

# **Platte River Power Authority**

Independent Auditor's Report and Financial Statements

Dec. 31, 2018 and 2017

# Platte River Power Authority

## Financial statements

Years ended Dec. 31, 2018 and 2017

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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 the business-type activity and the pension trust fund of Platte River Power Authority (Platte River), as of and for the years ended December 31, 2018 and 2017, 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 audits. 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 opinions.

Board of Directors  
Platte River Power Authority

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Platte River and the pension trust fund as of December 31, 2018 and 2017, 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.

### **Emphasis of Matters**

As discussed in Note 3 to the financial statements, in 2018, the Authority adopted GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

As discussed in Note 17 to the financial statements, in 2018, the Authority adopted a change in accounting principle to change the measurement date of the net pension liability. Our opinions are not modified with respect to this matter.

### **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  
April 10, 2019

**Platte River Power Authority**  
Management's discussion and analysis (*unaudited*)  
Dec. 31, 2018 and 2017

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority for the fiscal years ended Dec. 31, 2018, and Dec. 31, 2017. The information presented should be read in conjunction with the basic financial statements, accompanying notes to the financial statements and required supplementary information.

Platte River is a not-for-profit wholesale electricity generation and transmission provider that delivers safe, reliable, environmentally responsible and competitively priced energy and services to its four owner communities, Estes Park, Fort Collins, Longmont and Loveland, Colorado, for delivery to their utility customers.

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, joint dispatch agreement 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 (151 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 – the Colorado River Storage Project and the Loveland Area Projects. 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. The Colorado River Storage Project and Loveland Area Projects contracts end Sept. 30, 2057, and Sept. 30, 2054, respectively.
- Wind generation includes 78 MW provided under long-term power purchase agreements with regularly defined price escalations. The agreements are for deliveries from the following facilities.
  - Spring Canyon Wind Energy Center Phase II and III (60 MW) in Colorado; contract ends Oct. 31, 2039, and Dec. 10, 2039, respectively.
  - Silver Sage Windpower Project (12 MW) in Wyoming; contract ends Sept. 30, 2029. To accommodate additional wind energy available from the new future wind power purchase agreement and reduce transmission expense, the energy and renewable attribute from this site have been sold under a long-term contract.

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- Medicine Bow Wind Project (6 MW) in Wyoming; contract ends Dec. 30, 2033.
- Solar generation includes 30 MW provided under a long-term power purchase agreement from the Rawhide Flats Solar facility located at Rawhide Energy Station. The contract ends Dec. 14, 2041. 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 owner communities retain the renewable attribute.
- The joint dispatch agreement is between Xcel Energy, Black Hills Corporation and Platte River and operates as an energy imbalance market. This agreement provides access to lower cost resources and increases operational efficiencies while enhancing reliability. The agreement renews annually.
- Spot market purchases provide energy to satisfy loads, replace power during outages and meet 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. The agreement is in effect until March 31, 2024.

Platte River is proactively working towards the goal of reaching a 100 percent non-carbon resource mix by 2030, while maintaining Platte River's three pillars of providing reliable, environmentally responsible and financially sustainable electricity and services. Advancements in technology and markets amongst other requirements must occur to achieve the 2030 goal and to successfully maintain Platte River's three pillars. Resource planning and opportunities will be continuously evaluated to add non-carbon resources.

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 for Platte River and the defined benefit pension plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. For the defined benefit pension plan, payments are recognized when due and payable in accordance with the terms of the defined benefit pension plan.

### **Request for information**

This financial report is designed to provide a general overview of Platte River's finances, as well as the defined benefit pension plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David Smalley, chief financial officer and deputy general manager, Platte River Power Authority, 2000 East Horsetooth Road, Fort Collins, Colorado 80525.

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## Platte River

### Financial summary

Platte River reported income before contributions of \$32.9 million in 2018; approximately \$18.8 million higher than 2017. The year ended with an increase in operating revenues of \$8.8 million, a decrease in operating expenses of \$7.3 million, and a decrease in nonoperating expenses, net, of \$2.6 million. In 2018, Platte River recognized the effect of a change in accounting principle for a change in the measurement date of its net pension liability (note 17).

