

Platte River Power Authority

Independent Auditor's Report and Financial Statements

December 31, 2017 and 2016

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Platte River Power Authority

Financial Statements

Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Platte River Power Authority
Fort Collins, Colorado

We have audited the accompanying financial statements of Platte River Power Authority (Platte River), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Platte River's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Platte River Power Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Platte River as of December 31, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Information (Budgetary Comparison Schedule) as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Information (Budgetary Comparison Schedule) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Denver, Colorado
March 13, 2018

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority (Platte River) for the fiscal years ended December 31, 2017 and December 31, 2016. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

Platte River is a wholesale electricity generation and transmission provider that delivers safe, reliable, environmentally responsible and competitively priced energy and services to its four owner municipalities, Estes Park, Fort Collins, Longmont and Loveland.

Platte River's power resources include generation from coal and natural gas units, allocations of federal hydropower from Western Area Power Administration (WAPA), wind and solar purchases, spot market purchases, and a forced outage exchange agreement.

- Coal-fired generation includes Rawhide Unit 1 (280 MW), located 25 miles north of Fort Collins, and 18 percent ownership in Craig Units 1 and 2 (154 MW combined), located in northwest Colorado.
- Gas-fired combustion turbines located at Rawhide Energy Station include five simple cycle combustion turbines, which include four GE 7EAs (65 MW each) and a GE 7FA (128 MW). The combustion turbines are utilized to meet peak load demand, to provide reserves during outages of the coal-fired units, and to make short-term surplus sales.
- Hydropower is received under two long-term contracts with WAPA. Colorado River Storage Project contract rate of delivery amounts are 106 MW in the summer and 136 MW in the winter. Actual capacity available varies by month. During the summer season, available capacity ranges from 51 MW to 60 MW. In the winter season, available capacity ranges from 72 MW to 85 MW. Loveland Area Projects capacity is 30 MW in the summer and 32 MW in the winter.
- Wind generation includes 78 MW provided under long-term power purchase agreements. The agreements are for deliveries from Spring Canyon Wind Energy Center (60 MW) in Colorado, Silver Sage Windpower Project (12 MW) and Medicine Bow Wind Project (6 MW), both in Wyoming.
- Solar generation includes 30 MW provided under a long-term power purchase agreement from the Rawhide Flats Solar facility located at Rawhide Energy Station. In addition, Platte River purchases solar capacity of approximately 4 MW and 0.5 MW from Fort Collins and Loveland, respectively. For these two facilities, the municipalities retain the renewable attribute.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

- Spot market purchases provide energy to satisfy loads, replacement power during outages, and reserve requirements.
- Platte River has a forced outage exchange agreement with Tri-State Generation and Transmission, Inc. (Tri-State), whereby in the event that either Rawhide Unit 1 or Tri-State's Craig Unit 3 is out of service the other utility will provide up to 100 MW of generation on a short-term basis.

Platte River operates as a utility enterprise and follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Platte River has implemented all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Summary

Platte River reported income before contributions of \$14.1 million in 2017; approximately \$3.8 million lower than 2016. The year ended with an increase in operating revenues of \$8.0 million, an increase in operating expenses of \$12.8 million, and a decrease in nonoperating expenses, net, of \$1.0 million.

Condensed Financial Statements

The following condensed statements of net position and condensed statements of revenues, expenses and changes in net position summarize Platte River's financial position and changes in financial position for 2017, 2016, and 2015.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

Condensed Statements of Net Position

	December 31,		
	2017	2016	2015
	<i>(In thousands)</i>		
Assets			
Electric utility plant	\$ 552,975	\$ 579,134	\$ 574,453
Special funds and investments	123,407	122,411	79,967
Other current and noncurrent assets	120,602	98,587	83,949
Total assets	<u>796,984</u>	<u>800,132</u>	<u>738,369</u>
Deferred outflows of resources	<u>22,986</u>	<u>24,150</u>	<u>6,174</u>
Liabilities			
Noncurrent liabilities	244,554	263,808	203,163
Current liabilities	33,135	38,836	41,098
Total liabilities	<u>277,689</u>	<u>302,644</u>	<u>244,261</u>
Deferred inflows of resources	<u>11,852</u>	<u>5,201</u>	<u>1,619</u>
Net position			
Net investment in capital assets	350,853	369,729	366,412
Restricted	20,247	25,616	21,421
Unrestricted	159,329	121,092	110,830
Total net position	<u>\$ 530,429</u>	<u>\$ 516,437</u>	<u>\$ 498,663</u>

Net Position

Total net position at December 31, 2017 was \$530.4 million, an increase of \$14.0 million over 2016. Total net position at December 31, 2016 was \$516.4 million, an increase of \$17.7 million over 2015.

Electric utility plant decreased \$26.2 million during 2017, primarily the result of an increase in accumulated depreciation of \$59.8 million, of which \$44.7 million relates to the sale of several Windy Gap water units, following FERC accounting guidance as described in Note 4. Partially offsetting the overall decrease was \$18.4 million increase in construction work in progress and a \$15.2 million increase in plant and equipment in service. In 2016, electric utility plant increased \$4.7 million, primarily the result of a \$13.1 million increase in construction work in progress, an \$11.3 million increase in plant and equipment in service, and a \$2.5 million increase in land and land rights. Partially offsetting the overall increase in 2016 was an increase in accumulated depreciation of \$22.2 million.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

Special funds and investments during 2017 increased \$1.0 million over 2016. The increase in funds was primarily due to the sale of the Windy Gap water units as described in Note 4, partially offset by spending down bond funds for capital expenditures. In 2016, special funds and investments increased \$42.4 million from 2015. The increase in funds was primarily due to the Series JJ Bond financing that occurred in 2016 to fund capital expenditures.

Other current and noncurrent assets increased \$22.0 million during 2017 primarily due to increases in cash and investment balances as a result of the sale of the Windy Gap water units described in Note 4 and higher interest income. Accounts receivable increased as a result of outstanding receipts for a power exchange agreement and a fuel credit. Craig Station fuel inventory levels have been higher than normal as a result of lower generation due to scheduled and unplanned maintenance outages and surplus sales market conditions. Long-term assets decreased from amortizing the estimated future closure costs of impoundments at the Rawhide Energy Station. In 2016, other current and noncurrent assets increased \$14.6 million due to increases in other long-term assets, regulatory assets, cash and cash equivalents, materials and supplies, and fuel inventory. The largest increase in other long-term assets was a result of recording estimated closure costs of impoundments at the Rawhide Energy Station that will be expensed over future periods. Regulatory assets increased from deferring additional pension expense that will also be amortized over future periods. The increase in cash equivalents was primarily due to the Series JJ Bond financing to fund capital expenses in 2016 and to reimburse capital expenses that occurred in 2015. However, there were also more liquid funds in anticipation of large payments in early 2017. Materials and supplies increased mainly for stocking parts necessary for the new digital control system installed in 2015. Craig Station fuel inventory levels have been higher than normal as a result of lower generation due to scheduled and unplanned maintenance outages and surplus sales market conditions. These increases were partially offset by decreases in other temporary investments and accounts receivable.

Deferred outflows of resources decreased \$1.2 million in 2017. The main reason was the amortization of the deferred loss on debt refunding. Partially offsetting this is the amortization for differences between the pension plan's expected and actual experience, changes in actuarial assumptions, and differences in actual and expected earnings of the pension investments. In 2016, deferred outflows of resources increased \$18.0 million. This amount includes differences between the pension plan's expected and actual experience, changes in actuarial assumptions, and differences in actual and expected earnings of the pension investments that will be amortized over future periods. In addition, the Series JJ Bond financing that occurred in 2016 refinanced a partial amount of Series HH Bonds resulting in an unamortized deferred loss on debt refunding.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

Noncurrent liabilities decreased \$19.3 million in 2017 mainly due to principal retirements of debt and a decrease in the net pension liability. In 2016, noncurrent liabilities increased \$60.6 million mainly due to increased long-term debt, net pension liability, and other liabilities. The Series JJ Bonds were issued in 2016 increasing long-term debt. The net pension liability increased as a result of below target market returns, and plan assumption changes. Other liabilities increased as a result of recording the estimated future closure costs for impoundments at the Rawhide Energy Station. These increases were partially offset by principal retirements of debt and decreases in the capitalized lease obligation, and the Trapper Mine Reclamation liability. The capitalized lease obligation was fulfilled as the final debt payment associated with the Windy Gap Project was made in 2016. The Trapper Mine Reclamation liability decreased as portions of the mine were reclaimed earlier than anticipated. Additional details about long-term debt can be found in Note 7 and the defined benefit pension liability in Note 11 to the financial statements.

Current liabilities reflect a \$5.7 million decrease in 2017 primarily due to a decrease in the current portion of long-term debt partially offset by an increase in accounts payable. In 2016, current liabilities reflect a \$2.3 million decrease due to decreases in accounts payable and the current portion of the capitalized lease obligation partially offset by increases in the current portion of long-term debt, accrued interest, and other liabilities. As mentioned previously, the capitalized lease obligation was relieved as the final debt payment associated with the Windy Gap Project was completed.

