ 2,611
Current Assets:		
Cash and investment securities (Note 5)	$105,888	$121,981
Receivables, less reserves	34,062	30,336
Materials and supplies, at average cost	15,278	20,293
Prepayments and other assets	294	266
	$155,522	$172,876
Deferred Charges:		
Advance payments to Nuclear Facility (Note 1)—		
Nuclear fuel	$ 31,844	$ 24,314
Replacement rotors	5,021	882
Unamortized financing costs	3,363	3,584
Other	2,746	3,022
	$ 42,974	$ 31,802
	$603,512	$587,127
LIABILITIES AND CAPITAL		
Long-Term Debt (Note 4)	$384,640	$391,528
Less—Current maturities	8,221	7,031
	$376,419	$384,497
Accumulated Net Revenues	120,234	111,479
	$496,653	$495,976
Notes Payable:		
52½% of prime, due 1982	$ 1,320	$ 1,320
65% of prime, due 1982 to 1984	30,000	15,000
57% of prime, due 1982 to 1984	4,447	4,447
72½% of prime, due 1982 to 1986	30,000	30,000
Less—Current maturities	20,237	—
	$ 45,530	$ 50,767
Current Liabilities:		
Current maturities	$ 28,458	$ 7,031
Accounts payable	17,784	22,831
Accrued lease payments	3,587	3,053
Accrued interest	—	66
Other	8,357	4,007
	$ 58,186	$ 36,988
Unamortized Payment Received for Refinancing Costs	$ 3,143	$ 3,396
	$603,512	$587,127

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

Nebraska Public Power District

ELECTRIC SYSTEM

Statements of Revenues and Expenses and Accumulated Net Revenues for each of the Three Years in the Period Ended December 31, 1981

	1981	1980	1979
	(Thousands of Dollars)		
Revenues and Expenses:			
Operating Revenues (Note 2)	$273,886	$241,712	$224,662
Operating Expenses:			
Power purchased—			
Nuclear Facility and Power Supply System	$126,738	$ 96,055	$ 76,412
Other	48,858	59,767	64,174
Production—			
Fuel	19,506	23,611	25,944
Operation and maintenance	7,064	6,965	6,409
Deferred production cost, net (Note 1-H)	—	15,094	(11,588)
Other operation	19,634	17,435	16,450
Other maintenance	5,776	4,952	4,431
Leased plant payments (Note 1)	6,696	5,678	4,953
Depreciation and amortization	16,789	15,956	14,715
Payroll taxes and payments in lieu of taxes	5,004	4,430	3,954
Total operating expenses	$256,065	$249,943	$205,854
Net operating revenues (expenses)	$ 17,821	$ (8,231)	$ 18,808
Interest and Other Revenues:			
Allowance for funds used during construction	$ 2,003	$ 2,047	$ 1,462
Interest and other	16,745	23,648	15,759
Total interest and other revenues	$ 18,748	$ 25,695	$ 17,221
Net revenues before other deductions	$ 36,569	$ 17,464	$ 36,029
Other Deductions:			
Bond interest	$ 22,878	$ 23,157	$ 21,449
Other interest	4,810	3,853	3,767
Miscellaneous, net	126	610	98
Total other deductions	$ 27,814	$ 27,620	$ 25,314
Net Revenues (Expenses) (Note 2)	$ 8,755	$(10,156)	$ 10,715
Accumulated Net Revenues:			
Beginning balance	111,479	121,635	110,920
Ending balance	$120,234	$111,479	$121,635

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

Nebraska Public Power District
ELECTRIC SYSTEM

Statements of Changes in Financial Position for each of the Three Years in the Period Ended December 31, 1981

	1981	1980	1979
	(Thousands of Dollars)		
Funds Provided by Operations:			
Net revenues (expenses)	$ 8,755	$(10,156)	$ 10,715
Add items which require no current outlay of working capital–			
Depreciation and amortization	16,789	15,956	14,715
Other	588	502	649
Total funds provided by operations	$ 26,132	$ 6,302	$ 26,079
Other Sources of Funds:			
Sale of revenue bonds	—	—	60,893
Proceeds from notes payable	15,000	19,520	5,600
Contribution from Basin Electric	82	11,868	32,601
(Increase) decrease in fund balances	16,102	15,809	(3,306)
Proceeds from sales of property	569	698	225
Total funds provided	$ 57,885	$ 54,197	$122,092
Funds Applied:			
Utility plant additions	$ 40,057	$ 55,449	$ 77,285
Decrease in receivables from sales of property	(36)	(368)	(359)
Increase (decrease) in receivables	3,726	(30,152)	11,134
Increase (decrease) in materials and supplies	(5,015)	6,238	1,803
Advance payments to Nuclear Facility (Note 1)–			
Nuclear fuel	7,530	2,508	19,966
Replacement rotors	4,139	882	—
Repayment of notes payable	—	28,000	—
Retirements of long-term debt	7,031	6,760	5,275
(Increase) decrease in accounts payable	5,047	461	(4,985)
Other working capital changes	(4,788)	(15,390)	11,032
Other	194	(191)	941
Total funds applied	$ 57,885	$ 54,197	$122,092

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

Nebraska Public Power District
ELECTRIC SYSTEM

Supplemental Schedules—Calculation of Debt Service Ratios for each of the Three Years in the Period Ended December 31, 1981

	1981	1980	1979
	(Thousands of Dollars)		
Operating revenues	$273,886	$241,712	$224,662
Operating expenses, excluding depreciation and amortization of $17,377,000, $16,458,000 and $15,364,000	238,688	233,485	190,490
	$ 35,198	$ 8,227	$ 34,172
Interest and other revenues, excluding interest on construction funds of $10,378,000, $9,639,000 and $7,642,000	6,367	14,009	8,117
Net revenues available for debt service	$ 41,565	$ 22,236	$ 42,289
Amounts deposited in the Electric System Debt Service Account—			
Principal	$ 6,770	$ 6,505	$ 5,025
Interest	19,106	19,385	15,602
	$ 25,876	$ 25,890	$ 20,627
Ratio of net revenues available for debt service to debt service deposits	1.61	.86	2.05

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

Nebraska Public Power District
ELECTRIC SYSTEM

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Organization*—

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

Electric System
Nuclear Facility
Power Supply System

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

B. *Depreciation, Amortization and Maintenance*—

In 1980 the District began using separate depreciation rates for each major classification of plant. Depreciation was approximately 3.0% in 1981 and 1980, and 2.5% in 1979 of Utility Plant in Service.