### 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 2018, 2017 and 2016.

#### Condensed statements of net position

	2018	Dec. 31, 2017 restated	2016*
	<i>(in thousands)</i>		
<b>Assets</b>			
Electric utility plant	\$ 563,253	\$ 552,975	\$ 579,134
Special funds and investments	117,135	123,407	122,411
Other current and noncurrent assets	141,231	123,142	98,587
Total assets	821,619	799,524	800,132
 <b>Deferred outflows of resources</b>	 17,566	 11,042	 24,150
 <b>Liabilities</b>			
Noncurrent liabilities	235,855	238,266	263,808
Current liabilities	40,956	33,135	38,836
Total liabilities	276,811	271,401	302,644
 <b>Deferred inflows of resources</b>	 1,787	 11,326	 5,201
 <b>Net position</b>			
Net investment in capital assets	352,451	350,853	369,729
Restricted	17,784	20,247	25,616
Unrestricted	190,352	156,739	121,092
Total net position	\$ 560,587	\$ 527,839	\$ 516,437

\* 2016 not restated

**Platte River Power Authority**  
Management's discussion and analysis (*unaudited*)  
Dec. 31, 2018 and 2017

**Net position**

Total net position at Dec. 31, 2018, was \$560.6 million, an increase of \$32.8 million over 2017. Total net position at Dec. 31, 2017, was \$527.8 million, an increase of \$11.4 million over 2016, which includes a \$2.6 million decrease resulting from the previously mentioned change in accounting principle (note 17).

**Electric utility plant** increased \$10.3 million during 2018, primarily the result of a \$40.6 million increase in plant and equipment in service and a \$11 million increase in construction work in progress. Partially offsetting these increases was an increase of \$41.3 million in accumulated depreciation. This includes \$31.8 million for the sale of several Windy Gap water units, following FERC accounting guidance as described in note 4.

In 2017, electric utility plant decreased \$26.2 million primarily as the result of an increase in accumulated depreciation of \$59.8 million, of which \$44.7 million relates to the sale of Windy Gap water units, following FERC accounting guidance as described in note 4. Partially offsetting the overall decrease was an \$18.4 million increase in construction work in progress and a \$15.2 million increase in plant and equipment in service.

**Special funds and investments** during 2018 decreased \$6.3 million from 2017 primarily due to spending the remaining proceeds from Series JJ power revenue bonds on capital investments. This decrease was partially offset by an increase in funds from the additional sales of Windy Gap water units as described in note 4.

In 2017, special funds and investments increased \$1 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.

**Other current and noncurrent assets** increased \$18.1 million during 2018 primarily due to increases in cash and investment balances as a result of the additional sales of Windy Gap water units described in note 4 and higher interest income. Further, expenses for the Rawhide Unit 1 scheduled maintenance outage were accrued but unpaid at the end of the year. Accounts receivable increased as a result of outstanding receipts for higher surplus sales revenues in December. Craig Station fuel inventory levels have been higher than normal as a result of lower generation due to replacement of fuel by joint dispatch agreement purchases at lower prices and surplus sales market conditions. Long-term assets decreased from amortizing the estimated future closure costs of impoundments at the Rawhide Energy Station. In addition, there was an increase in regulatory assets for the expense recognition differences and additional funding deferrals related to regulatory pension accounting.

In 2017, other current and noncurrent assets increased \$24.6 million 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

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Management's discussion and analysis (*unaudited*)  
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maintenance outages and surplus sales market conditions. In addition, there was an increase in regulatory assets for the expense recognition differences and additional funding deferrals related to regulatory pension accounting. Long-term assets decreased from amortizing the estimated future closure costs of impoundments at the Rawhide Energy Station.

**Deferred outflows of resources** increased \$6.5 million in 2018. The reasons were the deferred amortization for differences between the defined benefit pension plan's expected and actual experience and investment earnings partially offset by a decrease in the amortization of the deferred loss on debt refunding and the deferred amortization of changes in actuarial assumptions.

In 2017, deferred outflows of resources decreased \$13.1 million. The main reasons were the deferred amortization related to differences in the defined benefit pension plan's actual and expected earnings on the pension investments and changes in the actuarial assumptions. Also, with the change in the measurement date of the net pension liability, contributions are no longer made subsequent to the measurement date. In addition, there was a decrease due to the amortization of the deferred loss on debt refunding.

**Noncurrent liabilities** decreased \$2.4 million in 2018 primarily due to principal retirements of debt, partially offset by an increase in the net pension liability.