Deferred inflows of resources increased \$6.7 million in 2017 due to an increase in the accrual for the 2018 scheduled maintenance outage expenses for Rawhide Unit 1 and pension deferrals reflect a net increase for the amortization of differences in the pension plan's expected and actual experience, assumptions, earnings, and expense recognition. Deferred inflows of resources increased \$3.6 million in 2016 due to recording the accrual for the 2018 scheduled maintenance outage expenses for Rawhide Unit 1. Pension deferrals reflect a small decrease for the amortization of differences in the pension plan's expected and actual experience and assumption changes.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2017	2016	2015
	<i>(In thousands)</i>		
Operating revenues	\$ 213,297	\$ 205,293	\$ 199,433
Operating expenses	194,525	181,698	184,741
Operating income	18,772	23,595	14,692
Nonoperating expenses, net	(4,643)	(5,630)	(7,905)
Income before contributions	14,129	17,965	6,787
Contributions of assets to municipalities	(137)	(191)	(155)
Change in net position	13,992	17,774	6,632
Beginning net position	516,437	498,663	492,031
Ending net position	\$ 530,429	\$ 516,437	\$ 498,663

Changes in Net Position

Net position increased \$14.0 million in 2017, \$3.7 million lower than 2016. There was an increase in both operating revenues and operating expenses and a decrease in nonoperating expenses, net. Net position increased \$17.7 million in 2016, \$13.9 million higher than 2015. There was an increase in operating revenues and a decrease in both operating expenses and nonoperating expenses, net.

Operating revenues in 2017 increased \$8.0 million over 2016.

- Municipal sales revenue increased \$4.4 million over 2016 primarily as the result of a 3% increase in wholesale rates. Billing demand increased 0.9% and municipal energy deliveries decreased 1.1% from 2016.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

- Surplus sales revenue (sales for resale and other) increased \$3.6 million in 2017 compared to 2016 resulting from higher short-term sales. The surplus market conditions rebounded slightly resulting in more energy sold; however, at a relatively flat average selling price. Wheeling revenues increased 10% primarily as a result of an increase in customer loads.

Operating revenues in 2016 increased \$5.9 million from 2015.

- Municipal sales revenue increased \$9.2 million over 2015 primarily as the result of a 4.5% increase in wholesale rates. Municipal energy deliveries increased 0.5% and billing demand decreased 0.1% from 2015.
- Surplus sales revenue (sales for resale and other) decreased \$3.3 million in 2016 compared to 2015 resulting from lower short-term sales. Short-term sales decrease was a result of a lower average selling price and less energy sold. The surplus market conditions continued to be unfavorable this past year as a result of low natural gas prices, mild weather, and additional renewable resources on the market. Wheeling revenues increased 2.9% primarily as a result of an increase in customer loads.

Operating expenses in 2017 increased \$12.8 million over 2016.

- Purchased power costs for 2017 increased \$2.2 million compared to 2016. The primary reason was a full year of purchases from the solar facility that began commercial operation in the fall of 2016.
- Fuel expense increased \$1.3 million over 2016. Fuel for the Craig units was \$2.6 million above 2016 and Rawhide Unit 1 was \$1.3 million below 2016. The Craig units' generation was 4% more than 2016 because of the surplus sales market. Coal prices were approximately 14% higher mainly due to increased mining costs at the Trapper Mine. Rawhide Unit 1's fuel expenses were below budget mainly due to favorable pricing.
- Operations and maintenance expenses were \$6.4 million more than 2016. The primary reasons for the increase was an increase in the accrual for the 2018 scheduled maintenance outage of Rawhide Unit 1, recognizing future closure costs of impoundments at the Rawhide Energy Station, and transmission projects.
- Administrative and general expenses increased \$4.1 million over 2016 primarily due to increased demand, side management program funding, computer expenses, and personnel expenses.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

- Depreciation expense decreased \$1.2 million from 2016 as certain assets from the Rawhide Energy Station reached the end of their depreciable life. In addition, the sale of the Windy Gap water units as discussed in Note 4 also impacts depreciation.

Operating expenses in 2016 decreased \$3.0 million from 2015.

- Purchased power costs for 2016 increased \$0.7 million compared to 2015. Wind purchased power increased \$1.5 million as a result of favorable wind conditions. Solar purchased power contracts began in the fall of 2016, increasing expense by \$0.8 million. The increase in costs was partially offset by market purchases and other purchased power costs that were \$1.3 million lower mainly due to the Rawhide Unit 1 and Craig Unit 2 scheduled maintenance outages in 2015. Purchased reserves also decreased \$0.3 million due to self-providing reserves.
- Fuel expense decreased \$0.1 million from 2015. Fuel for the Craig units was \$1.9 million below 2015 and Rawhide Unit 1 was \$2.4 million above 2015. The Craig units' generation was 14% less than 2015 primarily because the Craig units were held back due to the unfavorable surplus sales market. Rawhide Unit 1's generation was 15% higher because of the 2015 planned outage. Natural gas for the combustion turbines decreased \$0.6 million as the units were required less due to more favorable market prices.
- Operations and maintenance expenses were \$5.4 million less than 2015. Rawhide Unit 1 had a six-week scheduled maintenance outage in 2015 resulting in the majority of the decrease in 2016.
- Administrative and general expenses increased \$1.5 million over 2015 primarily due to increased demand side management program funding and personnel expenses.

Nonoperating expenses, net, decreased \$1.0 million in 2017 compared to 2016. The main contribution to the decrease was lower interest expense, net of bond amortizations of \$1.0 million and an increase in interest and other income of \$0.4 million. Partially offsetting those amounts were decreases in fair value of investments and less capitalized interest for a total of \$0.4 million.

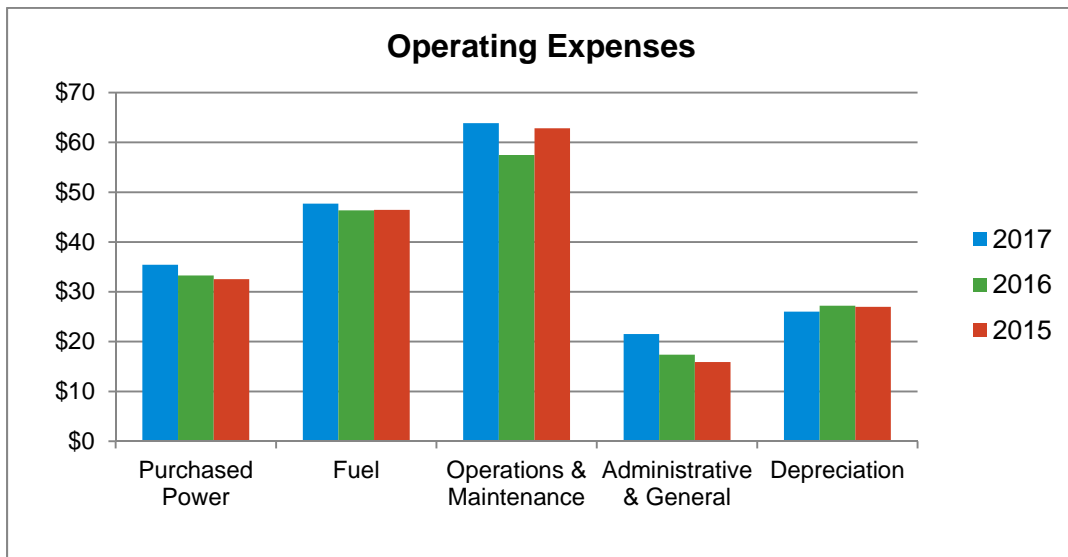
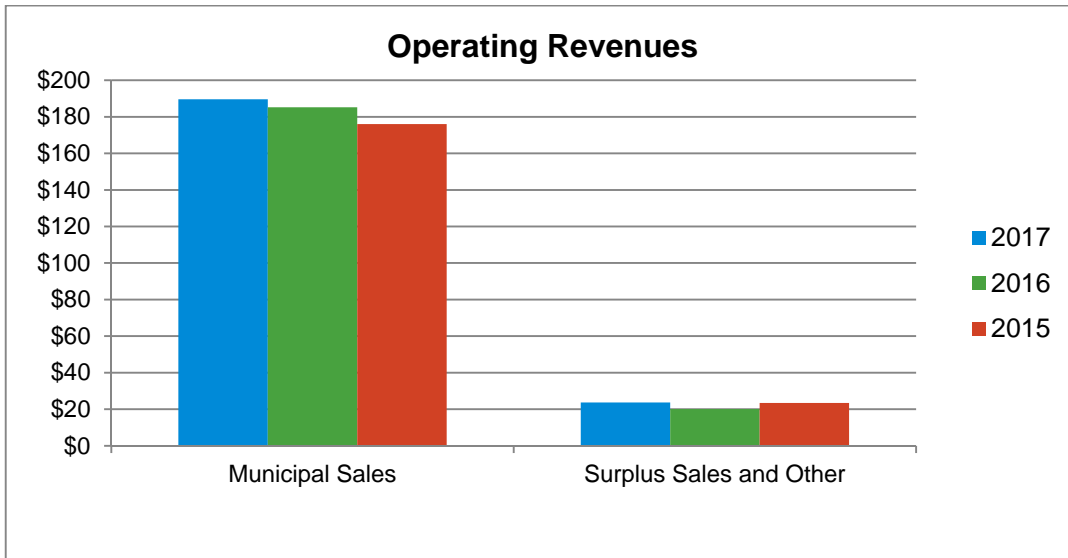
Nonoperating expenses, net, decreased \$2.3 million in 2016 compared to 2015. The Series JJ Bond financing resulted in lower interest expense of \$0.9 million, net of bond amortizations. Further, \$1.1 million of interest expense was capitalized for projects in progress. Also contributing to lower net expenses was an increase in interest income of \$0.3 million.

Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

Operating Revenues and Expenses (In millions)



Platte River Power Authority

Management's Discussion and Analysis (Unaudited)

December 31, 2017 and 2016

Debt Ratings

Standard & Poor's (S&P) and Fitch Ratings assigned ratings of AA to Platte River's Series JJ Bonds issued in April 2016. The ratings on Platte River's existing bonds remained unchanged.

