

CEO Message

A new power plant, expanded renewable resources, upgrades to the transmission and distribution (T&D) systems, membership in a regional transmission organization and a 10th J.D. Power and Associates award for customer service illustrate OPPD's commitment to the energy industry and the communities it serves.

OPPD dedicated Nebraska City Station Unit 2 (NC2), the first major baseload plant constructed by the utility in three decades. The plant uses state-of-the-art emission-control equipment. NC2 was completed on time and several million dollars under budget. Costs for similar plants being built today are significantly higher.

This plant is a wise investment in energy security for our customer-owners, enabling us to provide the generation needed to satisfy the increasing demand for electricity for many years to come. NC2 can generate up to 682 megawatts of electricity. Half of that generation is being used by OPPD and the rest by seven other public utilities in Nebraska, Missouri and Minnesota under long-term purchase contracts.

Earlier this year, OPPD also announced some significant energy-related goals that include boosting the amount of renewable resources it uses to generate electricity.

OPPD's goal is to reduce energy demand on its system by 50 megawatts by the end of 2012, offering customers a variety of energy-efficiency programs. OPPD's Sustainable Energy & Environmental Stewardship Division is developing these programs. In addition, by the year 2020, OPPD's goal is to produce 10 percent of its energy with renewable resources, much of it in the form of wind energy.

To ensure reliable power when the wind isn't blowing, OPPD plans to increase the generating capacity of Fort Calhoun Nuclear Station by 75 megawatts by the year 2013.

Making sure OPPD has ample generation is just part of the equation. Maintaining the T&D system across which the power flows is a constant concern for OPPD. OPPD continues to improve its aging system infrastructure via its T&D Improvement Program. In 2009, the utility plans to inspect 24,000 streetlight poles, and to replace 25 miles of failing underground cable, 37 miles of overhead line, 2,280 transmission line knee braces and more.

In April, OPPD became a member of the Southwest Power Pool (SPP), a regional transmission organization. Being part of SPP will help strengthen the reliability of the transmission grid in this region and provide access to a larger marketplace, improving overall operational effectiveness.

Providing great customer service is key to our success, so we took great pride in being honored by J.D. Power and Associates for *residential* customer satisfaction for the ninth time and for *business* customer satisfaction for the first time this year. Its independent survey of electric utility customers ranked OPPD "highest among midsize utility companies in the Midwest." A similar study of business customers also ranked OPPD as first in the region. These studies measure customer satisfaction with their electric utilities in power quality and reliability, price, billing and payment, corporate citizenship, customer communications and customer service.

It's also with pleasure that I welcome Edward Easterlin, OPPD's new chief financial officer, who previously worked as chief planning and finance officer at Colorado Springs Utilities.

As the utility industry continues to evolve in a faster changing business environment, we will continue working on the challenges in front of us, staying true to our mission of providing reliable, affordable electric service.

W. Gary Gates

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President and CEO



Board of Directors

| | |
|----------------------------|--------------------------------------|
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On the cover: Nebraska City Station Unit 2 began commercial operation in May. Located adjacent to Unit 1 on the Missouri River, the new plant uses state-of-the art emission-control equipment.



TRUE COLORS
2009 Midyear Report



Energy Plaza
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Who We Are

OPPD is a fully integrated electric utility serving a 5,000-square-mile, 13-county region in eastern Nebraska. All corporate powers of OPPD are vested in a board of directors consisting of eight members representing areas of the service territory.

OPPD generates revenues from a mix of retail sales, off-system sales and other electric products and services. Corporate headquarters is in Omaha, Neb., with generating plants, service centers and customer service locations strategically located throughout our service territory.

Main Thing: Exceed customer expectations.

Mission: Deliver high-value electricity and other essential services to our customers.

Core Values: Our success is built on a foundation of core values – safety, accountability, commitment to customers, excellence, teamwork and family orientation.

CFO Message

OPPD completed a major construction project during the first six-month period of calendar year 2009. Nebraska City Station Unit 2 (NC2) was proudly placed in commercial operation on May 1, 2009. The 682-megawatt coal-fired electrical generating unit, located adjacent to Nebraska City Station Unit 1, was constructed on schedule and under budget. OPPD is using half of NC2's capacity to meet territorial load requirements while selling the remaining capacity to seven public power and municipal utilities under 40-year agreements. The addition of NC2 increased OPPD's generating capability to 3,220 megawatts.



Like many areas of the country, OPPD's service area is experiencing economic challenges and delays in business expansions due to the current recession. Even with the economic downturn, OPPD's revenues were greater in the first six months of 2009 than the first six months of 2008. Increased revenues were primarily due to increased retail energy prices and increased off-system energy sales. Retail energy prices were higher due to a rate adjustment implemented on January 1, 2009, to ensure recovery of increased costs associated with new coal and transportation contracts. Off-system sales revenues in 2009 were considerably higher than 2008 due to increased energy sales, including sales to NC2 participants. Although off-system revenues were much higher than the amount during the same period last year, revenue margins decreased due to lower market prices. A new system peak

load of 2,316 megawatts was established in June 2009.