In 2017, noncurrent liabilities decreased \$25.5 million primarily due to principal retirements of debt and a decrease in the net pension liability. Additional details about long-term debt can be found in note 7 and the defined benefit pension liability in note 10 to the financial statements.

**Current liabilities** increased \$7.8 million in 2018 primarily from an increase in accounts payable. The scheduled maintenance outage of Rawhide Unit 1 towards the end of 2018 resulted in an increase in the accrual of expenses. The current portion of long-term debt decreased as a result of making the final principal payment of the Series GG power revenue bonds.

In 2017, current liabilities reflect a \$5.7 million decrease primarily due to a decrease in the current portion of long-term debt partially offset by an increase in accounts payable.

**Deferred inflows of resources** decreased \$9.5 million during 2018 primarily due to reversing the accrual of expenses for the 2018 scheduled maintenance outage of Rawhide Unit 1. In addition, there was a decrease in pension deferrals for the amortization of differences in the defined benefit pension plan's expected and actual experience, actuarial assumptions and investment earnings.

In 2017, deferred inflows of resources increased \$6.1 million 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 defined benefit pension plan's expected and actual experience, investment earnings and expense recognition.

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**Condensed statements of revenues, expenses and changes in net position**

	Years ended Dec. 31,		
	2018	2017 restated	2016*
	<i>(in thousands)</i>		
Operating revenues	\$ 222,114	\$ 213,297	\$ 205,293
Operating expenses	<b>187,183</b>	194,525	181,698
Operating income	<b>34,931</b>	18,772	23,595
Nonoperating expenses, net	<b>(2,046)</b>	(4,643)	(5,630)
Income before contributions	<b>32,885</b>	14,129	17,965
Contributions of assets to owner communities	<b>(137)</b>	(137)	(191)
Change in net position	<b>32,748</b>	13,992	17,774
Beginning net position, as previously reported	<b>527,839</b>	516,437	498,663
Restatement for change in accounting principle	-	(2,590)	-
Beginning net position, adjusted	<b>527,839</b>	513,847	498,663
Ending net position	<b>\$ 560,587</b>	\$ 527,839	\$ 516,437

\* 2016 not restated

### Changes in net position

Net position increased \$32.8 million in 2018, \$21.4 million higher than 2017. There was an increase in operating revenues and a decrease in both operating expenses and nonoperating expenses, net. Net position increased \$11.4 million in 2017, \$6.4 million lower than 2016. There was an increase in both operating revenues and operating expenses and a decrease in nonoperating expenses, net. The \$2.6 million restatement for change in accounting principle also impacted net position.

**Operating revenues** in 2018 increased \$8.8 million over 2017.

- Sales to the owner communities increased \$6.8 million over 2017 primarily as the result of a 2 percent increase in wholesale rates and an increase in billing demand and owner communities energy deliveries of 2.5 percent and 1.3 percent, respectively, over 2017.
- Surplus sales revenue (sales for resale and other) increased \$2 million in 2018 compared to 2017 resulting from short-term sales at higher prices. Wheeling revenues increased 11.6 percent as a result of an increase in customer loads and rate increase to the transmission tariff.

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Management's discussion and analysis (*unaudited*)  
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**Operating revenues** in 2017 increased \$8 million over 2016.

- Sales to the owner communities increased \$4.4 million over 2016 primarily as the result of a 3 percent increase in wholesale rates. Billing demand increased 0.9 percent and owner communities energy deliveries decreased 1.1 percent from 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 percent primarily as a result of an increase in customer loads.

**Operating expenses** in 2018 decreased \$7.3 million from 2017.

- Purchased power costs for 2018 increased \$5.7 million compared to 2017. The primary reason was additional purchases were required for the extension of the Rawhide Unit 1 scheduled maintenance outage. In addition, joint dispatch agreement purchases were made at favorable prices replacing coal-fired generation.
- Fuel expense decreased \$5.4 million from 2017. Fuel for Rawhide Unit 1 and the Craig units was \$3.9 million and \$2.7 million below 2017, respectively. Rawhide Unit 1's fuel expenses were below budget mainly due to the nine-week scheduled maintenance outage. The Craig units' generation was primarily replaced by joint dispatch agreement purchases at more favorable prices. Coal prices were also lower mainly due to favorable mining conditions and a cost reduction for federal royalty payments at the Trapper Mine. Natural gas expense was \$1.2 million higher than 2017 as a result of load requirements and surplus sales made from the combustion turbine units, which partially offset the lower coal expense.
- Operations and maintenance expenses were \$7 million less than 2017. The primary reasons for the decrease were the Craig units did not have scheduled maintenance outages in 2018 as in 2017 and expenses for the 2018 scheduled maintenance outage of Rawhide Unit 1 were lower than the amount accrued.
- Administrative and general expenses increased \$3.6 million over 2017 primarily due to increased demand side management program funding, technology expenses and personnel expenses.
- Depreciation expense decreased \$4.2 million from 2017 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.