Bond Issue	Moody's	S&P	Fitch
Power Revenue Bonds			
Series GG	Aa2	AA	AA
Series HH	Aa2	AA	AA
Series II	Aa2	AA	AA
Series JJ	N/A	AA	AA

Budgetary Highlights

Platte River's Board of Directors approved the 2017 Annual Budget with total revenues of \$217.0 million, operating expenses of \$171.9 million, debt service expenditures of \$27.3 million and capital additions of \$53.4 million. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Total revenues of \$215.7 million ended the year \$1.2 million below budget. Municipal sales of \$189.6 million were \$2.3 million below budget due to below-budget variances in billing demand and energy deliveries. Surplus sales and wheeling totaled \$23.7 million and were \$0.4 million above budget, impacted by an improved surplus sales market. The average sales price, excluding combustion turbine sales, was 7% below budget. Interest and other income were \$0.7 million above budget because of an increase in cash balances and interest rates. Other income also increased due to additional fiber lease revenue.

Operating expenses totaled \$168.3 million and were \$3.5 million below budget. The two largest variances were personnel expense and fuel expense. Personnel expenses were below budget \$2.1 million due to vacant positions and lower benefit expenses than planned. Overall favorable fuel prices for Rawhide Unit 1 were partially offset by additional usage of the combustion turbines for surplus sales and load requirements, for a net savings of \$1.1 million.

Platte River Power Authority

Management's Discussion and Analysis *(Unaudited)*

December 31, 2017 and 2016

Debt service expenditures totaled \$27.0 million, which were \$0.3 million below budget due to capitalizing more interest expense than budgeted. Capital additions of \$38.3 million were \$15.1 million below budget. This variance was due to construction schedule changes, scope changes, contract delays, internal resource constraints, and canceled projects. Production additions, transmission additions and general additions were below budget \$4.9 million, \$2.0 million and \$8.2 million, respectively. The majority of the variance will be carried over to the 2018 Annual Budget in order to complete the projects. (See Budgetary Comparison Schedule presented as Other Information as listed in the table of contents.)

Platte River Power Authority

Statements of Net Position

December 31, 2017 and 2016

	December 31,	
	2017	2016
	<i>(In thousands)</i>	
Assets		
Electric utility plant, at original cost <i>(Notes 3 and 4)</i> :		
Land and land rights	\$ 16,997	\$ 16,997
Plant and equipment in service	1,302,471	1,287,246
Less: accumulated depreciation	<u>(841,908)</u>	<u>(782,145)</u>
Plant in service, net	477,560	522,098
Construction work in progress	75,415	57,036
Total electric utility plant	<u>552,975</u>	<u>579,134</u>
Special funds and investments <i>(Note 5)</i> :		
Restricted funds and investments	36,537	61,624
Dedicated funds and investments	86,870	60,787
Total special funds and investments	<u>123,407</u>	<u>122,411</u>
Current assets:		
Cash and cash equivalents <i>(Notes 3 and 5)</i>	17,176	14,159
Other temporary investments <i>(Note 5)</i>	33,799	18,888
Accounts receivable—municipalities	16,068	15,410
Accounts receivable—other	9,141	6,457
Fuel inventory, at last-in, first-out cost	15,742	14,607
Materials and supplies inventory, at average cost	13,537	13,470
Prepayments and other assets	<u>1,274</u>	<u>1,358</u>
Total current assets	106,737	84,349
Noncurrent assets:		
Regulatory assets <i>(Note 9)</i>	7,247	6,507
Other long-term assets	<u>6,618</u>	<u>7,731</u>
Total noncurrent assets	13,865	14,238
 Total assets	 <u>796,984</u>	 <u>800,132</u>
 Deferred Outflows of Resources		
Deferred loss on debt refundings <i>(Note 7)</i>	8,437	9,916
Pension deferrals <i>(Note 11)</i>	14,549	14,234
 Total deferred outflows of resources	 <u>22,986</u>	 <u>24,150</u>

See Notes to Financial Statements

Platte River Power Authority

Statements of Net Position

December 31, 2017 and 2016

	December 31,	
	2017	2016
	<i>(In thousands)</i>	
Liabilities		
Noncurrent liabilities <i>(Notes 3 and 6)</i> :		
Long-term debt, net <i>(Note 7)</i>	\$ 208,988	\$ 227,288
Net pension liability <i>(Note 11)</i>	19,395	20,508
Other liabilities and credits	16,171	16,012
Total noncurrent liabilities	<u>244,554</u>	<u>263,808</u>
Current liabilities:		
Current maturities of long-term debt <i>(Note 7)</i>	14,580	23,550
Accounts payable	16,172	13,037
Accrued interest	763	849
Accrued liabilities and other	1,620	1,400
Total current liabilities	<u>33,135</u>	<u>38,836</u>
Total liabilities	<u>277,689</u>	<u>302,644</u>
Deferred Inflows of Resources		
Regulatory credits <i>(Note 9)</i>	10,344	4,729
Pension deferrals <i>(Note 11)</i>	1,508	472
Total deferred inflows of resources	<u>11,852</u>	<u>5,201</u>
Net Position		
Net investment in capital assets <i>(Note 10)</i>	350,853	369,729
Restricted	20,247	25,616
Unrestricted	159,329	121,092
Total net position	<u>\$ 530,429</u>	<u>\$ 516,437</u>

See Notes to Financial Statements

Platte River Power Authority

Statements of Revenues, Expenses, and Changes in Net Position

December 31, 2017 and 2016

	Years Ended December 31,	
	2017	2016
	<i>(In thousands)</i>	
Operating revenues <i>(Note 3)</i> :		
Sales to municipalities	\$ 189,579	\$ 185,214
Sales for resale and other	23,718	20,079
Total operating revenues	213,297	205,293
Operating expenses:		
Purchased power	35,421	33,270
Fuel	47,708	46,361
Operations and maintenance	63,869	57,481
Administrative and general	21,514	17,366
Depreciation	26,013	27,220
Total operating expenses	194,525	181,698
Operating income	18,772	23,595
Nonoperating revenues (expenses) <i>(Notes 5 and 7)</i> :		
Interest income	1,746	1,084
Other income	626	846
Interest expense	(7,459)	(8,523)
Allowance for funds used during construction	903	1,137
Net decrease in fair value of investments <i>(Note 5)</i>	(459)	(174)
Total nonoperating revenues (expenses)	(4,643)	(5,630)
Income before contributions	14,129	17,965
Contributions of assets to municipalities <i>(Note 13)</i>	(137)	(191)
Change in net position	13,992	17,774
Net position at beginning of year	516,437	498,663
Net position at end of year	\$ 530,429	\$ 516,437

See Notes to Financial Statements

Platte River Power Authority

Statements of Cash Flows

December 31, 2017 and 2016

	Years Ended December 31,	
	2017	2016
	<i>(In thousands)</i>	
Cash flows from operating activities		
Receipts from customers	\$ 210,335	\$ 205,190
Payments for operating goods and services	(122,755)	(132,698)
Payments for employee services	(37,145)	(32,985)
Net cash provided by operating activities	<u>50,435</u>	39,507
Cash flows from capital and related financing activities		
Additions to electric utility plant	(37,746)	(28,028)
Payments from accounts payable incurred for electric utility plant additions	(3,643)	(2,608)
Proceeds from disposal of electric plant	41,177	715
Deposits into escrow for bond defeasance	-	(119,164)
Proceeds from issuance of long-term debt	-	179,170
Principal payments on long-term debt	(23,550)	(16,615)
Interest payments on long-term debt	(9,668)	(9,996)
Net cash (used in) provided by capital and related financing activities	<u>(33,430)</u>	3,474
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	(16,415)	(40,786)
Interest and other income, including realized gains and losses	2,427	1,838
Net cash used in investing activities	<u>(13,988)</u>	(38,948)
Increase in cash and cash equivalents	3,017	4,033
Balance at beginning of year in cash and cash equivalents	<u>14,159</u>	<u>10,126</u>
Balance at end of year in cash and cash equivalents	<u>\$ 17,176</u>	<u>\$ 14,159</u>

See Notes to Financial Statements

Platte River Power Authority

Statements of Cash Flows

December 31, 2017 and 2016

	Years Ended December 31,	
	2017	2016
	<i>(In thousands)</i>	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 18,772	\$ 23,595
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,013	27,220
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	(3,342)	138
Fuel and materials and supplies inventories	(1,202)	(2,126)
Prepayments and other assets	338	(10,507)
Deferred outflows of resources	(315)	(9,094)
Accounts payable	4,259	(7,295)
Net pension liability	(1,113)	13,815
Other liabilities	374	179
Deferred inflows of resources	6,651	3,582
Net cash provided by operating activities	<u>\$ 50,435</u>	<u>\$ 39,507</u>
Noncash capital and related financing activities		
Water storage rights acquired in exchange for Windy Gap units	\$ 7,010	\$ -
Additions of electric utility plant through incurrence of accounts payable	2,519	3,643
Amortization of regulatory asset (debt issuance costs)	118	153
Amortization of bond premiums and deferred loss on refundings	(2,241)	(1,696)

See Notes to Financial Statements

Platte River Power Authority

Notes to Financial Statements

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1. Organization

Platte River Power Authority (Platte River) was organized in accordance with Colorado law as a separate governmental entity by the four municipalities of Estes Park, Fort Collins, Longmont, and Loveland. Platte River contracted to supply the wholesale electric power and energy requirements of each of these municipalities (except for energy produced by each municipality's hydro facilities in service at September 1974). These contracts currently extend through December 31, 2050. Each of the four member municipalities has a residual interest in Platte River's assets and liabilities upon dissolution, which is proportional to the total revenue received from each municipality since Platte River was organized, less any contributions of assets previously distributed. Based upon electric revenues billed from inception through December 31, 2017, these residual interests are approximately as follows:

	Residual Interest
City of Fort Collins	48%
City of Longmont	26%
City of Loveland	22%
Town of Estes Park	4%
	<hr/> 100%

Under Colorado law and the municipal contracts, Platte River's Board of Directors has the exclusive authority to establish the electric rates to be charged to the member municipalities. Platte River must follow specified statutory procedures, including public notice and holding a hearing to receive public comments, before adopting an annual budget and implementing any changes in the electric rates.