The District has signed long-term lease agreements with approximately 250 municipalities. These lease agreements obligate the District to pay for normal property additions during the term of the lease. The District has recorded a provision for amortization of $3,796,000 in 1981, $4,323,000 in 1980, and $4,215,000 in 1979, which is approximately equal to its obligation for additions to properties leased from municipalities. The accumulated amortization of leased plant additions totals $26,529,000 in 1981 and $23,363,000 in 1980.

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

C. *Allowance for Funds Used During Construction*—

This allowance, representing the cost of funds used to finance construction, is capitalized as a component of the cost of utility plant and is credited to Interest and Other Revenues. The capitalization rates for construction financed with revenue bonds are based on the interest cost of each issue less interest income. The rate for construction financed by revenues is based on a projected rate for short-term borrowing. For the periods presented herein, the rates vary from 6.1% to 8.25%.

D. *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.

E. *Advance Payments to the Nuclear Facility*—

In December, 1978, $30 million of intermediate term notes were issued and the proceeds deposited in the General Reserve Fund to finance the Electric System's obligation to the Nuclear Facility for working capital for nuclear fuel. Payments to the Nuclear Facility for these obligations and certain carrying costs are reflected in the balance sheet as a deferred charge. The deferred charge including carrying costs is being written off to Power purchased — Nuclear Facility at the rate of $500,000 per month commencing October, 1981.

Payments to the Nuclear Facility have also been made for the District's share of replacement rotors and have been classified in the balance sheet as a deferred charge. The District intends to fund this requirement through debt financing. The deferred charge will be written off to Power purchased — Nuclear Facility over the life of the debt.

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. *Investment Securities*—

Investments are made in U.S. Government securities, Federal Agency obligations, and bank certificates of deposit. The Debt Reserve Account in the Debt Service Fund is valued semi-annually at January 1 and July 1 at the lower of cost or market in accordance with requirements of the Electric System Revenue Bond Resolution (Electric Resolution). The securities in the remaining funds are valued at the lower of cost or principal amount in accordance with requirements of the Electric Resolution.

H. *Deferred Production Costs*—

Estimated fuel costs in excess of those included in basic rates are recovered by a Production Cost Adjustment (PCA) which is billed to all customers. When PCA billings do not recover the applicable costs, the excess cost is deferred. When PCA billings exceed applicable costs and prior deferred costs, the excess is not reported in revenues in the current period. Present District policy requires that billings for the PCA shall be made using rates adjusted from time to time so that all costs incurred by the District which are to be recovered by the PCA shall be recovered from PCA billings either in the current rate period or future rate periods.

I. *Revenue Recognition*—

In accordance with industry practice, the District recognizes revenues for retail service in the month the meters are read. Since retail meters are read on a cycle basis, substantial revenues applicable to service rendered between the last billing and the end of the year are not

recorded. Substantially all wholesale revenues are recorded in the period in which service is rendered.

(2) RATES:

The District designs its wholesale and retail electric service rates to cover cost of service, including: 1) operating expenses other than depreciation, 2) debt service, and 3) certain capital additions. All costs are recovered from customers in the current rate period or in future rate periods by increasing or reducing revenue requirements in such future rate periods. The following table illustrates the effect of these adjustments in revenue requirements on the Statements of Revenues and Expenses.

Adjustments of Revenue Requirements

	Rate Per...		
Effect on Statements of Revenues & Expenses	1976-1977	1978-1979	1980-1981
	(Millions of Dollars)		
1976-1977	$(2.1)		
1978-1979	.6	$ 9.4	
1980-1981	.6	(9.4)	$(10.7)
1982-1983	.9	—	10.7

As provided in the Electric Resolution, the District covenants to charge rates for electric and other services so that revenues will be sufficient to pay annual operating expenses, including Nuclear Facility and Power Supply System charges, debt service and other charges payable out of Electric System revenues.

New rates for wholesale and retail service, including the PCA rate, which were placed in effect in 1982, are expected to increase revenues by approximately $39.7 million for the year.

(3) PENSION PLAN:

The District has a retirement income plan covering substantially all of its full-time employees. Employee's contributions to the plan are based on salary, and the District's contributions are allocated to employee's trust accounts based partially on the employee's contributions and partially on years of service and annual salary. The plan provides for retirement income equal to the total of the employee's trust account, including trust earnings. The District's contribution was $3,166,000 for 1981, $2,834,000 for 1980, and $2,489,000 for 1979.

(4) LONG-TERM DEBT:

	December 31,	
	1981	1980
	(Thousands of Dollars)	
Revenue Bonds:		
Serial Bonds—		
2.00%, due 1981 to 1990	$ 5,955	$ 6,925
4.30%-6.00%, due 1981 to 1985	30,945	36,745
4.75%-6.30%, due 1986 to 1990	44,465	44,465
4.90%-6.40%, due 1991 to 1995	34,010	34,010
5.00%-6.10%, due 1996 to 2000	39,850	39,850
5.00%-6.30%, due 2001 to 2005	49,740	49,740
5.75%-6.40%, due 2006 to 2009	27,820	27,820
Term Bonds, with annual sinking fund requirements—		
5.10%, due 1987 to 2002	41,000	41,000
6.60%, due 1993 to 2003	33,200	33,200
6.75%, due 1991 to 1995	17,100	17,100
7.00%, due 1996 to 2005	57,250	57,250
	$381,335	$388,105
Lease Purchase Payables—		
2.00%, due 1981 to 1992	5,530	5,790
Unamortized Bond Discount	(2,225)	(2,367)
	$384,640	$391,528

(5) CASH AND INVESTMENT SECURITIES:

	December 31,	
	1981	1980
	(Thousands of Dollars)	
Revenue Fund	$ 16,321	$ 15,502
Operating Fund	3,539	7,039
Construction Funds	76,099	85,290
Debt Service Account	160	4,086
Reserve and Contingency Fund	1,200	1,133
General Reserve Fund	8,569	8,931
	$105,888	$121,981

Funds consist of $86,494,000 of investment securities and $19,394,000 of cash at December 31, 1981, and $102,905,000 of investment securities and $19,076,000 of cash at December 31, 1980.

(6) LONG-TERM OBLIGATIONS:

The District has an agreement for the purchase of the entire output of a 100 megawatt steam electric generating plant through 1991. Under the agreement, the District must make minimum payments monthly. The aggregate annual amount of such required payments at December 31, 1981, is as follows:

1982	$ 968,000
1983	968,000
1984	968,000
1985	968,000
1986	968,000
1987-1991	4,840,000
Total	$9,680,000

The minimum payments will be reduced in 1987-1991 by payments made from reserve funds of the owner. In addition, the District is required to pay the variable operating expenses of the plant. The District's total payments under the agreement were $5,041,000 in 1981, $11,981,000 in 1980, and $10,840,000 in 1979.