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Management's discussion and analysis (*unaudited*)  
Dec. 31, 2018 and 2017

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

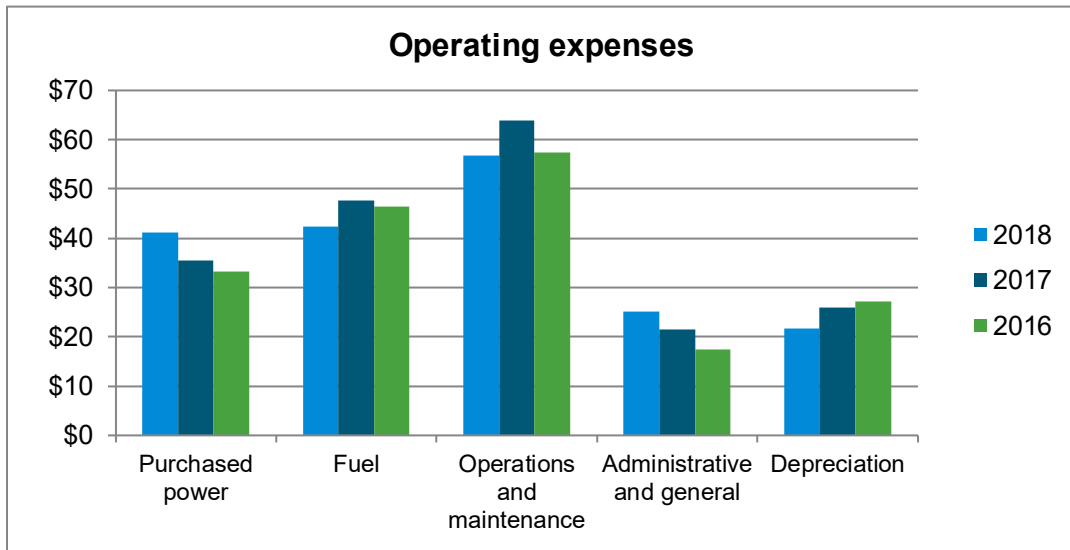
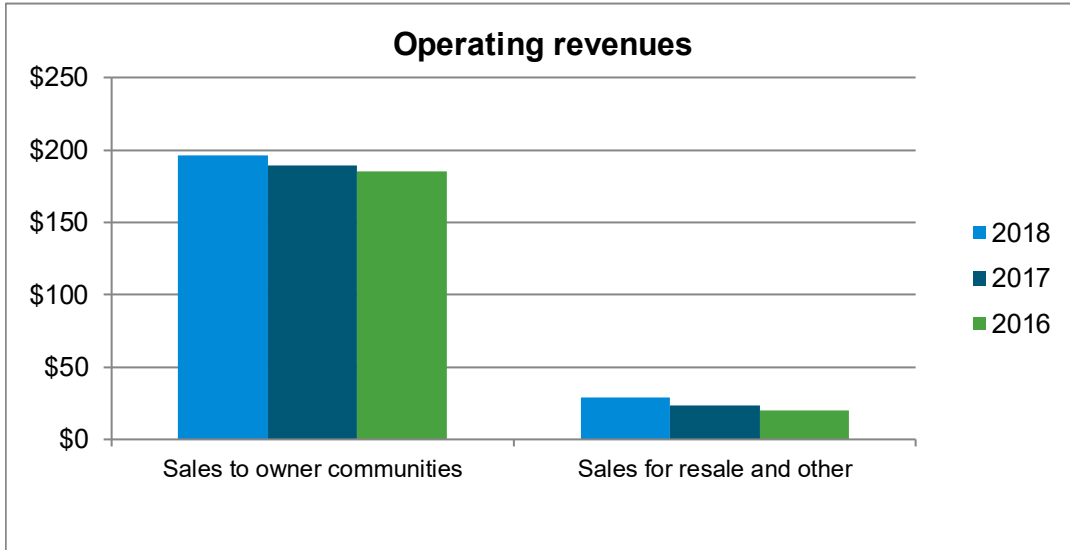
- Purchased power costs for 2017 increased \$2.2 million compared to 2016. The primary reason was a full year of purchases from the solar facility that began commercial operation in the fall of 2016.
- Fuel expense increased \$1.3 million over 2016. Fuel for the Craig units was \$2.6 million above 2016 and Rawhide Unit 1 was \$1.3 million below 2016. The Craig units' generation was 4 percent more than 2016 because of the surplus sales market. Coal prices were approximately 14 percent 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, technology expenses and personnel expenses.
- 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.