2. Operations

Rawhide Energy Station

The Rawhide Energy Station consists of Rawhide Unit 1, a 280-megawatt (net) coal-fired generating facility, a cooling pond, coal-handling facilities, related transmission facilities, five simple-cycle gas-fired combustion turbines and a 30-megawatt solar facility. Natural gas Units A through D have a summer peaking capacity of 65 megawatts each and Unit F has a summer peaking capacity of 128 megawatts. The Rawhide Energy Station facilities, except for the solar facility, are wholly owned and operated by Platte River.

Platte River Power Authority
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Yampa Project

Platte River owns 18%, or 154 megawatts, of Craig Units 1 and 2 of the Yampa Project as a tenant-in-common with four other electric utilities. The current Yampa Project Participation Agreement took effect on April 15, 1992. The Yampa Project consists of 855 megawatts of coal-fired generation and associated transmission plant facilities located near the town of Craig in northwestern Colorado. Platte River's share of the plant investment is included in plant in service, net, in the accompanying statements of net position. Platte River's share of operating expenses of the Yampa Project is included in operating expenses in the accompanying statements of revenues, expenses and changes in net position. Separate financial statements for the Yampa Project are not available. In addition, Platte River and all but one of the other Yampa Project participants own Trapper Mining, Inc., which owns and operates the adjacent coal mine that supplies the majority of Craig Units 1 and 2 fuel needs.

3. Summary of Significant Accounting Policies

Reporting Entity

For financial reporting purposes, Platte River meets the criteria of an "other stand-alone government" and has no component units as defined in Governmental Accounting Standards Board (GASB) Statements No. 14, as amended, and 39, *The Financial Reporting Entity and Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*. As a municipal utility and a separate governmental entity, Platte River is exempt from taxes on its property and income.

Basis of Accounting

Platte River accounts for its financial operations as a "proprietary fund" and the accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America. Platte River's accounts are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

As a Board-regulated entity, Platte River is subject to the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Regulated Operations, paragraphs 476–500, which requires the effects of the rate-making process to be recorded in the financial statements. Accordingly, certain expenses and revenues normally reflected in the statements of revenues, expenses and changes in net position as incurred are recognized when they are included in Platte

Platte River Power Authority
Notes to Financial Statements
December 31, 2017 and 2016

River's wholesale rates. Platte River has recorded various regulatory assets and credits to reflect the rate-making process (Note 9).

Budgetary Process

A formal budgetary process is required by Colorado State Local Government Law and is utilized as a management control tool. A proposed annual budget must be submitted to Platte River's Board of Directors by October 15 of each year. Following public hearings, the budget is considered for adoption by the Board of Directors on or before December 31. Since Platte River operates as an enterprise, it is not subject to Colorado's Taxpayers' Bill of Rights (TABOR) provisions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by GASB requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Electric Utility Plant and Depreciation

Electric utility plant is stated at the historical cost of construction. Construction costs include labor, materials, contracted services, and the allocation of indirect charges for engineering, supervision, transportation, and administrative expenses. The cost of additions to utility plant and replacement property units is capitalized. Repairs, maintenance, and minor replacement costs are charged to expense when incurred. When construction is debt-financed, an allowance for borrowed funds used during construction is included in the project cost.

Depreciation is recorded using the straight-line method over the estimated useful lives of the various classes of plant in service, which range from five to fifty years. Depreciation expense was approximately 2.0% and 2.1% of depreciable property for the years 2017 and 2016, respectively. The original cost of property replaced or retired, and removal costs less salvage, are charged to accumulated depreciation.

Platte River Power Authority

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Cash and Cash Equivalents

For purposes of the statements of cash flows, Platte River considers all cash on deposit with financial institutions and highly liquid investments with an original maturity of less than three months, excluding special funds and investments, as cash and cash equivalents.

Closure and Postclosure Care Costs of Disposal Facility

Platte River accrues a liability of estimated future closure and postclosure care costs for its Rawhide Energy Station ash disposal facility. The liability is determined by multiplying the estimated closure and postclosure care costs in current dollars by the percentage of the disposal facility's total estimated capacity used through the end of the year.

Closure Costs for Impoundments

Platte River is obligated under state laws and regulations to remove wastes from impoundments at the Rawhide Energy Station and confirm that any environmental impact has been addressed prior to closing them. During 2016, the State of Colorado notified Platte River of the need to report a liability for such removal and closure costs.

At December 31, 2016, Platte River accrued a liability of \$7,557,000 for the estimated clean closure costs of these impoundments. A corresponding amount was recognized in other long-term assets. In 2017, Platte River began to amortize these costs over the estimated remaining useful life of each impoundment or the estimated remaining useful life of the facility, whichever is shorter. Platte River is in compliance with the financial assurances required by the state.

Long-term Debt

The difference between the reacquisition price and the net carrying amount of refunded debt (deferred amount on refundings) in an advance refunding transaction is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the defeased debt or the life of the new debt. The deferred amount is reported as a deferred outflow of resources.

Energy Risk Management

Platte River has established a formal energy risk management program to manage its exposure to risks associated with wholesale energy and natural gas market price fluctuations. Under Board of Directors' approved policies, Platte River may use various physical and financial instruments, such as physical forward contracts, futures, swaps, and option agreements. These transactions are hedges and any expense, gain or loss that is realized on these transactions is recorded as

Platte River Power Authority

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purchased power or fuel expense in the accompanying statements of revenues, expenses and changes in net position.

There were no natural gas swap contracts entered into during 2017 and no swap contracts were outstanding at December 31, 2017 and 2016.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and costs directly related to the generation, purchase, and transmission of electricity. Operating revenues are billed and recorded at the end of each month for all electricity delivered. Revenues and expenses related to financing, investing, and other activities are considered to be nonoperating.

Defined Benefit Pension Plan

The Platte River Power Authority Defined Benefit Plan (the Plan) is a single-employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Platte River allows employees to accumulate unused vacation and sick leave. Vacation leave may be accumulated to a specified limit, whereas accumulated sick leave is unlimited. Upon retirement or termination of employment, employees are entitled to be paid for a portion of their accumulated unused sick leave. Unused vacation leave is paid in full upon an employee's retirement or termination of employment.

In the financial statements, a portion is estimated of the total unused vacation and sick leave as due within one year with the remainder of the liability recorded as a noncurrent liability.

Deferred Outflows of Resources

Deferred outflows consist of unamortized deferred losses on refunding of debt and pension-related deferrals.

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Deferred Inflows of Resources

Deferred inflows consist of the estimated incremental expenses of scheduled major maintenance outages and pension-related deferrals.

Use of Restricted and Unrestricted Resources

The use of restricted and unrestricted resources will be based on the intended purposes as indicated in the bond resolutions.

Recent Accounting Pronouncements

Platte River implemented GASB Statement No. 72, *Fair Value Measurement and Application*, in 2016. Because Platte River was already reporting investments at fair value, the primary effect of the implementation was additional note disclosures.

Reclassifications

Certain reclassifications have been made to conform the prior year's information to the current year presentation.

4. Electric Utility Plant

Electric utility plant asset activity for the year ended December 31, 2017, was as follows:

	December 31 2016	Increases	Decreases	December 31 2017
	<i>(In thousands)</i>			
Nondepreciable assets:				
Land and land rights	\$ 16,997	\$ -	\$ -	\$ 16,997
Construction work in progress	57,036	39,040	(20,661)	75,415
	74,033	39,040	(20,661)	92,412
Depreciable assets:				
Production plant	895,831	17,330	(12,577)	900,584
Transmission plant	353,913	8,405	(651)	361,667
General plant	37,502	4,038	(1,320)	40,220
	1,287,246	29,773	(14,548)	1,302,471
Less accumulated depreciation	(782,145)	(26,013)	(33,750)	(841,908)
Total electric utility plant	\$ 579,134	42,800	(68,959)	\$ 552,975

Platte River Power Authority

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According to FERC accounting guidelines, when an asset is disposed, the book cost along with the cost of removal and salvage proceeds of the asset shall be charged to the applicable accumulated depreciation account and used to calculate a new service value to be amortized over the remaining useful life of the facility, which is currently 2046. The most significant disposal in 2017 was a portion of the Windy Gap water units. The sale of 23 units of Windy Gap water was finalized for \$39 million. Platte River received the right to participate in additional storage in the Windy Gap Firing Project resulting in an intangible asset valued at \$7 million. A salvage value of \$46 million was recorded for all Windy Gap units sold, as the majority of the assets were fully depreciated.

