

CEO Message

Although a year has passed, the historic flood of 2011 continued to create challenges for the Omaha Public Power District during the first half of 2012. As always though, employees are meeting those challenges head-on and working to ensure OPPD remains a strong, solid, reliable electric utility.

Initially, the flood of 2011 prevented the restart of our nuclear power plant, Fort Calhoun Station. Other issues arose that prevented start-up, but now, after more than a year of strenuous work, we are making progress. OPPD received a Confirmatory Action Letter issued by the Nuclear Regulatory Commission, which includes a restart checklist and documents the actions OPPD has committed to taking before going back online.

We also moved ahead with extended planning for the possible costly impacts of environmental regulations on fossil generating stations. We are looking for a balance between low-cost energy for our customers and responding to government regulations. It's a difficult balance to achieve, but we are committed to doing what is right for our customers.

Additionally, we pushed forward on several projects affecting our production and delivery of energy. Among these projects:

- We are working on natural gas supply piping to Nebraska City Station, which will help reduce the need for fuel oil. It's encouraging that recent purchase prices for natural gas are running below 2011 prices.
- We are partnering with Kansas City Power & Light to build a new 175-mile transmission line from Nebraska City to Sibley, Mo., to provide another route to deliver power from the power plants to the customer.
- In anticipation of growth and development in our service territory, we are in the process of adding new substations in western Douglas County and southeast Sarpy County.

As we observed in 2011, trying times bring out the best in our organization. Once again, our unwavering commitment to customer service has been validated by external recognition. In 2012, we were gratified to be honored by J.D. Power and Associates for residential customer satisfaction for the 12th consecutive year. We have won this award in good times, and we have won it in difficult times, such as we have experienced in the past year.

As always, however, we remain committed to serving our customers. Customer demand and expectations all continue to rise. However, we are not standing still, and leveling off is not an option. We are constantly moving forward.

W. Gary Gates

W. Gary Gates  
President and CEO



Board of Directors

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Fred J. Ulrich.....	Board Member
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W. Gary Gates .....	President Chief Executive Officer

2012 Midyear Report

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

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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.

We focus on core values of safety, accountability, commitment, excellence, teamwork, engagement, respect and integrity.

## CFO Message

The last 12 months have proven to be an unusual period. From record flooding in 2011 to the warmest first half of a year in 117 years in 2012, OPPD continues to meet the challenges with a focus on fiscal responsibility. Providing customer-owners with reliable and affordable electric service remains a priority, despite obstacles that come our way. Internal cost-reductions and effective risk-management practices have helped achieve these goals as we respond to the current challenges and prepare for the future.



We continue our focus and commitment to resolve flood and regulatory matters associated with the Fort Calhoun Nuclear Station (Fort Calhoun Station). During December 2011, the Nuclear Regulatory Commission placed Fort Calhoun Station into a special regulatory category, Inspection Manual Chapter 0350. This designation is applicable for nuclear units in an extended shutdown with performance issues. Fort Calhoun Station remains in cold shutdown, and we continue to monitor the financial impact of increased operating expenses associated with the shutdown and adapt our plans as necessary.

OPPD's operating revenues were higher in the first six months of 2012 (2012 period) than the first six months of 2011 (2011 period), primarily due to higher retail energy prices and revenue adjustments. Retail revenues were higher in the 2012 period, due primarily to a

\$10.0 million increase over the 2011 period for the fuel and purchased power adjustment to recover additional expenses for the 2012 period and a \$10.0 million increase in transfers from the Debt Retirement Reserve. Off-system sales revenues were lower in the 2012 period due to the extended outage at Fort Calhoun Station, which resulted in less energy being available for sale in the off-system market.

Operating expenses increased in the 2012 period compared to the 2011 period. Production expenses were higher, primarily due to higher expenses for Fort Calhoun Station. Purchased power expenses in the 2012 period were higher due to the need to buy power that would normally have been produced by Fort Calhoun Station. Other operating expenses also increased during the period due to higher benefit costs.