The District has entered into an agreement to purchase all the output of a 50 MW hydroelectric generating facility. The District is obligated to pay all costs of operating and maintaining the plant plus a management fee. The plant is currently under construction and long-term financing has not yet been arranged. The plant is estimated to cost approximately $63 million excluding interest during construction and financing costs.

(7) CONSTRUCTION AND FINANCING:

The 1982 construction plan for the Electric System provides for estimated expenditures of $27 million. These expenditures will not require the issuance of long-term debt.

Supplementary Information To Disclose The Effects Of Changing Prices (Unaudited)

The following supplementary information is supplied in accordance with the requirements of FASB Statement No. 33, "Financial Reporting and Changing Prices", for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

The current cost of property, plant, and equipment, represents the estimated cost of replacing existing plant assets and was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. The current year's provision for depreciation on the constant dollar and current cost amounts of property, plant, and equipment was determined by applying the District's depreciation rates to the indexed plant amounts.

Fuel inventories and the cost of fuel used in production have not been restated from their historical cost in nominal dollars. Wholesale power contracts limit the recovery of fuel costs through the operation of adjustment clauses or adjustments in basic rate schedules to actual costs. For this reason, fuel inventories are effectively monetary assets.

Charges to the District's customers are based on historical cost. Consequently, the excess of the cost of plant stated in terms of constant dollars or current cost over the historical cost of plant is reflected as a reduction to net recoverable cost.

To properly reflect the economics of historical cost rate methodology in the Statement of Revenues and Expenses, the reduction of net property, plant, and equipment should be offset by the gain from the decline in purchasing power of net amounts owed. During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net amounts owed is primarily attributable to the substantial amount of debt which has been used to finance property, plant, and equipment. Since the District is limited to the recovery of historical costs, the District does not realize a holding gain on debt. The benefit of any holding gain on debt accrues to the customers.

Nebraska Public Power District

ELECTRIC SYSTEM

Statement of Revenues and Expenses Adjusted for Changing Prices for the Year Ended December 31, 1981

	Conventional Historical Cost	Constant Dollar Average 1981 Dollars	Current Cost Average 1981 Dollars
	(Thousands of Dollars)		
Operating Revenues	$273,886	$273,886	$273,886
Purchased Power	$175,596	$175,596	$175,596
Fuel Used in Production	19,506	19,506	19,506
Amortization of Lease-Operated Plant	2,766	2,766	2,766
Depreciation Expense	13,182	22,146	23,225
Other Operating and Maintenance Expense	44,174	44,174	44,174
Other Deductions	27,814	27,814	27,814
Interest and Other Revenues	(18,748)	(18,748)	(18,748)
	$264,290	$273,254	$274,333
Net Revenues (Expenses) from Continuing Operations (Excluding Reduction to Net Recoverable Cost)	$ 9,596	$ 632*	$ (447)
Increase in Specific Prices (Current Cost) of Property, Plant, and Equipment Held During the Year**			$ 49,266
Reduction to Net Recoverable Cost		$(13,556)	(18,261)
Effect of Increase in General Price Level			(43,483)
Excess of Increase in General Price Level Over Increase in Specific Prices After Reduction to Net Recoverable Cost			$(12,478)
Gain from Decline in Purchasing Power of Net Amounts Owed		21,003	21,003
Net		$ 7,447	$ 8,525

*Including the reduction to net recoverable cost, the net revenues (expenses) from continuing operations on a constant dollar basis would have been $(12,924) for 1981.

**At December 31, 1981, current cost of property, plant, and equipment, excluding construction work in progress, net of accumulated depreciation, was $603,209, while historical cost or net cost recoverable through depreciation was $339,995.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

	Years Ended December 31,				
	1977	1978	1979	1980	1981
	(In Thousands of Average 1981 Dollars)				
Operating Revenues	$238,828	$277,665	$281,499	$266,784	$273,886
Historical Cost Information Adjusted for General Inflation:					
Net Revenues (Expenses) from Continuing Operations (Excluding Reduction to Net Recoverable Cost)			$ 7,313	$(17,854)	$ 632
Net Assets at Year-end at Net Recoverable Cost			$144,121	$117,518	$117,161
Current Cost Information:					
Net Revenues (Expenses) from Continuing Operations (Excluding Reduction to Net Recoverable Cost)			$ 5,662	$(19,295)	$ (447)
Excess of Increase in General Price Level Over Increase in Specific Prices After Reduction to Net Recoverable Cost			$ 21,675	$ 18,846	$ 12,478
Net Assets at Year-end at Net Recoverable Cost			$144,121	$117,518	$117,161
General Information:					
Gain from Decline in Purchasing Power of Net Amounts Owed			$ 30,101	$ 28,123	$ 21,003
Average Consumer Price Index	181.5	195.4	217.4	246.8	272.4

Nebraska Public Power District
POWER SUPPLY SYSTEM

Report of Independent Public Accountants

To the Board of Directors of
Nebraska Public Power District:

We have examined the special-purpose statements of assets and liabilities of the POWER SUPPLY SYSTEM of NEBRASKA PUBLIC POWER DISTRICT (a public corporation and political subdivision of the State of Nebraska) as of December 31, 1981 and 1980, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

Arthur Andersen & Co.

Omaha, Nebraska,
March 12, 1982.

Nebraska Public Power District

POWER SUPPLY SYSTEM

Statements of Assets and Liabilities
December 31, 1981 and 1980
Prepared Pursuant to Requirements of the
Power Supply System Revenue Bond Resolution