**Nonoperating expenses, net**, decreased \$2.6 million in 2018 compared to 2017. The main contributions to the decrease were higher interest income, lower interest expense and an increase in fair value of investments. In 2018, cash balances were higher due to the additional sales of Windy Gap water units and higher interest rates. Interest expense was lower mainly due to making the final payment on the Series GG power revenue bonds.

**Nonoperating expenses, net**, decreased \$1 million in 2017 compared to 2016. The main contribution to the decrease was lower interest expense, net of bond amortizations of \$1 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.

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 Management's discussion and analysis (*unaudited*)  
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**Operating revenues and expenses**  
*(in millions)*



**Platte River Power Authority**  
Management's discussion and analysis (*unaudited*)  
Dec. 31, 2018 and 2017

**Debt ratings**

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 2018 Annual Budget with total revenues of \$223.5 million, operating expenses of \$172 million, debt service expenditures of \$20.8 million and capital additions of \$73.5 million. The following budgetary highlights are presented on a non-GAAP budgetary basis.

**Total revenues** of \$225.6 million ended the year \$2.1 million above budget.

- Sales to owner communities of \$196.4 million were \$0.6 million below budget due to below-budget energy deliveries partially offset by above-budget billing demand.
- Sales for resale and other totaled \$25.7 million and were above budget \$2.2 million primarily due to sales from the combustion turbine units at favorable prices and an overall increase in market prices. Market prices were impacted by regional natural gas infrastructure issues and regional outages. The average price was approximately 14.5 percent above budget or \$2.5 million of the variance, partially offset by \$1.2 million due to 6.5 percent below-budget sales volume. A contract sale to another utility for approximately \$0.2 million also contributed to the above-budget variance. Wheeling revenues were \$0.7 million above budget due to higher customer loads than anticipated, additional point-to-point sales and a transmission tariff rate increase in 2018.
- Interest and other income of \$3.5 million were above budget \$0.4 million primarily due to unbudgeted lease revenue and higher-than-anticipated interest rates calculated on higher cash balances due the sale of the Windy Gap water units (note 4).

**Operating expenses** totaled \$164.9 million and were \$7.1 million below budget. The largest variances are explained below.

- Purchased power expenses were above budget \$6.6 million due to purchases made under the joint dispatch agreement because of favorable pricing. Other supplemental purchases

**Platte River Power Authority**  
Management's discussion and analysis (*unaudited*)  
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were made for the extension of Rawhide Unit 1's scheduled maintenance outage, forced outages and to fulfill contract obligations. Partially offsetting the additional purchases were below-budget wind and solar generation. In addition, energy was provided to Tri-State under the forced outage exchange agreement creating a credit to purchased power.

- Fuel expenses were \$7.4 million below budget mainly due to lower generation as a result of market conditions, joint dispatch purchases, the extension of Rawhide Unit 1's scheduled maintenance outage and forced outages. Coal prices for Rawhide Unit 1 and the Craig units were also favorable compared to budget. Partially offsetting the below-budget variance was above-budget natural gas expense, as the combustion turbines were utilized to meet load requirements, make additional sales and perform unit testing.
- Production, transmission, and administrative and general expenses were \$6.3 million below budget consisting of the items described below.
  - Operations and maintenance expenses were below budget approximately \$4.4 million either due to projects being completed below budget or expenses not being required. These expenses relate to Rawhide Unit 1's scheduled maintenance outage, water expenses, Craig units' expenses, routine and non-routine projects and wheeling expenses.
  - Personnel expenses were below budget \$1 million primarily due to lower wages due to vacancies and wages allocated to capital expenditures being higher than planned.
  - Demand side management program expenses were below budget \$0.9 million. Energy efficiency expenses were below budget due to not requiring contingency funds of approximately \$0.6 million. Distributed energy resources were also below budget due to below-budget rebates/incentives and lower than anticipated expenses for the distributed energy resource study. In addition, an electric vehicle pilot was delayed until 2019.