Electric utility plant asset activity for the year ended December 31, 2016, was as follows:

	December 31			December 31
	2015	Increases	Decreases	2016
	<i>(In thousands)</i>			
Nondepreciable assets:				
Land and land rights	\$ 14,515	\$ 2,482	\$ –	\$ 16,997
Construction work in progress	43,902	38,404	(25,270)	57,036
	<u>58,417</u>	<u>40,886</u>	<u>(25,270)</u>	<u>74,033</u>
Depreciable assets:				
Production plant	893,311	12,448	(9,928)	895,831
Transmission plant	345,506	9,014	(607)	353,913
General plant	37,170	1,924	(1,592)	37,502
	<u>1,275,987</u>	<u>23,386</u>	<u>(12,127)</u>	<u>1,287,246</u>
Less accumulated depreciation	(759,951)	(27,220)	5,026	(782,145)
Total electric utility plant	<u>\$ 574,453</u>	<u>\$ 37,052</u>	<u>\$ (32,371)</u>	<u>\$ 579,134</u>

5. Cash and Investments

Investment of Platte River's funds is administered in accordance with Colorado law and Platte River's General Power Bond Resolution, Fiscal Resolution and Investment Policy. Accordingly, Platte River may only invest in obligations of the United States government and its agencies and other investments permitted under Colorado law. Platte River records its investments at their estimated fair market values. The unrealized holding gains and losses on these investments are included in net increase (decrease) in fair value of investments in the statements of revenues, expenses and changes in net position.

The fair value of investments is presented on the statements of net position as special funds and investments, cash and cash equivalents, and other temporary investments. Special funds and investments are either internally dedicated by Board Resolution (dedicated funds and investments) or restricted as to use by Platte River's General Power Bond Resolution (restricted

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Notes to Financial Statements

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funds and investments). The fair value of investments, exclusive of accrued interest of \$409,000 and \$233,000 as of December 31, 2017 and 2016, respectively, are shown in the following tables.

As of December 31, 2017, Platte River had the following cash and investments and related maturities:

Cash and Investment Type	Value	Investment Maturities (in years)				
		Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
<i>(In thousands)</i>						
U.S. Treasuries	\$ 64,644	\$ 19,651	\$ 29,137	\$ 15,856	\$ -	\$ -
U.S. Agencies:						
FFCB	7,030	1,990	5,040	-	-	-
FHLB	10,430	4,490	2,970	2,970	-	-
FHLMC	8,930	1,992	-	6,938	-	-
FNMA	9,456	-	9,456	-	-	-
Total securities	100,490	28,123	46,603	25,764	-	-
Certificates of deposit	3,319	-	-	3,319	-	-
Cash and money market funds	2,008	2,008	-	-	-	-
Local government investment pools	68,156	68,156	-	-	-	-
Total cash and investments	\$173,973	\$ 98,287	\$ 46,603	\$ 29,083	\$ -	\$ -

Statement of net position presentation of cash, cash equivalents and investments is as follows as of December 31, 2017:

	Value	Accrued Interest	Total
<i>(In thousands)</i>			
Restricted funds and investments	\$ 36,488	\$ 49	\$ 36,537
Dedicated funds and investments	86,640	230	86,870
Cash and cash equivalents	17,175	1	17,176
Other temporary investments	33,670	129	33,799
Total cash and investments	\$ 173,973	\$ 409	\$ 174,382

Platte River Power Authority

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As of December 31, 2016, Platte River had the following cash and investments and related maturities:

Cash and Investment Type	Value	Investment Maturities (in years)				
		Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
<i>(In thousands)</i>						
U.S. Treasuries	\$ 39,858	\$ 24,002	\$ 10,901	\$ 4,955	\$ -	\$ -
U.S. Agencies:						
FFCB	16,063	9,044	1,982	5,037	-	-
FHLB	12,569	5,109	4,486	2,974	-	-
FHLMC	1,988	-	1,988	-	-	-
FNMA	9,455	-	-	9,455	-	-
Total securities	79,933	38,155	19,357	22,421	-	-
Certificates of deposit	8,133	8,133	-	-	-	-
Cash and money market funds	3,822	3,822	-	-	-	-
Local government investment pools	63,337	63,337	-	-	-	-
Total cash and investments	<u>\$155,225</u>	<u>\$113,447</u>	<u>\$ 19,357</u>	<u>\$ 22,421</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of net position presentation of cash, cash equivalents and investments is as follows as of December 31, 2016:

	Value	Accrued Interest	Total
<i>(In thousands)</i>			
Restricted funds and investments	\$ 61,569	\$ 55	\$ 61,624
Dedicated funds and investments	60,658	129	60,787
Cash and cash equivalents	14,158	1	14,159
Other temporary investments	18,840	48	18,888
Total cash and investments	<u>\$ 155,225</u>	<u>\$ 233</u>	<u>\$ 155,458</u>

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Notes to Financial Statements

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Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Platte River's investment policy and Colorado state statutes limit the investment portfolio to maturities of five years or less. Platte River uses a ladder approach to investing funds based on projected cash flows. The assumed maturity date for callable securities is based on market conditions as of December 31, 2017. If the price of the security is at or above its call price, the security is assumed to be redeemed on its next call date.

Credit Risk

Platte River's investment policy allows investments in local government investment pools and money market funds. As of December 31, 2017, Platte River maintained investments in funds managed by the local government investment pool Colorado Local Government Liquid Asset Trust (COLOTRUST), and the Colorado Statewide Investment Program (CSIP). COLOTRUST and CSIP Liquid Portfolios are both rated AAAM by Standard and Poor's Ratings Services (S&P). CSIP's TERM Portfolio is rated AAAF by FitchRatings. Platte River's investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) were rated Aaa by Moody's Investors Service and AA+ by S&P.

Concentration of Credit Risk

Platte River's investment policy states that assets held in Platte River's funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of December 31, 2017, more than 5% of Platte River's investments were concentrated in FHLB, FHLMC and FNMA. These investments are 6.0%, 5.1% and 5.4%, respectively, of Platte River's total investments (including investments held in local government investment pools and certificates of deposit).

Fair Value

Platte River categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are prices determined using observable inputs other than Level 1 prices such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets; Level 3 inputs are significant unobservable inputs.

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Platte River had the following recurring fair value measurements as of December 31, 2017:

- U.S. Treasury securities of \$64,644,000 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$35,846,000 are valued using Level 2 inputs

Platte River has the following recurring fair value measurements as of December 31, 2016:

- U.S. Treasury securities of \$39,858,000 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$40,075,000 are valued using Level 2 inputs

Platte River utilizes two local government investment pools for investment, when a high degree of liquidity is prudent. The two pools are COLOTRUST and CSIP. COLOTRUST is a local government investment pool with a stable net asset value. CSIP is a local government investment pool in which the underlying investments are measured at the investments' net asset value. The State Securities Commissioner administers and enforces all State statutes governing these pools. They operate similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. Investment objectives and strategies focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. They may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of the U.S. government agencies and highly rated commercial paper. A designated custodial bank serves as a custodian for the portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the investment pools. The investment pools do not have any limitations or restrictions on participant withdrawals.

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Notes to Financial Statements

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6. Noncurrent Liabilities

Noncurrent liability activity for the year ended December 31, 2017 was as follows:

	December 31 2016	Additions	Reductions	December 31 2017	Due within one year
	<i>(In thousands)</i>				
Long-term debt, net	\$ 250,838	\$ -	\$ (27,270)	\$ 223,568	\$ 14,580
Net pension liability	20,508	-	(1,113)	19,395	-
Reclamation liability	3,091	-	(7)	3,084	-
Disposal facility closure costs	195	3	-	198	-
Impoundments closure costs	7,557	-	-	7,557	-
Compensated absences	4,494	637	(443)	4,688	391
Lease advances	740	98	(93)	745	91
Yampa employee obligation	371	12	-	383	-
Total noncurrent liabilities	\$ 287,794	\$ 750	\$ (28,926)	\$ 259,618	\$ 15,062

Noncurrent liability activity for the year ended December 31, 2016 was as follows:

	December 31 2015	Additions	Reductions	December 31 2016	Due within one year
	<i>(In thousands)</i>				
Long-term debt, net	\$ 200,174	\$ 179,170	\$ (128,506)	\$ 250,838	\$ 23,550
Capitalized lease obligation	6,292	-	(6,292)	-	-
Net pension liability	6,693	13,815	-	20,508	-
Reclamation liability	4,253	-	(1,162)	3,091	-
Disposal facility closure costs	192	3	-	195	-
Impoundments closure costs	-	7,557	-	7,557	-
Compensated absences	4,442	514	(462)	4,494	353
Lease advances	823	-	(83)	740	83
Yampa employee obligation	360	11	-	371	-
Total noncurrent liabilities	\$ 223,229	\$ 201,070	\$ (136,505)	\$ 287,794	\$ 23,986

Platte River Power Authority
Notes to Financial Statements
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7. Long-term Debt

Long-term debt outstanding as of December 31, 2017 and 2016 consists of the following:

	<u>Interest Rate</u>	December 31	
		2017	2016
		<i>(In thousands)</i>	
Power Revenue Bonds (all Serial Bonds)			
Series GG Maturing 6/1/2018	4.50%–5.00%	\$ 12,755	\$ 30,520
Series HH Maturing 6/1/2019	3.00%–5.00%	8,085	8,185
Series II Maturing 6/1/2037	4.00%–5.00%	26,270	31,955
Series JJ Maturing 6/1/2036	3.50%–5.00%	147,230	147,230
		194,340	217,890
Unamortized bond premium		29,228	32,948
Total revenue bonds outstanding		223,568	250,838
Less: due within one year		(14,580)	(23,550)
Total long-term debt, net		\$ 208,988	\$ 227,288

Fixed rate bond premium costs are amortized over the terms of the related bond issues.