	1981	1980
ASSETS	(Thousands of Dollars)	
Utility Plant in Service (Note 2)	$ 698,610	$ 410,986
Less–		
Reserve for depreciation (Note 1)	15,116	9,719
Amounts funded from revenue (Note 1)	107	15
	$ 683,387	$ 401,252
Construction Work in Progress (Note 2)	$ 24,621	$ 260,897
Less–Amounts funded from revenue (Note 1)	596	97
	$ 24,025	$ 260,800
Special Funds:		
Debt service–		
Debt service account	$ —	$ 25,195
Debt reserve account	56,219	57,908
Reserve and contingency fund	6,692	2,016
Construction fund	138,043	162,681
Development Notes–1980 Series–		
Development fund	55,380	53,263
Interest fund	3,300	9,900
Power note fund	—	35,615
Revenue fund	1,713	2,149
Operating fund	9,313	1,016
	$ 270,660	$ 349,743
Accounts Receivable, Insurance claim (Note 4)	$ 2,045	$ 2,045
Accounts Receivable, primarily from Electric System	$ 1,885	$ 4,098
Interest Receivable	$ 9,075	$ 8,562
Fuel Inventory, at average cost	$ 7,752	$ 10,446
Prepayments and Other Assets	$ 452	$ 983
	$ 999,281	$1,037,929
LIABILITIES		
Revenue Bonds:		
Serial Bonds–		
4.20%-5.60%, due 1981 to 1985	$ 38,255	$ 43,660
4.90%-6.00%, due 1986 to 1990	66,780	66,780
5.50%-6.40%, due 1991 to 1995	87,775	87,775
5.70%-6.60%, due 1996 to 2001	74,050	74,050
Term Bonds, with annual sinking fund requirements–		
5.80%, due 1998 to 2012	168,930	168,930
6.13%, 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
	$ 902,800	$ 908,205
Development Notes, 8.25%, due 1982	80,000	80,000
Power Note, 66⅔% of prime, due 1981	—	35,500
Accrued Interest	1,100	1,640
Accounts Payable and Other Accrued Liabilities	9,511	8,814
Operating Reserves (Note 1)–		
Renewals and Replacement	4,443	2,452
Coal Car Maintenance	1,427	1,318
	$ 999,281	$1,037,929

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

Nebraska Public Power District
POWER SUPPLY SYSTEM

Statements of Revenues and Costs for each of the Three Years in the Period Ended December 31, 1981 Prepared Pursuant to Requirements of the Power Supply System Revenue Bond Resolution

	1981	1980	1979
	(Thousands of Dollars)		
Revenues (Notes 1 and 5):			
Sales to the Electric System	$ 72,825	$ 58,467	$ 40,835
Investment and other income (Note 4)	4,555	5,691	4,148
Total revenues	$ 77,380	$ 64,158	$ 44,983
Costs:			
Operating expenses–			
Production–			
Fuel	$ 28,338	$ 21,392	$ 13,092
Operation and maintenance	8,207	8,068	5,041
Insurance	873	989	800
Provisions for operating reserves (Note 1)	1,712	695	540
General and administrative	1,547	1,212	579
	$ 40,677	$ 32,356	$ 20,052
Debt service (Note 1)–			
Principal	5,405	5,170	4,550
Interest	31,298	26,632	20,381
Total costs	$ 77,380	$ 64,158	$ 44,983

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

Nebraska Public Power District
POWER SUPPLY SYSTEM

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Organization*–

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

Electric System
Nuclear Facility
Power Supply System

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

B. *Basis of Accounting*–

Revenues are recognized and billed at an amount equal to costs as defined by the Power Supply System Rev-

enue 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.

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

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

Depreciation is not recorded as a cost. Had the District provided straight-line depreciation over a 40-year life rather than including amortization of debt principal over the same period, costs would have increased $4,900,000 in 1981, $5,100,000 in 1980, and $3,200,000 in 1979. Accumulated depreciation through December 31, 1981, would have increased costs approximately $15,200,000. The reserve for depreciation shown on the Statements of Assets and Liabilities was provided by recording amounts equal to repayment of debt.

(2) Billings to provide capital for renewals and replacements of property and capital additions are included in the accompanying Statements of Revenues and Costs as "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.

(3) Interest income on construction fund investments for Gerald Gentleman Station Unit No. 1 is capitalized although commercial operation began in April, 1979. Such income would be included in income of the period under generally accepted accounting principles.

(4) Charges for Power Supply System services are based on cost and facilities are financed with debt securities. Therefore, there are no significant unrecorded costs of inflation in the financial statements.

C. *Utility Plant*—

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

D. *Special Funds*—

Special funds consist of $267,780,000 of investment securities and $2,880,000 of cash as of December 31, 1981, and $346,140,000 of investment securities and $3,603,000 of cash at December 31, 1980.

Investments are made in U.S. Government securities, Federal Agency obligations, and bank certificates of deposit. The Debt Reserve Account in the Debt Service Fund and the Reserve Account in the Reserve and Contingency Fund are valued semi-annually at January 1 and July 1 at the lower of cost or market in accordance with requirements of the Power Supply Resolution. Gains or losses on valuations are included in investment income. The securities in the remaining funds are valued at the lower of cost or principal amount in accordance with requirements of the Power Supply Resolution.

(2) CONSTRUCTION AND FINANCING:

The District formed the Power Supply System in 1972 to finance, construct, and operate additional power generation, transmission and related facilities. The entire output of the Power Supply System is sold to the Electric System.

Gerald Gentleman Station Unit No. 2, a 650 MW coal-fired generating unit was declared operational on January 1, 1982 and is included in Utility Plant in Service at December 31, 1981.

Throughout 1981, work has continued on the MANDAN Project which is a high voltage transmission line planned for, among other things, the seasonal exchange of power and associated energy. Meetings with Manitoba Hydro-Electric Board of Winnipeg, Manitoba, Canada are being held to develop a definitive contract. The in-service date has been moved from 1986 to 1988. Applications for state and federal permits are in progress. Substantially all of the preliminary costs incurred to date, have been funded by the issuance of $80 million of Development Notes due in 1982. Such notes are expected to be repaid from amounts remaining in the Development fund and other funds available to the District.

(3) LITIGATION:

In 1980, the District filed suit to recover amounts totaling in excess of $50 million from various contractors. The suit alleges damages from delays, cost overruns, and other damages and expenses associated with the construction of Gerald Gentleman Station Unit No. 1. The general contractor, National Industrial Constructors, Inc., (NIC), counter-claimed against the District to recover amounts totaling in excess of $32 million as a result, among other things, of the alleged failure of the District to effectively coordinate and administer the construction of Unit No. 1. Stearns-Roger, Inc., (S-R), the District's Architect-Engineer for Unit No. 1, was made a party to the action pursuant to a Third-Party Complaint filed by the District for indemnification of any damages recovered by NIC. S-R subsequently filed a counterclaim against the District seeking reimbursement for its costs in defending the third-party action. The parties are currently engaged in discovery proceedings.

The suit filed by NIC against the District in District Court of Lancaster County, Nebraska, has been stayed, pending the outcome of the suit described in the preceding paragraph.

(4) INSURANCE CLAIM:

As a result of an outage in December, 1979, the District filed a claim against an insurance carrier for additional expense associated with the outage. The claim is being contested and a lawsuit for declaratory judgement is scheduled to go to trial in May, 1982. The District recorded a $2,045,000 claim receivable and reduced billings to the Electric System by the same amount in 1980.

(5) 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 liens payable out of revenues of the Power Supply System.