**Debt service expenditures** totaled \$20 million, which were \$0.8 million below budget due to a delay in a debt financing originally planned for 2018.

**Capital additions** of \$64.4 million were \$9.1 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 \$3.7 million, \$1.1 million and \$4.3 million, respectively. The majority of the variance has been carried over to the 2019 Annual Budget in order to complete the projects.

See the budgetary comparison schedule presented as other information as listed in the table of contents.

**Platte River Power Authority**  
**Statements of net position**  
Dec. 31, 2018 and 2017

		<b>Dec. 31,</b>		<b>2017</b>
	<b>2018</b>			<b>restated</b>
	<i>(in thousands)</i>			
<b>Assets</b>				
Electric utility plant, at original cost (notes 3 and 4)				
Land and land rights	\$ 16,997	\$		16,997
Plant and equipment in service	1,343,030			1,302,471
Less: accumulated depreciation	(883,231)			(841,908)
Plant in service, net	476,796			477,560
Construction work in progress	86,457			75,415
Total electric utility plant	563,253			552,975
Special funds and investments (note 5)				
Restricted funds and investments	18,486			36,537
Dedicated funds and investments	98,649			86,870
Total special funds and investments	117,135			123,407
Current assets				
Cash and cash equivalents (notes 3 and 5)	29,989			17,176
Other temporary investments (note 5)	35,540			33,799
Accounts receivable—owner communities	15,720			16,068
Accounts receivable—other	9,676			9,141
Fuel inventory, at last-in, first-out cost	16,532			15,742
Materials and supplies inventory, at average cost	14,469			13,537
Prepayments and other assets	1,632			1,274
Total current assets	123,558			106,737
Noncurrent assets				
Regulatory assets (note 8)	11,822			9,787
Other long-term assets	5,851			6,618
Total noncurrent assets	17,673			16,405
Total assets	821,619			799,524
<b>Deferred outflows of resources</b>				
Deferred loss on debt refundings (note 7)	7,209			8,437
Pension deferrals (note 10)	10,357			2,605
Total deferred outflows of resources	17,566			11,042

See notes to financial statements.

**Platte River Power Authority**  
**Statements of net position**  
Dec. 31, 2018 and 2017

	<b>Dec. 31,</b>	<b>2017</b>
	<b>2018</b>	<b>restated</b>
	<i>(in thousands)</i>	
<b>Liabilities</b>		
Noncurrent liabilities (notes 3 and 6)		
Long-term debt, net (note 7)	\$ 195,139	\$ 208,988
Net pension liability (note 10)	24,071	13,107
Other liabilities and credits	16,645	16,171
Total noncurrent liabilities	235,855	238,266
Current liabilities		
Current maturities of long-term debt (note 7)	10,335	14,580
Accounts payable	28,048	16,172
Accrued interest	702	763
Accrued liabilities and other	1,871	1,620
Total current liabilities	40,956	33,135
Total liabilities	276,811	271,401
<b>Deferred inflows of resources</b>		
Regulatory credits (note 8)	1,531	10,513
Pension deferrals (note 10)	256	813
Total deferred inflows of resources	1,787	11,326
<b>Net position</b>		
Net investment in capital assets (note 9)	352,451	350,853
Restricted	17,784	20,247
Unrestricted	190,352	156,739
Total net position	\$ 560,587	\$ 527,839

See notes to financial statements.