Retail revenues included \$14 million and \$16 million in transfers from the Debt Retirement Reserve during the 2009 period and 2008 period, respectively. OPPD established this reserve in 2003 to provide additional revenues and funds to meet significant capital expenditures and related debt requirements.

Operating expenses increased in the 2009 period compared to the 2008 period. Fuel expenses increased due to the expiration of favorably priced coal and transportation contracts in the 2008 period and new higher priced contracts in the 2009 period. Purchased power expenses in the 2009 period were lower due to reduced energy purchases and lower market prices. Production expenses in the 2009 period were higher due to increased

energy sales and NC2 pre-commercial generation expenses. Other operating expenses were higher primarily due to increased employee benefit costs.

Other income in the 2009 period decreased from the same period last year due to considerably lower market yields on investments and the inclusion of federal disaster assistance revenues for storm-related expenses in the 2008 period.

Financial results during the first six months of 2009 were strong even with increased prices for coal and transportation services and depressed off-system energy prices. Net income was more than \$2 million higher in the 2009 period than the 2008 period. Although these financial results were greater than last year, retail revenues were less than forecast due to the economic downturn and unseasonably cool weather in June.

OPPD is proactively managing 2009 expenditures to ensure a strong financial position.

Maintaining OPPD's financial strength is very important to us. We sincerely value our relationships with customer-owners and financial partners and are committed to our mission, "Deliver high-value electricity and other essential services to our customers."

Edward E. Easterlin
Vice President and CFO

Condensed Balance Sheets

In Thousands - Unaudited

| | June 30 2009 | December 31 2008 |
|-------------------------------------|--------------------|---------------------|
| Current Assets | \$ 569,166 | \$ 605,931 |
| Capital Assets | 3,110,171 | 3,056,127 |
| Other Long-Term Assets | 524,200 | 507,302 |
| Total Assets | \$4,203,537 | \$4,169,360 |
| Current Liabilities | \$ 245,263 | \$ 277,209 |
| Long-Term Liabilities | 2,316,353 | 2,273,712 |
| Total Liabilities | 2,561,616 | 2,550,921 |
| Equity | 1,641,921 | 1,618,439 |
| Total Liabilities and Equity | \$4,203,537 | \$4,169,360 |

Condensed Statements of Cash Flows

In Thousands - Unaudited

| | Six Months Ended June 30 2009 | 2008 |
|--|----------------------------------|--------------------|
| Cash Flows from Operating Activities | \$ 63,568 | \$ 38,923 |
| Cash Flows from Capital and Financing Activities | (134,422) | (246,950) |
| Cash Flows from Investing Activities | 58,461 | 196,011 |
| Change in Cash and Cash Equivalents | \$ (12,393) | \$ (12,016) |

Condensed Statements of Revenues, Expenses and Changes in Equity

In Thousands – Unaudited

| | Six Months Ended June 30 | |
|-----------------------------------|--------------------------|--------------------|
| | 2009 | 2008 |
| Retail Sales | \$ 343,009 | \$ 301,409 |
| Off-System Sales | 74,324 | 56,615 |
| Other Electric Revenues | 9,762 | 7,626 |
| Total Operating Revenues | 427,095 | 365,650 |
| Fuel and Purchased Power | 88,193 | 84,080 |
| Production (non-fuel) | 122,776 | 90,937 |
| Other Operating Expenses | 156,163 | 146,845 |
| Payments in Lieu of Taxes | 10,752 | 10,024 |
| Total Operating Expenses | 377,884 | 331,886 |
| Operating Income | 49,211 | 33,764 |
| Other Income | 17,603 | 29,829 |
| Interest Expense | (43,332) | (42,399) |
| Net Income | 23,482 | 21,194 |
| Equity, Beginning of Period | 1,618,439 | 1,539,928 |
| Pollution Remediation Obligations | – | (675) |
| Equity, End of Period | \$1,641,921 | \$1,560,447 |

Key Statistical Highlights

| | June 30 | |
|---|-----------|-----------|
| | 2009 | 2008 |
| Generating Capability <i>(in megawatts)</i> | 3,220.9 | 2,548.8 |
| System Peak Load <i>(twelve months ended, in megawatts)</i> | 2,316.4 | 2,197.4 |
| Net Generation <i>(six months ended, in megawatt-hours)</i> | 7,273,596 | 5,563,218 |
| Retail Energy Sales <i>(six months ended, in megawatt-hours)</i> | 4,856,151 | 4,778,385 |
| Off-System Energy Sales <i>(six months ended, in megawatt-hours)</i> | 2,599,549 | 1,199,804 |
| Cents/kWh – Retail Sales Revenue <i>(six months ended)</i> | 6.78 | 5.97 |
| Number of Customers <i>(six months ended, average)</i> | 342,126 | 338,986 |