Nebraska Public Power District
NUCLEAR FACILITY

Report of Independent Public Accountants

To the Board of Directors of
Nebraska Public Power District:

We have examined the special-purpose statements of assets and liabilities of the NUCLEAR FACILITY of NEBRASKA PUBLIC POWER DISTRICT (a public corporation and political subdivision of the State of Nebraska) as of December 31, 1981 and 1980, and the related special-purpose statements of revenues and costs for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

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

Arthur Andersen & Co.

Omaha, Nebraska,
March 12, 1982.

Nebraska Public Power District
NUCLEAR FACILITY

Statements of Assets and Liabilities
December 31, 1981 and 1980
Prepared Pursuant to Requirements of the
Nuclear Facility Revenue Bond Resolution

ASSETS

	1981	1980
	(Thousands of Dollars)	
Utility Plant in Service	$390,350	$386,885
Less—		
Reserve for depreciation (Note 1)	54,977	46,227
Amounts funded from revenue (Note 1)	6,602	2,316
	$328,771	$338,342
Construction Work in Progress	$ 40,455	$ 30,684
Less—Amounts funded from revenue (Note 1)	20,846	8,209
	$ 19,609	$ 22,475
Nuclear Fuel—Net of Amortization (Notes 1 and 2)	$109,827	$ 96,557
Special Funds:		
Debt reserve account	$ 26,529	$ 26,249
Reserve and contingency fund	5,636	4,617
Additions and improvements	2,451	—
Construction fund	196	297
Bond anticipation notes	18,350	—
Fuel reserve account	77	1,058
Fuel disposal fund (Note 2)	6,928	3,103
Operating fund	2,969	1,235
Revenue fund	1,101	931
	$ 64,237	$ 37,490
Accounts Receivable (Note 3)	$ 8,571	$ 3,665
Interest Receivable	$ 1,121	$ 324
Prepayments and Other Assets	$ 1,392	$ 864
	$533,528	$499,717

LIABILITIES

Revenue Bonds:		
Serial Bonds—		
4.60%-7.20%, due 1981 to 1985	$ 43,385	$ 52,980
4.80%-7.20%, due 1986 to 1990	45,685	45,685
6.00%-7.30%, due 1991 to 1995	18,780	18,780
7.38%, due 1996 to 2003	11,745	11,745
Term Bonds, with annual sinking fund requirements—		
5.10%, due 1987 to 2002	155,000	155,000
6.30%, due 1993 to 2003	68,430	68,430
6.60%, due 1992 to 2003	67,200	67,200
	$410,225	$419,820
Bond Anticipation Note of 1981, 10%, due April 1, 1983	22,800	—
Accounts Payable and Other Accrued Liabilities	3,277	1,870
Operating Reserves (Note 1)	97,226	78,027
	$533,528	$499,717

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

Nebraska Public Power District
NUCLEAR FACILITY

Statements of Revenues and Costs for each of the Three Years in the Period Ended December 31, 1981 Prepared Pursuant to Requirements of the Nuclear Facility Revenue Bond Resolution

	1981	1980	1979
	(Thousands of Dollars)		
Revenues (Notes 1 and 4):			
Sales –			
Electric System	$ 55,033	$ 38,470	$ 53,946
Iowa Power and Light Company	55,042	38,480	53,948
Investment income	5,683	4,608	4,374
Total revenues	$115,758	$ 81,558	$112,268
Costs:			
Operating expenses –			
Production –			
Fuel	$ 20,556	$ 16,891	$ 14,467
Operation and maintenance	18,054	16,222	9,454
Insurance	3,167	2,281	1,563
Provisions for operating reserves (Note 1)	36,190	8,352	51,375
Technical and administrative	4,173	4,173	1,792
	$ 82,140	$ 47,919	$ 78,651
Debt service (Note 1) –			
Principal	9,595	9,145	8,730
Interest	24,023	24,494	24,887
Total costs	$115,758	$ 81,558	$112,268

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

Nebraska Public Power District
NUCLEAR FACILITY

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. *Organization* –

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

Electric System
Nuclear Facility
Power Supply System

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.

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

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

Depreciation is not recorded as a cost. Had the District provided straight-line depreciation over a 30-year life rather than including amortization of debt principal over the same period, costs would have increased $3,200,000 for 1981, $3,700,000 for 1980, and $4,100,000 for 1979. Accumulated depreciation through December 31, 1981, would have increased costs approximately $36,900,000. The reserve for depreciation shown on the Statements of Assets and Liabilities was provided by recording amounts equal to repayment of debt.

(2) Billings to provide capital for renewals and replacements of property, capital additions, and nuclear fuel are included in the accompanying Statements of Revenues and Costs as "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.

(3) Interest income on construction fund investments is capitalized although commercial operation began in July, 1974. Such income would be included in income of the period under generally accepted accounting principles.

(4) Charges for Nuclear Facility services are based on cost and facilities are financed with debt securities. Therefore, there are no significant unrecorded costs of inflation in the financial statements.

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.

D. *Special Funds*–

Special funds consist of $62,743,000 of investment securities and $1,494,000 of cash as of December 31, 1981, and $35,403,000 of investment securities and $2,087,000 of cash at December 31, 1980.

Investments are made in U.S. Government securities, Federal Agency obligations, and bank certificates of deposit. 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) NUCLEAR FUEL:

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

Service Component	Service Provided Through
Uranium	1987 (Estimated)
Conversion	1988
Enrichment	2007
Fabrication	1988

The District has expanded its capacity for storage of spent fuel and it is estimated that such capacity will be adequate for storage of spent fuel, other than the initial fuel supplied by General Electric, through 2000. The cost of disposal of spent fuel and fuel in the reactor is being provided as part of the fuel cost of the Nuclear Facility. Some of these costs may ultimately be the responsibility of General Electric under the nuclear fuel supply contract which is discussed in Note (3) below.

(3) LITIGATION:

In April, 1981, a settlement was reached between the District and various contractors concerning damages and expenses associated with the design, construction, and operation of Cooper Nuclear Station. The District received a cash payment of approximately $5.5 million and credits for future goods and services of $6.2 million. Such credits may be used from January 1, 1981, through December 31, 1987. The balance of each unused credit at each January 1, is subject to escalation. The unused credit which is reflected as a receivable at December 31, 1981, is approximately $5.6 million.

During trial in June, 1981, the District and General Electric Company (GE) entered into an agreement regarding buyback payments and removal from Cooper Nuclear Station of spent fuel supplied by GE under the nuclear fuel supply contract. Although responsibility for the ultimate disposition of the spent fuel was not resolved, GE paid the District $1 million and will make additional payments in an amount equal to one-half of the buyback payments contemplated by the fuel supply contract. The agreement also provides, among other things, that GE is required to commence the removal of spent fuel from Cooper Nuclear Station to GE's storage facilities at Morris, Illinois, as soon as legally possible, and that the parties will share certain costs associated with removal. Each party has a full reservation of rights with respect to buyback payments and all shared costs.