**Platte River Power Authority**  
**Statements of revenues, expenses and changes in net position**  
Dec. 31, 2018 and 2017

	<b>Years ended Dec. 31,</b>	
	<b>2018</b>	<b>2017 restated</b>
	<i>(in thousands)</i>	
<b>Operating revenues</b> (note 3)		
Sales to owner communities	\$ 196,411	\$ 189,579
Sales for resale and other	25,703	23,718
Total operating revenues	222,114	213,297
<b>Operating expenses</b>		
Purchased power	41,140	35,421
Fuel	42,259	47,708
Operations and maintenance	56,797	63,869
Administrative and general	25,153	21,514
Depreciation	21,834	26,013
Total operating expenses	187,183	194,525
Operating income	34,931	18,772
<b>Nonoperating revenues (expenses)</b> (notes 5 and 7)		
Interest income	2,988	1,746
Other income	507	626
Interest expense	(6,536)	(7,459)
Allowance for funds used during construction	821	903
Net increase (decrease) in fair value of investments (note 5)	174	(459)
Total nonoperating revenues (expenses)	(2,046)	(4,643)
Income before contributions	32,885	14,129
Contributions of assets to owner communities (note 12)	(137)	(137)
Change in net position	32,748	13,992
Net position at beginning of year, as previously reported	527,839	516,437
Restatement for change in accounting principle (note 17)	-	(2,590)
Net position at beginning of year, adjusted	527,839	513,847
Net position at end of year	\$ 560,587	\$ 527,839

See notes to financial statements.

**Platte River Power Authority**  
**Statements of cash flows**  
Dec. 31, 2018 and 2017

	<b>Years ended Dec. 31,</b>	
	<b>2018</b>	<b>2017 restated</b>
	<i>(in thousands)</i>	
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 222,489	\$ 209,577
Payments for operating goods and services	(134,586)	(121,997)
Payments for employee services	(38,420)	(37,145)
Net cash provided by operating activities	49,483	50,435
<b>Cash flows from capital and related financing activities</b>		
Additions to electric utility plant	(50,822)	(37,746)
Payments from accounts payable incurred for electric utility plant additions	(2,519)	(3,643)
Proceeds from disposal of electric utility plant	31,932	41,177
Principal payments on long-term debt	(14,580)	(23,550)
Interest payments on long-term debt	(8,790)	(9,668)
Net cash used in capital and related financing activities	(44,779)	(33,430)
<b>Cash flows from investing activities</b>		
Purchases and sales of temporary and restricted investments, net	4,710	(16,415)
Interest and other income, including realized gains and losses	3,399	2,427
Net cash provided by (used in) investing activities	8,109	(13,988)
Increase in cash and cash equivalents	12,813	3,017
Balance at beginning of year in cash and cash equivalents	17,176	14,159
Balance at end of year in cash and cash equivalents	\$ 29,989	\$ 17,176

See notes to financial statements.

**Platte River Power Authority**  
**Statements of cash flows**  
Dec. 31, 2018 and 2017

	<b>Years ended Dec. 31,</b>	
	<b>2018</b>	<b>2017</b> <b>restated</b>
	<i>(in thousands)</i>	
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 34,931	\$ 18,772
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	21,834	26,013
Changes in assets and liabilities which provided (used) cash		
Accounts receivable	(188)	(3,342)
Fuel and materials and supplies inventories	(1,722)	(1,202)
Prepayments and other assets	(1,719)	(4,792)
Deferred outflows of resources	(7,751)	11,629
Accounts payable	1,858	4,259
Net pension liability	10,964	(7,401)
Other liabilities	815	374
Deferred inflows of resources	(9,539)	6,125
Net cash provided by operating activities	\$ 49,483	\$ 50,435
<b>Noncash capital and related financing activities</b>		
Water storage rights acquired in exchange for Windy Gap units	\$ -	\$ 7,010
Additions of electric utility plant through incurrence of accounts payable	12,537	2,519
Amortization of regulatory asset (debt issuance costs)	94	118
Amortization of bond premiums and deferred loss on refundings	(2,287)	(2,241)

See notes to financial statements.

**Platte River Power Authority**  
**Defined benefit pension plan**  
**Statements of fiduciary net position**  
Dec. 31, 2018 and 2017

	2018	2017
	<i>(in thousands)</i>	
<b>Assets</b>		
Cash equivalents	\$ 1,421	\$ 1,303
Receivables		
Due from broker for investments sold	-	19
Investment income	10	13
Total receivables	10	32
Investments		
Fixed income securities	8,165	10,038
Floating rate corporate loans	6,987	9,049
Domestic equity securities	17,700	26,346
International equity securities	15,203	15,215
Commodities	2,845	5,330
Hedge funds	15,025	14,724
Real estate funds	16,445	16,160
Reinsurance funds	4,730	2,866
Private equity	5,303	-
Master limited partnerships	5,802	4,609
Total investments	98,205	104,337
Total assets	99,636	105,672
<b>Liabilities</b>		
Due to broker for investments purchased	58	77
Net position restricted for pension benefits	\$ 99,578	\$ 105,595

See notes to financial statements.