Overall, financial results were lower during the 2012 period, primarily due to the costs associated with responding to the challenges with Fort Calhoun Station. Net income (loss) for the 2012 period was more than \$22 million below the 2011 period.

Despite the challenges, OPPD remains positioned to meet the needs of our customer-owners. The utility continues to recover and pursue insurance and Federal Emergency Management Agency reimbursements resulting from last year's events. The rate structure provides for the recovery of fuel and purchased power costs resulting from the extended Fort Calhoun Station outage. In July 2012, the Board of Directors approved authorization to issue up to \$550 million of bonds to refund existing debt and/or issue new debt upon acceptable debt-service savings and market conditions.

In addition, we are proactively managing expenditures and reviewing opportunities for future budget reductions to maintain a strong financial position. We are committed to fiscal responsibility despite whatever challenges come our way. This responsibility guides us on 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 2012	December 31 2011*
Current Assets	\$ 586,819	\$ 627,162
Capital Assets	3,302,699	3,285,897
Other Long-Term Assets	572,091	601,393
Deferred Outflows of Resources	20,769	22,264
<b>Total Assets and Deferred Outflows</b>	<b>\$ 4,482,378</b>	<b>\$ 4,536,716</b>
Current Liabilities	\$ 243,616	\$ 225,272
Long-Term Liabilities	2,444,243	2,480,961
Deferred Inflows of Resources	41,000	71,000
<b>Total Liabilities and Deferred Inflows</b>	<b>2,728,859</b>	<b>2,777,233</b>
<b>Equity</b>	<b>1,753,519</b>	<b>1,759,483</b>
<b>Total Liabilities, Deferred Inflows and Equity</b>	<b>\$ 4,482,378</b>	<b>\$ 4,536,716</b>

## Condensed Statements of Cash Flows

*In Thousands*

	Six Months Ended June 30 2012	2011
Cash Flows from Operating Activities	\$ 40,037	\$ 71,734
Cash Flows from Capital and Financing Activities	(163,232)	(212,654)
Cash Flows from Investing Activities	144,785	147,163
<b>Change in Cash and Cash Equivalents</b>	<b>\$ 21,590</b>	<b>\$ 6,243</b>

\*Results were revised to reflect implementation of GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Postition.

## Condensed Statements of Revenues, Expenses and Changes in Equity

*In Thousands*

	Six Months Ended June 30	
	2012	2011
Retail Sales	\$ 436,742	\$ 390,244
Off-System Sales	59,653	86,583
Other Electric Revenues	15,424	13,914
<b>Total Operating Revenues</b>	<b>511,819</b>	<b>490,741</b>
Fuel and Purchased Power	154,546	152,790
Production (non-fuel)	140,961	112,616
Other Operating Expenses	177,415	163,608
Payments in Lieu of Taxes	13,188	12,625
<b>Total Operating Expenses</b>	<b>486,110</b>	<b>441,639</b>
<b>Operating Income</b>	<b>25,709</b>	<b>49,102</b>
Other Income	13,924	12,131
Interest Expense	(45,597)	(45,148)
<b>Net Income (Loss)</b>	<b>(5,964)</b>	<b>16,085</b>
Equity, Beginning of Period	1,759,483	1,705,043
<b>Equity, End of Period</b>	<b>\$ 1,753,519</b>	<b>\$ 1,721,128</b>

## Key Statistical Highlights

	June 30	
	2012	2011
Generating Capability <i>(in megawatts)</i>	3,208.8	3,222.7
System Peak Load <i>(twelve months ended, in megawatts)</i>	2,468.3	2,366.3
Net Generation <i>(six months ended, in megawatt-hours)</i>	6,126,484	7,073,043
Retail Energy Sales <i>(six months ended, in megawatt-hours)</i>	5,132,540	5,083,997
Off-System Energy Sales <i>(six months ended, in megawatt-hours)</i>	1,728,354	2,480,961
Cents/kWh – Retail Sales Revenue <i>(six months ended)</i>	7.61	7.17
Number of Customers <i>(six months ended, average)</i>	359,482	349,785