(4) RATES:

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.

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

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

(5) PLANT DECOMMISSIONING COSTS:

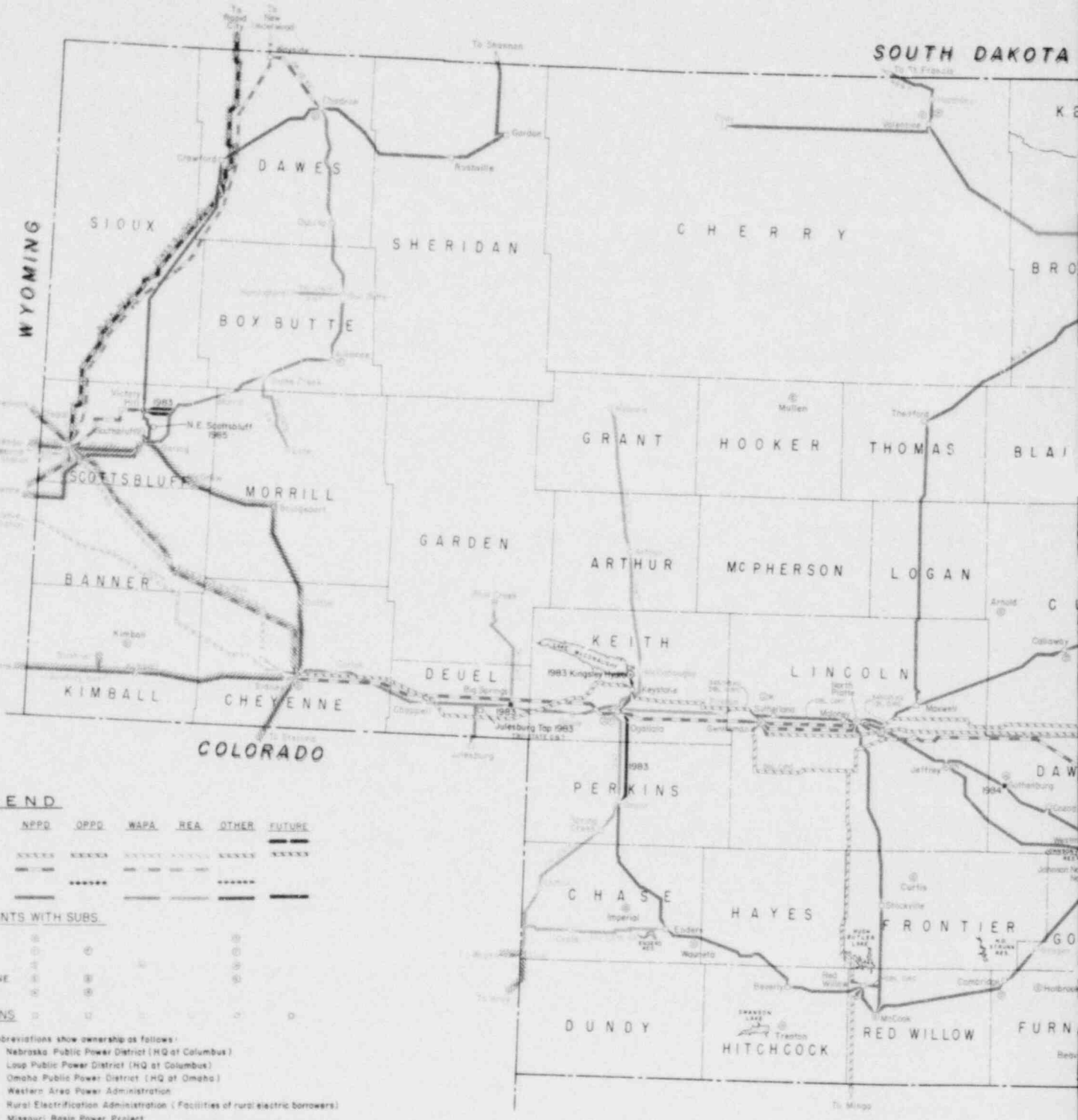
The funds for decommissioning are anticipated to be provided by the reserve funds accumulated in connection with the operation of the Nuclear Facility. These reserve funds, plus any other excess funds including funds received from the sale of equipment and supplies, will be available for payment of decommissioning costs. As a result of changing conditions and requirements for decommissioning, the District intends to continue reviewing decommissioning costs and funding requirements in the future.

(6) OPERATIONS:

In March, 1980, during the scheduled refueling outage of Cooper Nuclear Station, cracks were discovered in certain discs of the two low pressure rotors of the main turbine-generator. Temporary modifications were made to the rotors and the plant returned to service on June 4, 1980, at approximately 80% of its rated capacity. New replacement rotors at a cost of approximately $13.5 million were installed during the fall, 1981 maintenance outage. Cooper Nuclear Station is now capable of operating at 100% of its rated capacity. The District is also planning to have the damaged rotors repaired during 1982 for use as spare parts at a cost of approximately $10.5 million.

(7) CONSTRUCTION AND FINANCE:

As a result of certain additions and modifications to Cooper Nuclear Station required by the Nuclear Regulatory Commission, it is estimated that the remaining cost to complete the facility will approximate $13 million. The District intends to finance such requirements from the proceeds of short-term notes issued in 1981 and from other available funds. The notes would be repaid with proceeds of future Revenue Bond issues.



LEGEND

LINES	NPPD	OPPD	WAPA	REA	OTHER	FUTURE
500 KV						
345 KV						
230 KV						
161 KV						
115 KV						

POWER PLANTS WITH SUBS.

