

CEO Message

It was with great pleasure that OPPD hosted the annual American Public Power Association Lineworkers’ Rodeo this spring. More than 200 participants from across the country showcased their skill and expertise on a field full of power poles. It was a sight to see and a great reflection on the most visible side of our business. Several harsh summer storms have kept our line and field workers in the spotlight, but behind the scenes, there’s much more going on.



Ongoing changes in environmental regulations, new health care legislation and other issues pose financial challenges to OPPD and our customers in coming years. That’s why we are taking steps now:

- We have formed strategic issue teams to study and improve operations in such areas as customer service, finance, asset management and human resources. We have asked employees to intensify their efforts to work smarter as they focus on safe, efficient and reliable operations.
- We have adopted Toyota’s Lean methodology for improving processes. Several employees are now certified Lean facilitators, and to date, they have taken on 25 projects designed to save time and money.
- We have sought and obtained federal, state and other grant money to fund programs as diverse as building more energy-efficient homes, modernizing farm equipment and retrofitting OPPD vehicles for cleaner diesel emissions.
- And, we have charged employees with reducing budgets for future years so OPPD can minimize upcoming rate increases as much as possible.

While we focus on the bottom line, we also are expanding sustainable energy options, exploring new technology and promoting energy-efficiency programs to customers. Later this year, we will add 60 megawatts (MW) of wind power with the Flat Water Wind Farm, which is being built in the southernmost part of our service territory in Richardson County. An extended power uprate project at Fort Calhoun Nuclear Station will provide additional carbon-free generation. The 17 percent power uprate will add approximately 75 MW in the summer and 80 MW in the winter by the end of 2012.

OPPD’s fleet of hybrid vehicles continues to grow, as well, with impressive results from the new technology. OPPD’s fleet includes 26 electric hybrids, including an aerial basket truck. We are gaining an understanding of the potential savings afforded by plug-in hybrids, which may become commercially available soon. OPPD also received recognition from the Environmental Protection Agency this year for efforts promoting the ENERGY STAR programs to commercial and residential customers.

OPPD remains committed to meeting whatever challenges come our way.

W. Gary Gates

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President and CEO

Board of Directors

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W. Gary Gates	President Chief Executive Officer

On the cover: OPPD hosted the annual American Public Power Association Lineworkers’ Rodeo this spring. Pictured are two of the more than 200 participants from across the country who showcased their expertise.



Energy Plaza
444 South 16th Street Mall, Omaha, NE 68102-2247

A business-managed, publicly owned electric utility
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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 and maintain financial strength.

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

Core Values: Our success is built on our core values – stewardship, partnership, efficiency, well-being, learning and culture.

CFO Message

OPPD embraces the role of being your energy partner. The company continues to focus on process improvement and cost management to ensure that customers receive the greatest value for their energy dollar.

As the region and the country begin to emerge from highly stressed economic conditions, OPPD is aware of its significant role in the Nebraska economy. We realize the importance and necessity of our product and strive to manage costs effectively. We have implemented a 2010 budget reduction and are developing other measures to reduce future



budgets in an attempt to minimize potential rate adjustments in 2011 and beyond.

OPPD's operating revenues were greater in the first six months of 2010 (2010 period) than the first six months of 2009 (2009 period). Higher revenues were primarily due to increased retail and off-system energy sales and higher off-system market prices. Retail revenues included \$16 million and \$14 million of transfers from the Debt Retirement Reserve during the 2010 period and 2009 period, respectively. Off-system revenues were considerably higher due to increased energy sales to Nebraska City Station Unit 2 (NC2) participants for the entire 2010 period, as compared to the partial year sales during the 2009 period. NC2 was placed in commercial operation in May 2009. Other electric revenues increased due to higher transmission wheel-

ing fees because of increased energy sales to NC2 participants and increased transmission revenues from the Southwest Power Pool (SPP) for the entire 2010 period, as compared to the 2009 period, with OPPD becoming a transmission owner member of SPP in April 2009.