Interest expense for the years ended December 31, 2017 and 2016 is comprised of the following:

	2017	2016
	<i>(In thousands)</i>	
Interest	\$ 9,582	\$ 10,066
Amortization of bond related costs	(2,123)	(1,543)
Total interest expense	\$ 7,459	\$ 8,523

Platte River Power Authority

Notes to Financial Statements

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Calendar year totals for monthly bond service funding requirements per bond resolution for all bonds outstanding, which may differ from actual semi-annual debt service requirements by year, are shown in the table below:

Year ending December 31	Principal	Interest	Total
	<i>(In thousands)</i>		
Deposits in 2017 for 2018 payment	\$ 8,505	\$ 763	\$ 9,268
2018	12,104	8,729	20,833
2019	10,321	8,129	18,450
2020	10,604	7,620	18,224
2021	11,130	7,096	18,226
2022	11,682	6,547	18,229
2023–2027	67,346	23,701	91,047
2028–2032	37,326	10,405	47,731
2033–2037	25,322	3,235	28,557
	<u>\$ 194,340</u>	<u>\$ 76,225</u>	<u>\$ 270,565</u>

In April 2016, Platte River issued \$147,230,000 Series JJ Power Revenue Bonds at a true interest cost of 2.2%. The bonds were sold at a \$31,940,000 premium, providing total bond proceeds of \$179,170,000. Proceeds of \$60,208,000 will be used to fund capital projects and pay issuance costs and \$118,962,000 was used to advance refund a portion of the outstanding Series HH Bonds. The refunding resulted in an economic gain (net present value savings) of \$13,652,000.

The proceeds from the Series JJ Bonds along with the proceeds and available cash from prior year's refunded bonds have been placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Platte River's financial statements. As of December 31, 2017, \$105,440,000 of the defeased Series HH Bonds and \$8,735,000 of the defeased Series I Bonds remains outstanding.

Bond Service Coverage

Power revenue bonds are secured by a pledge of the revenues of Platte River after deducting operating expenses, as defined in the General Power Bond Resolution. The power revenue bonds issued by Platte River may be subject to early call provisions. Principal and interest payments are met from net revenues earned from wholesale electric rates charged to the municipalities and others, and from interest earnings.

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Under the General Power Bond Resolution, Platte River is required to charge wholesale electric energy rates to the municipalities that are reasonably expected to yield net revenues for the forthcoming 12-month period that are at least equal to 1.10 times total power bond service requirements. Under the General Power Bond Resolution, Platte River has established a Rate Stabilization Reserve Account. Deposits to this account are a reduction to current net revenues for purposes of computing bond service coverage. Future withdrawals will increase net revenues for purposes of computing bond service coverage and could assist Platte River, at such time, in meeting its wholesale rate covenant. The balances in the Rate Stabilization Reserve Account at December 31, 2017 and 2016 were \$20,049,000 and \$20,166,000, respectively, excluding accrued interest. The Rate Stabilization Reserve Account is included in dedicated funds and investments in the statements of net position.

The following table is a calculation of the power revenue bond coverage ratios for the years ended December 31, 2017 and 2016:

	2017	2016
	<i>(In thousands)</i>	
Net revenues:		
Operating revenues	\$ 213,297	\$ 205,293
Operating expenses, excluding depreciation	168,512	154,478
Net operating revenues	<u>44,785</u>	50,815
Plus interest and other income ⁽¹⁾	2,422	1,921
Net revenues before rate stabilization	<u>47,207</u>	52,736
Rate stabilization:		
Deposits	-	-
Withdrawals	-	-
Total net revenues	<u>\$ 47,207</u>	<u>\$ 52,736</u>
Bond service:		
Power revenue bonds	\$ 27,900	\$ 30,726
Allowance for funds used during construction	(903)	(1,137)
Net revenue bond service	<u>\$ 26,997</u>	<u>\$ 29,589</u>
Power revenue bond coverage ratio	<u>1.75</u>	<u>1.78</u>

⁽¹⁾ Excludes unrealized holding gains and losses on investments.

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Arbitrage Rebate

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. Interest income on bond proceeds that exceeds the cost of borrowing is payable to the federal government on every fifth anniversary of each bond issue. No arbitrage liability was outstanding as of December 31, 2017 and 2016.

Deferred Outflows of Resources Related to Debt

As of December 31, 2017, and 2016, deferred outflows related to debt consisted of the unamortized deferred loss on debt refundings of \$8,437,000 and \$9,916,000, respectively.

8. Capitalized Lease Obligation

Under an agreement with the Municipal Subdistrict of the Northern Colorado Water Conservancy District, Platte River is entitled to an allocation of one-third of the available water from the Windy Gap Project, a water diversion facility completed May 1, 1985. Under the agreement, Platte River was obligated to pay each year one-third of the debt service and approximately one-third of the actual operating and maintenance costs of the Windy Gap Project. In April 2016, the Municipal Subdistrict defeased all outstanding maturities of the Series H Water Revenue Bonds with Subdistrict project reserve funds. As a result of the defeasance, Platte River wrote off its remaining share of the principal amounts of the defeased bonds in the amount of \$3,229,000. As of December 31, 2016, the capitalized lease of \$41,590,000 for Platte River's water allotment was fully amortized. These payments, which totaled \$4,918,000 in 2016, were included in operations and maintenance expenses in the accompanying statements of revenues, expenses and changes in net position, as allowed under GASB 62, paragraphs 476–500.

9. Regulatory Assets and Deferred Inflows of Resources Related to Regulatory Credits

Additional Pension Expense

Platte River funds its defined benefit pension plan (Note 11) based on cost estimates developed on an actuarial basis. In addition to the base contribution, Platte River has an additional funding charge if the market value of the assets is less than 100% of the actuarial present value of accumulated plan benefits. Effective January 1, 2010, the Board of Directors approved a policy under GASB 62, paragraphs 476–500, that provides for the expense recognition of any additional pension funding charge to be spread over a ten-year period. Each subsequent year's additional funding charge, if any, will be added to the regulatory prepaid asset and amortized over an additional ten-year period. There was an additional pension funding charge of \$2,200,000 in 2017

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and no additional pension funding charge for 2016. The regulatory prepaid asset for additional pension expense was \$3,079,000 and \$1,542,000 as of December 31, 2017 and 2016, respectively. The current portion of these amounts, \$663,000 as of December 31, 2017 and 2016, is included as a component of prepayments and other assets in the statements of net position.

Debt Issuance Costs

Under GASB 65, debt issuance costs are required to be expensed in the period incurred rather than amortized over the life of the related debt. In order to provide recovery for debt issuance costs through rates, the Board of Directors approved the use of GASB 62, paragraphs 476–500, to recognize debt issuance costs as a regulatory asset and to amortize these costs over the life of the associated debt. Unamortized debt issuance costs included in regulatory assets were \$709,000 and \$828,000 as of December 31, 2017 and 2016, respectively.

Accrued Maintenance Outage Costs

As allowed under GASB 62, paragraphs 476–500, an accrual for the estimated incremental expenses of future scheduled major maintenance outages is recorded each year. After the 2015 Rawhide Unit 1 maintenance outage was completed, a portion of the estimated maintenance and replacement power costs for the next major maintenance outage, planned for the fall of 2018, was accrued. During 2016, the accrual estimate was expanded to include 100% of the total estimated outage costs. As of December 31, 2017, and 2016, \$9,383,000 and \$4,089,000, respectively, was accrued as a deferred inflow of resources for the 2018 scheduled maintenance outage planned for Rawhide Unit 1.

Pension Contribution Expense Recognition

Effective for the year ending December 31, 2015, Platte River's Board of Directors approved recording pension contributions as pension expense under GASB 62, paragraphs 476–500, since the pension contribution amount is known at the time of budget preparation and rate setting. Any difference between pension contribution and pension expense, as calculated by the actuary under GASB 68, will be classified as either a regulatory credit or a deferred inflow of resources and amortized over a ten-year period beginning the following year. The amortization amount will be included in pension expense along with the pension contribution for each year calculated. At December 31, 2017, a regulatory credit of \$392,000 was recorded in deferred inflows of resources as a result of the difference between the 2017 contribution amount of \$6,220,000 and pension expense of \$5,828,000 as calculated under GASB 68. The regulatory credit for unamortized pension expense was \$962,000 and \$640,000, respectively, as of December 31, 2017 and 2016 and was accrued as a deferred inflow of resources. The regulatory asset for unamortized pension expense was \$4,122,000 and \$4,580,000, respectively, as of December 31, 2017 and 2016.

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10. Net Investment in Capital Assets

Net investment in capital assets is comprised of the following as of December 31, 2017 and 2016:

	2017	2016
	<i>(In thousands)</i>	
Electric utility plant	\$ 552,975	\$ 579,134
Unspent Series JJ bond proceeds	15,528	35,160
Deferred loss on debt refundings	8,437	9,916
Long-term debt, net	(223,568)	(250,838)
Accounts payable incurred for capital assets	(2,519)	(3,643)
	\$ 350,853	\$ 369,729

11. Defined Benefit Pension Plan

Plan Description

The Platte River Power Authority Defined Benefit Plan (the Plan) is a single-employer, defined benefit pension plan administered by Platte River with managerial responsibilities for investment decisions residing with the Plan’s Retirement Committee. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan participants and beneficiaries. All regular Platte River employees hired prior to September 1, 2010 are covered by the Plan. The Plan is closed to new employees hired on or after that date. Benefit provisions of the Plan are determined and authorized by the Board of Directors of Platte River. Platte River issues a publicly available financial report for the Plan that can be obtained at www.prrpa.org.