HYDRO					
FOSSIL					
DIESEL					
GAS TURBINE					
NUCLEAR					

SUBSTATIONS

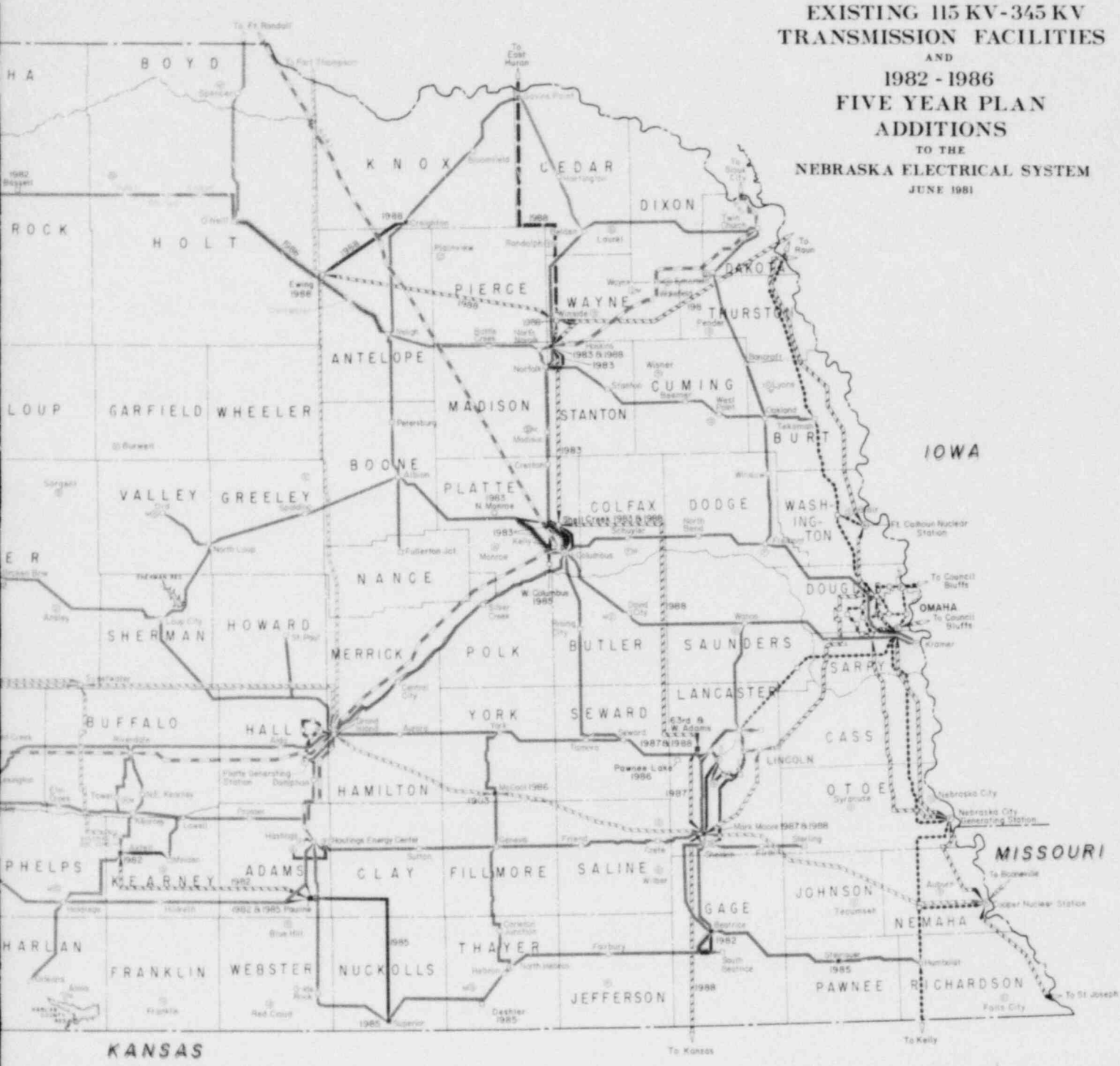
Notes: Abbreviations show ownership as follows:

- NPPD = Nebraska Public Power District (HQ at Columbus)
- LPPD = Loup Public Power District (HQ at Columbus)
- OPPD = Omaha Public Power District (HQ at Omaha)
- WAPA = Western Area Power Administration
- REA = Rural Electrification Administration (Facilities of rural electric borrowers)
- MBPP = Missouri Basin Power Project
- CN = Central Nebraska Public Power and Irrigation District (HQ at Holdrege)
- NG&T = Nebraska G&T Lines Lease / Purchased To NPPD
- OTHER = Facilities owned by municipalities and others as shown
- = Facilities west of East - West Transmission Tie
- = Facilities to be rebuilt
- = Facilities to be removed
- = Future work to be done in existing sub
- = Future sub with future additions
- = Muni owned generation under Lease Agreement with NPPD
- = LPPD owned generation under contract with NPPD
- = CNPP & I.D. owned generation under contract with NPPD

MAP NO. 2

EXISTING 115 KV-345 KV TRANSMISSION FACILITIES AND 1982 - 1986 FIVE YEAR PLAN ADDITIONS TO THE NEBRASKA ELECTRICAL SYSTEM

JUNE 1981



SALES	Average Number of Customers	KWH Sales (Thousands)	%	Revenue From Sales (Thousands)	%
Retail:					
Residential	81,442	656,037	7.8	$ 34,633	12.7
Rural & Farm	5,870	80,722	0.9	4,549	1.7
Commercial	17,751	512,612	6.1	25,780	9.4
Industrial	113	741,572	8.8	23,604	8.6
Municipal & Federal	3,100	137,050	1.6	6,079	2.2
Total Retail	108,276	2,127,993	25.2	$ 94,645	34.6
Wholesale:					
54 Municipalities (Total Requirements)		1,074,296	12.7	$ 32,163	11.7
18 Municipalities (Interconnection – Partial Requirements)		290,431	3.4	5,967	2.2
26 Public Power Districts & Cooperatives (Total Requirements)		3,036,327	35.9	86,535	31.6
Other Utilities – Non-Firm & Participation		1,931,937	22.8	48,511	17.7
Total Wholesale		6,332,991	74.8	$173,176	63.2
Total Electric Revenues		8,460,984	100.0	$267,821	97.8
Other Operating Revenues				6,065	2.2
Total Electric System Operating Revenue				$273,886	100.0

GENERATION	KWH (Thousands)	%	Production Costs (Thousands)	%
Production:				
Electric System	445,802	5.3	$ 26,570	13.1
Purchased				
Power Supply System(1)(2)	3,610,476	42.7	$ 80,012	39.6
Nuclear Facility(2)	1,924,598	22.7	46,726	23.1
Other	2,480,108	29.3	48,858	24.2
Total Power Purchased	8,015,182	94.7	$175,596	86.9
Total KWH Sold – Electric System	8,460,984	100.0	$202,166	100.0

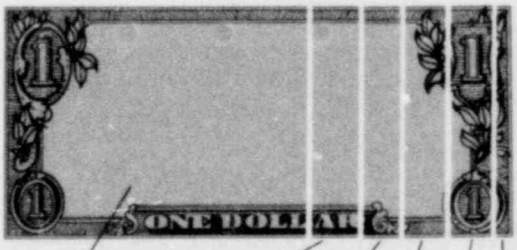
(1) Includes 710,811,000 KWH of test power from GGS-2 at a cost of $7,186,997 to the Electric System.