Operating expenses increased in the 2010 period compared to the 2009 period. Fuel expenses increased primarily due to increased retail and off-system energy sales and higher coal and coal transportation prices. Purchased Power expenses were higher due to increased purchased power energy and higher market prices. OPPD increased wind purchases in 2010 to further our goal of having 10 percent of our retail energy come from renewable sources by 2020. Lower Production expenses in the 2010 period partially offset increases in other operating costs. This reduction was


the result of NC2 pre-commercial generation expenses in the 2009 period and not incurring a Fort Calhoun refueling outage during the 2010 period. Other Operating Expenses were higher primarily due to increased depreciation costs related to NC2 and increased employee benefit costs. Expenses for Payments in Lieu of Taxes were higher because of higher retail revenues.

Other income decreased due to a decline in the Allowance for Funds Used During Construction. This reduction was caused by the placement of NC2 in commercial operation in 2009.

Financial results were strong, even during this uncertain economic climate. Net income for the 2010 period was more than \$8.6 million higher than the 2009 period. Although these financial results were better than last

year, many challenges remain. OPPD is proactively managing the 2010 and future expenditures to maintain a strong financial position.

OPPD's financial strength is important to our company and customers. This responsibility guides us, and we are committed to our mission to deliver energy services that exceed the expectations of our customers.


Edward E. Easterlin
Vice President and CFO

Condensed Balance Sheets

In Thousands

	June 30 2010 <i>(Unaudited)</i>	December 31 2009 <i>(Audited)</i>
Current Assets	\$ 530,224	\$ 564,966
Capital Assets	3,154,954	3,136,045
Other Long-Term Assets	526,867	529,302
Total Assets	<u>\$4,212,045</u>	<u>\$4,230,313</u>
Current Liabilities	\$ 382,159	\$ 386,657
Long-Term Liabilities	2,132,769	2,178,660
Total Liabilities	<u>2,514,928</u>	<u>2,565,317</u>
Equity	<u>1,697,117</u>	<u>1,664,996</u>
Total Liabilities and Equity	<u>\$4,212,045</u>	<u>\$4,230,313</u>

Condensed Statements of Cash Flows

In Thousands - Unaudited

	Six Months Ended June 30 2010	2009
Cash Flows from Operating Activities	\$ 91,380	\$ 63,568
Cash Flows from Capital and Financing Activities	(170,229)	(134,422)
Cash Flows from Investing Activities	105,652	58,461
Change in Cash and Cash Equivalents	<u>\$ 26,803</u>	<u>\$ (12,393)</u>

Condensed Statements of Revenues, Expenses and Changes in Equity

In Thousands – Unaudited

	Six Months Ended June 30	
	2010	2009
Retail Sales	\$ 374,873	\$ 343,009
Off-System Sales	104,142	74,324
Other Electric Revenues	14,682	9,762
Total Operating Revenues	<u>493,697</u>	<u>427,095</u>
Fuel and Purchased Power	146,286	88,193
Production (non-fuel)	104,419	122,776
Other Operating Expenses	163,207	156,163
Payments in Lieu of Taxes	12,337	10,752
Total Operating Expenses	<u>426,249</u>	<u>377,884</u>
Operating Income	67,448	49,211
Other Income	7,872	17,603
Interest Expense	(43,199)	(43,332)
Net Income	<u>32,121</u>	<u>23,482</u>
Equity, Beginning of Period	1,664,996	1,618,439
Equity, End of Period	<u>\$1,697,117</u>	<u>\$1,641,921</u>

Key Statistical Highlights

	June 30	
	2010	2009
Generating Capability <i>(in megawatts)</i>	3,224.7	3,220.9
System Peak Load <i>(twelve months ended, in megawatts)</i>	2,161.7	2,316.4
Net Generation <i>(six months ended, in megawatt-hours)</i>	8,043,780	7,273,596
Retail Energy Sales <i>(six months ended, in megawatt-hours)</i>	5,149,849	4,856,151
Off-System Energy Sales <i>(six months ended, in megawatt-hours)</i>	3,017,188	2,599,549
Cents/kWh – Retail Sales Revenue <i>(six months ended)</i>	6.97	6.78
Number of Customers <i>(six months ended, average)</i>	346,268	342,126