Benefits Provided

The Plan provides for 100% vesting after five years of service to all eligible employees. Retirement benefits are based upon years of service rendered and the final average compensation earned by the participant in accordance with the Plan’s provisions. The Plan provides for normal retirement at age 65. Participants who are at least age 55 and have 10 years or more of credited service may choose early retirement with a reduced benefit. A special early retirement benefit is available at age 62, with unreduced benefits, if certain years of service and age requirements are met as defined by the Plan document.

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Benefits paid by the Plan are adjusted annually by the change in the consumer price index, subject to a maximum increase of 6% for employees who retired prior to December 6, 1991. Those employees who retired on or after December 6, 1991, receive two-thirds of the change in the consumer price index, up to a maximum of 4%.

At December 31, 2016, the measurement date, the participants in the Plan are:

	<u>Number of Participants</u>
Retirees and beneficiaries currently receiving benefits	134
Terminated vested employees not yet receiving benefits	53
Active plan participants	<u>142</u>
Total participants	329

Contributions

All contributions to the Plan are authorized by the Board of Directors and made by Platte River. The Plan's funding policy is intended to fund current service costs as they accrue, plus an additional funding charge if the market value of the assets is less than 100% of the actuarial present value of accumulated plan benefits. Platte River's contributions to the Plan for the years ended December 31, 2017 and 2016 of \$6,220,000 and \$2,912,000, respectively, equaled the actuarially determined requirements.

Net Pension Liability

The net pension liability of \$19,395,000 reported as of December 31, 2017 was measured as of December 31, 2016, and the net pension liability of \$20,508,000 reported as of December 31, 2016 was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability at the December 31, 2016 and 2015 measurement dates was determined by actuarial valuations as of January 1, 2017 and 2016, respectively.

The actuarial valuations for the December 31, 2016 and December 31, 2015 measurement dates used the following actuarial assumptions.

	<u>2016</u>	<u>2015</u>
Salary increases	3.0%	3.0%
Investment rate of return	7.5%	7.5%
Cost of living	1.5%	1.5%

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Mortality rates for the measurement period ended December 31, 2016 and 2015 were based on the RP-2014 table for males and females combined with the MP-2014 projection scale.

The long-term expected rate of return on Plan investments was based on a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The estimates for each major asset class that is included in the Plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities – Large cap	18.00%	7.25%
Domestic equities – Mid/small cap	7.00%	7.75%
International equities	10.00%	8.50%
Emerging market equities	4.00%	10.00%
Core fixed income	8.00%	2.50%
High yield	3.00%	4.00%
Floating rate corporate loans	9.00%	5.25%
Commodities	6.00%	5.00%
Real estate	15.00%	7.50%
Liquid low correlated hedge	15.00%	5.50%
Master limited partnerships	5.00%	6.25%

The discount rate used to measure the total pension liability was 7.5% for both years ended December 31, 2016 and 2015. To determine the projection of cash flows, the following assumptions were made: employer contributions are made throughout the year and, on average, at mid-year; benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year; annuity payments are payable monthly at the beginning of the month and lump sum payments are payable on the date of decrement. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the net pension liability for the year ended December 31, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
	<i>(In thousands)</i>		
Balances at December 31, 2016	\$ 109,985	\$ 89,477	\$ 20,508
Changes for the year:			
Service cost	1,728	-	1,728
Interest	8,176	-	8,176
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(620)	-	(620)
Employer contributions	-	2,912	(2,912)
Net investment income	-	7,485	(7,485)
Benefit payments	(5,418)	(5,418)	-
Changes of assumptions	-	-	-
Net changes	<u>3,866</u>	<u>4,979</u>	<u>(1,113)</u>
Balances at December 31, 2017	<u>\$ 113,851</u>	<u>\$ 94,456</u>	<u>\$ 19,395</u>

Changes in the net pension liability for the year ended December 31, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
	<i>(In thousands)</i>		
Balances at December 31, 2015	\$ 98,124	\$ 91,431	\$ 6,693
Changes for the year:			
Service cost	1,839	-	1,839
Interest	7,665	-	7,665
Changes of benefit terms	2,397	-	2,397
Differences between expected and actual experience	931	-	931
Employer contributions	-	3,302	(3,302)
Net investment income	-	(624)	624
Benefit payments	(4,632)	(4,632)	-
Changes of assumptions	3,661	-	3,661
Net changes	<u>11,861</u>	<u>(1,954)</u>	<u>13,815</u>
Balances at December 31, 2016	<u>\$ 109,985</u>	<u>\$ 89,477</u>	<u>\$ 20,508</u>

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The changes of assumptions were due to updating the mortality table from the RP-2000 to the RP-2014 table combined with the modified MP-2014 projection scale, reducing the cost of living assumption from 2% to 1.5%, reducing the Plan stated interest rate assumption from 8% to 7.5%, and reducing the salary increase assumption from 4.5% to 3%.

The net pension liability (asset) of Platte River at December 31, 2017 and 2016, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2017		2016	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
	<i>(Dollars in thousands)</i>			
1% Decrease	6.5%	\$ 30,224	6.5%	\$ 31,083
Current discount rate	7.5%	19,395	7.5%	20,508
1% Increase	8.5%	10,074	8.5%	11,413

Pension Expense

The Board of Directors approved policies under GASB 62, paragraphs 476–500, that allow Platte River to recognize pension expense when recovered through rates rather than recording the amount calculated under GASB 68. For the year ended December 31, 2017, Platte River recognized pension expense of \$5,070,000. Pension expense for 2017 consists of the \$4,020,000 employer contribution plus \$663,000 amortization of the additional funding charge and \$387,000 amortization of the difference between prior year's contributions and pension expense as calculated by GASB 68. For the year ended December 31, 2016, Platte River recognized pension expense of \$3,284,000. Pension expense for 2016 consists of the \$2,912,000 employer contribution plus \$443,000 amortization of the additional funding charge and (\$71,000) amortization of the difference between the 2015 contribution and pension expense as calculated by GASB 68. Additional details about regulatory accounting for pension expense can be found in Note 9.

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Notes to Financial Statements

December 31, 2017 and 2016

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, Platte River reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(In thousands)</i>	
Differences between expected and actual experience	\$ 543	\$ 561
Changes of assumptions	2,136	252
Net difference between projected and actual earnings on pension plan investments	5,650	695
Contributions subsequent to the measurement date	6,220	-
Total	\$ 14,549	\$ 1,508

At December 31, 2016, Platte River reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(In thousands)</i>	
Differences between expected and actual experience	\$ 737	\$ 112
Changes of assumptions	2,898	360
Net difference between projected and actual earnings on pension plan investments	7,687	-
Contributions subsequent to the measurement date	2,912	-
Total	\$ 14,234	\$ 472

Contributions of \$6,220,000 made subsequent to the measurement date and reported as deferred outflows of resources, as of December 31, 2017, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. The \$2,912,000 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date, as of December 31, 2016, was recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2017 will be recognized as a component of pension expense as follows:

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Year ending December 31	<u>(In thousands)</u>
2018	\$ 2,541
2019	2,541
2020	1,982
2021	(242)

12. Defined Contribution Pension Plan

Effective September 1, 2010, the Board of Directors established the Platte River Power Authority Defined Contribution Plan (in accordance with the Internal Revenue Code Section 401(a)) for all regular employees hired on or after that date. As of December 31, 2017, there were 122 active plan participants. The plan’s assets are held in an external trust account. The General Manager of Platte River is the Plan Administrator and benefit provisions and contribution requirements are authorized and may be amended by the Board of Directors.

Platte River contributed the required contribution of 5% of earnings for plan participants with fewer than five years of service and 7% for those with five or more years of service. Platte River will also contribute to the 401(a) an amount equal to 50% of the participant’s contributions to a separate 457(b) plan, taking into account only such participant contributions up to 6% of the participant’s earnings. For the years ended December 31, 2017 and 2016, contributions to the 401(a) plan by Platte River, which were recognized as expenses, were \$731,000 and \$662,000, respectively. The employer contributions to the 401(a) plan vest 100% after three years. The plan’s records are kept on the accrual basis.

13. Contribution of Fiber Optic Network to Municipalities

During 1998, Platte River constructed a fiber optic network between and around the four municipalities to which it provides electric service. The surplus capacity in the network built around the City of Longmont was contributed to the City of Longmont in 1998 and was recorded as a return of capital. Platte River retained ownership of the remaining fiber optic network, and in 1999, began leasing surplus portions of the dark fiber for the benefit of each of the remaining three municipalities to independent telecommunication service providers. The contributions of the fiber assets to the municipalities of \$137,000 and \$191,000 for the years ended December 31, 2017 and 2016, respectively, is considered a return of capital on the original asset. As of December 31, 2017 and 2016, lease advances of \$745,000 and \$740,000, respectively, have been recorded as a liability in the statements of net position. The municipalities’ portion of the lease payments received is flowed through to the municipalities, net of Platte River’s costs.

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14. Insurance Programs

Platte River has purchased insurance policies to cover the risk of loss related to various general liability and property loss exposures. The amount of insurance settlements has not exceeded insurance coverage in the past three years. Platte River also provides a self-insured medical and dental plan to its employees. Medical stop-loss insurance has been purchased, which covers losses in excess of \$175,000 per person per incident. A liability was recorded for estimated medical and dental claims that have been incurred but not reported of \$630,000 at December 31, 2017 and \$446,000 at December 31, 2016. A third-party administrator is used to account for the health insurance claims and provides the estimated medical claims liability based on prior claims payment experience. The medical claims liability is included as a component of accounts payable in the statements of net position.