(2) The Electric System purchases 100% of the net generation of the Power Supply System and 50% of the net generation of the Nuclear Facility based upon the total costs of the respective systems. Pursuant to the Power Sales Contract, Iowa Power and Light Company purchased 1,926,450,000 KWHs.Iowa Power and Light participation is not included in the table.

NPPD's dollar comes from

SALES FOR RESALE — 63.2%
RESIDENTIAL SALES — 12.7%
RURAL & FARM SALES — 1.7%
COMMERCIAL SALES — 9.4%
INDUSTRIAL SALES — 8.6%
MUNICIPAL & FEDERAL SALES — 2.2%
OTHER OPERATING REVENUES — 2.2%

NPPD's dollar was used for



COST OF PURCHASED POWER — 64.1%
COST OF POWER PRODUCTION — 9.7%
DEPRECIATION AND AMORTIZATION EXPENSE — 6.1%
TAXES, INTEREST, AND OTHER EXPENSES (NET OF INTEREST INCOME AND OTHER REVENUES) — 7.6%
OTHER OPERATION AND MAINTENANCE (INCLUDES ADMINISTRATIVE, TRANSMISSION AND DISTRIBUTION, ETC., EXPENSE) — 9.3%
NET FOR BOND RETIREMENTS, IMPROVEMENTS, ETC. — 3.2%

GENERAL

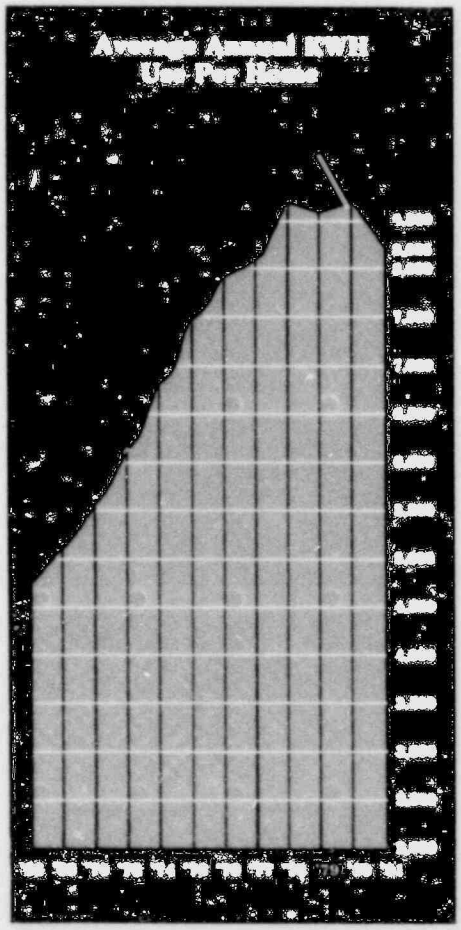
	1981	1980	Increase (1)
	(Thousands of Dollars)		
Utility Plant (at cost):			
Electric System	$ 549,013	$ 513,312	$ 35,701
Power Supply System	723,231	671,883	51,348
Nuclear Facility	430,805	417,569	13,236
Total Utility Plant	$1,703,049	$1,602,764	$100,285

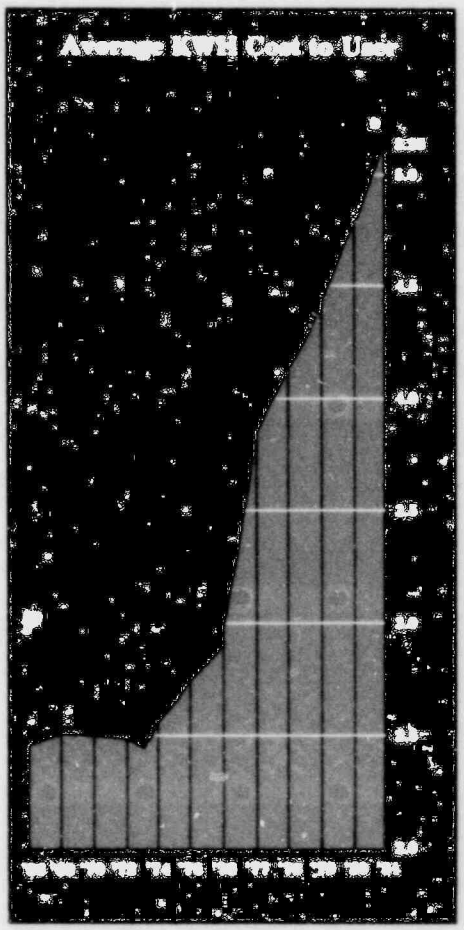
	Number of Plants (2)	Accredited Capability (kW)
Production Plant Facilities:		
Steam – Conventional	7	1,117,300
Steam – Nuclear	1	760,000 (3)
Hydro	11	123,490
Diesel	13	47,910
Peaking Turbine	3	149,000
Total Production Plant Facilities	35	2,197,700

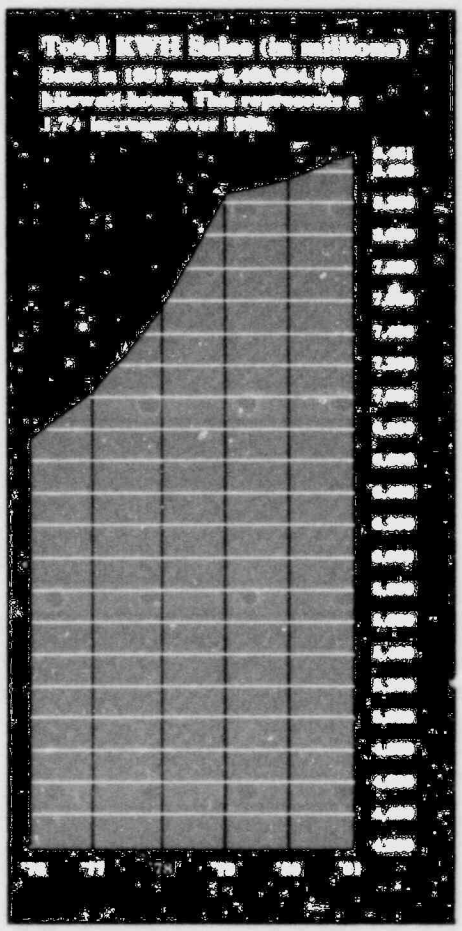
(1) Net of retirements
(2) Includes two steam plants, five hydro plants and ten diesel plants under contract to the District
(3) Includes 380,000 KW contracted to Iowa Power and Light

Transmission Facilities:
Miles of Transmission Line in Service 6,355

Personnel:
Number of Permanent Employees 1,993







General Offices
Columbus, Nebraska