Changes in the balance of the medical claims liability during 2017 and 2016 were as follows:

	2017	2016
	<i>(In thousands)</i>	
Medical claims liability, beginning of year	\$ 446	\$ 499
Current year claims and changes in estimates	3,021	3,155
Claim payments	(2,837)	(3,208)
Medical claims liability, end of year	\$ 630	\$ 446

15. Commitments

Platte River has two long-term purchase power contracts with the Western Area Power Administration. The contract with the Colorado River Storage Project continues through September 30, 2024. The Loveland Area Projects contract continues through June 30, 2054. The federal hydroelectric power received in 2017 provided approximately 20% of the resources needed by Platte River to serve the loads of the four owner municipal systems. The contract rates and the amount of energy available are subject to change. During 2017, Platte River purchased \$17,677,000 under these contracts.

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Platte River and three of the other four participants in the Yampa Project own Trapper Mine, the primary source of coal for the Yampa Project. The contract provides for delivery of specified amounts of coal to each Yampa owner through 2020. Supplemental coal was supplied through the year 2017 under a contract with ColoWyo Coal Company. These contracts are subject to price adjustments. During 2017, coal purchases totaled \$14,108,000 from Trapper Mine and \$5,948,000 from ColoWyo Coal Company.

The Rawhide Energy Station's coal purchase and transportation agreements are under multiple-year contracts. Base prices for these contracts are subject to future price adjustments. During 2017, Platte River paid \$27,892,000 for coal delivered under these agreements.

Platte River has committed to purchase Renewable Energy Certificates (RECs) for the years 2018 through 2024 with future payments of \$3,763,000. During 2017, Platte River purchased \$550,000 under these REC agreements.

In addition, Platte River has entered into agreements to purchase renewable wind energy output of 12 megawatts from Silver Sage Windpower Project through 2027, 60 megawatts from Spring Canyon Expansion Wind Energy Center through 2039, and approximately 6 megawatts from Medicine Bow Wind Project through 2033. During 2017, Platte River purchased \$9,391,000 under these renewable wind energy agreements.

In October 2016, a 30-megawatt solar photovoltaic power plant, located at the Rawhide Energy Station, began commercial operation. Platte River executed an agreement with Bison Solar LLC, the owner of the facility, to purchase all the output through 2041. During 2017, Platte River purchased \$3,163,000 under this agreement.

In January 2018, Platte River entered into an agreement to purchase renewable wind energy from the Roundhouse Wind Project, a wind electric generating facility with an expected installed capacity of approximately 150 MW, through 2042. The facility is expected to be on-line in 2020.

Platte River and the other Yampa Project participants, in order to comply with recent environmental regulations, have agreed to upgrade the NOx emissions control equipment at Craig Unit 2 beginning in 2012. Platte River's share of the capital costs of these upgrades is estimated to be approximately \$31,854,000 of which \$31,439,000 has been expended through

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December 31, 2017. The project was fully operational in 2017 with final close-out expenses to be incurred in 2018.

16. Risks and Contingencies

The owners of the Craig Station power plant, acting through Tri-State as operating agent, reached an agreement with the Colorado Department of Public Health and Environment, U.S. Environmental Protection Agency, WildEarth Guardians and the National Parks Conservation Association to revise the Colorado Visibility and Regional Haze State Implementation Plan. Under this agreement, Craig Station Unit 1 will have more stringent limits on annual emissions beginning in 2020 and will be retired by December 31, 2025. As of December 31, 2017, the decommissioning and closure costs have not been determined.

In the ordinary course of business, Platte River may be impacted by various legal matters and is subject to legislative, administrative, and regulatory requirements relative to environmental issues. Although the outcomes of such matters are not possible to predict, management is aware of no pending legal matters or environmental regulations for which the outcome is likely to have a material adverse effect upon Platte River's operations, financial position or changes in financial position in the near term.

Although Platte River is aggressively taking steps to diversify its generation resource mix, at present Platte River obtains the majority of its power from coal generating facilities. Changes in environmental regulations could affect the cost of generation for these facilities or could require significant capital expenditures. The Clean Power Plan is an example of a regulation that could materially affect the rates Platte River charges its customers. At present implementation of the Clean Power Plan is stayed by order of the Supreme Court, and it is anticipated that a replacement rule will be proposed by the Environmental Protection Agency. Current information indicate that the replacement rule may be less impactful, but the issue of carbon emissions is one that will remain of primary importance to Platte River.

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Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios – GASB 68 Last 4 Calendar Years

	2017	2016	2015	2014
	<i>(In thousands)</i>			
Total pension liability				
Service cost	\$ 1,728	\$ 1,839	\$ 1,885	\$ 1,949
Interest	8,176	7,665	7,343	7,005
Changes of benefit terms	–	2,397	–	(135)
Differences between expected and actual experience	(620)	931	(180)	86
Changes of assumptions	–	3,661	(574)	(726)
Benefit payments	(5,418)	(4,632)	(4,287)	(3,886)
Net change in total pension liability	3,866	11,861	4,187	4,293
Total pension liability—beginning	109,985	98,124	93,937	89,644
Total pension liability—ending (a)	<u>\$ 113,851</u>	<u>\$ 109,985</u>	<u>\$ 98,124</u>	<u>\$ 93,937</u>
Plan fiduciary net position				
Contributions – employer	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544
Net investment income	7,485	(624)	4,658	12,011
Benefit payments	(5,418)	(4,632)	(4,287)	(3,886)
Net change in plan fiduciary position	4,979	(1,954)	4,276	12,669
Plan fiduciary net position—beginning	89,477	91,431	87,155	74,486
Plan fiduciary net position—ending (b)	<u>\$ 94,456</u>	<u>\$ 89,477</u>	<u>\$ 91,431</u>	<u>\$ 87,155</u>
Net pension liability—ending (a) – (b)	<u>\$ 19,395</u>	<u>\$ 20,508</u>	<u>\$ 6,693</u>	<u>\$ 6,782</u>
Plan fiduciary net position as a percentage of the total pension liability	82.96%	81.35%	93.18%	92.78%
Estimated covered payroll	\$ 16,874	\$ 17,305	\$ 17,951	\$ 18,614
Net pension liability as a percentage of estimated covered payroll	114.94%	118.51%	37.29%	36.43%

Note to Schedule

Historical information is not available for the years 2008 through 2013; additional years will be displayed as they become available until 10 years of historical data are presented.

Platte River Power Authority

Required Supplementary Information

Schedule of Employer Contributions – GASB 68 Last 10 Calendar Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	<i>(In thousands)</i>									
Actuarially determined contribution	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544	\$ 3,561	\$ 4,390	\$ 7,736	\$ 2,867	\$ 2,673
Contribution in relation to the actuarially determined contribution	6,220	2,912	3,302	3,905	4,544	3,561	4,390	7,736	2,866	2,673
Contribution deficiency (excess)	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 1	\$ –
Estimated covered payroll	\$ 16,215	\$ 16,874	\$ 17,305	\$ 17,951	\$ 18,614	\$ 18,766	\$ 18,728	\$ 17,714	\$ 18,521	\$ 16,320
Contributions as a percentage of estimated covered payroll	38.36%	17.26%	19.08%	21.75%	24.41%	18.98%	23.44%	43.67%	15.47%	16.38%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, two years prior to the end of the calendar year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability, entry age normal
Amortization method	5-year, level dollar, open period
Asset valuation method	4-year smoothed market
Salary increases	3.1%, average
Cost of living adjustments	For participants in pay status prior to 1/1/92 – 3%, for all other participants – 2%
Investment rate of return	7.5% for 2017 and 2016; 8% for 2015 – 2008

Platte River Power Authority

Other Information

Budgetary Comparison Schedule (Unaudited)

	Year Ended December 31, 2017		
	Budget	Actual	Variance
	<i>(In thousands)</i>		
Revenues			
Operating revenues:			
Sales to municipalities	\$ 191,944	\$ 189,579	\$ (2,365)
Sales for resale and other	23,305	23,718	413
Total operating revenues	215,249	213,297	(1,952)
Nonoperating revenues:			
Interest income ⁽¹⁾	1,208	1,796	588
Other income	498	626	128
Total nonoperating revenues	1,706	2,422	716
Total revenues	\$ 216,955	\$ 215,719	\$ (1,236)
Expenditures			
Operating expenses ⁽²⁾ :			
Purchased power	\$ 35,431	\$ 35,421	\$ 10
Fuel	48,800	47,708	1,092
Production	49,402	49,617	(215)
Transmission	16,187	14,152	2,035
Administrative and general	22,036	21,420	616
Total operating expenses	171,856	168,318	3,538
Debt service expenditures ⁽³⁾ :			
Interest expense	9,582	9,582	-
Principal	18,318	18,318	-
Allowance for funds used during construction	(560)	(903)	343
Total debt service expenditures	27,340	26,997	343
Capital additions:			
Production	28,579	23,649	4,930
Transmission	12,520	10,499	2,021
General	12,311	4,151	8,160
Total capital additions	53,410	38,299	15,111
Total expenditures	\$ 252,606	\$ 233,614	\$ 18,992
Revenues less expenditures	\$ (35,651)	\$ (17,895)	\$ 17,756

(1) Interest income excludes unrealized investment holding gains and losses.

(2) Operating expenses do not include depreciation and other nonappropriated expenses.

(3) Debt service expenditures represent monthly principal and interest funding.