**Platte River Power Authority**  
**Defined benefit pension plan**  
Statements of changes in fiduciary net position  
Dec. 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
	<i>(in thousands)</i>	
<b>Additions</b>		
Employer contributions	\$ 4,578	\$ 6,220
Investment income		
Net (decrease) increase in fair value of investments	(4,973)	9,649
Interest and dividends	1,794	1,640
Net investment (loss) income	(3,179)	11,289
Total additions	1,399	17,509
<b>Deductions</b>		
Benefit payments	7,416	6,361
Change in plan net position	(6,017)	11,148
<b>Net position restricted for pension benefits</b>		
Beginning net position	105,595	94,447
Ending net position	\$ 99,578	\$ 105,595

See notes to financial statements.

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

**1. Organization**

Platte River Power Authority was organized in accordance with Colorado law as a separate governmental entity by the four owner communities of Estes Park, Fort Collins, Longmont and Loveland. Platte River contracted to supply the wholesale electric power and energy requirements of each of these owner communities (except for energy produced by each owner communities' hydro facilities in service at September 1974). These contracts currently extend through Dec. 31, 2050. Each of the four owner communities has a residual interest in Platte River's assets and liabilities upon dissolution, which is proportional to the total revenue received from each owner community since Platte River was organized, less any contributions of assets previously distributed. Based upon electric revenues billed from inception through Dec. 31, 2018, these residual interests are approximately as follows.

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

Under Colorado law and the owner community contracts, the board of directors has the exclusive authority to establish the electric rates to be charged to the owner communities. 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.

The defined benefit pension plan is a single-employer defined benefit pension plan included in the financial statements as a pension trust fiduciary fund. Platte River's board of directors is the designated governing body over the defined benefit pension plan and has the authority to amend the defined benefit pension plan. The retirement committee has responsibility for oversight of the defined benefit pension plan's investments.

**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

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

peaking capacity of 128 megawatts. The Rawhide Energy Station facilities, except for the solar facility, are wholly owned and operated by Platte River.

**Yampa project**

Platte River owns 18 percent, or 151 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 837 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 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." As a municipal utility and a separate governmental entity, Platte River is exempt from taxes on its property and income.

The defined benefit pension plan is a single-employer defined benefit pension plan covering all employees of Platte River hired before Sept. 1, 2010 (note 10). Platte River contributes to the defined benefit pension plan based upon actuarial studies and has primary responsibility for management of the defined benefit pension plan as all retirement plan committee members are appointed by the board of directors. Platte River also provides all accounting, reporting and administrative services to the defined benefit pension plan. Platte River has fiduciary responsibility for the defined benefit pension plan. Accordingly, an evaluation of the defined benefit pension plan using the above considerations results in the inclusion of the defined benefit pension plan in the accompanying basic financial statements as a fiduciary fund of Platte River.

**Basis of accounting**

Platte River accounts for its financial operations as a "proprietary fund." The accompanying financial statements for Platte River and the defined benefit pension plan 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.

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

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 River’s wholesale rates. Platte River has recorded various regulatory assets and credits to reflect the rate-making process (note 8).

**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 the board of directors by Oct. 15 of each year. Following a public hearing, the budget is considered for adoption by the board of directors on or before Dec. 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 for Platte River and the defined benefit pension plan 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, as well as 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 was debt-financed, an allowance for borrowed funds used during construction was 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. The original cost of property replaced or retired, and removal costs less salvage, are charged to accumulated depreciation.

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

**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. At Dec. 31, 2018 and 2017, cash equivalents consisted of money market funds and collateralized bank deposit accounts.

**Investments**

Defined benefit pension plan investments are stated at fair value based on quoted market price, except for the units in the real estate fund, which are valued based on the most recent appraised value of the fund's underlying real estate assets. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

**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. Platte River accrued a liability for the estimated clean closure costs of these impoundments and the amount is adjusted annually for inflation. 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.

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

**Energy risk management**

To manage energy market related risks, 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 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 2018 and no swap contracts were outstanding at Dec. 31, 2018 and 2017.

**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.

**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 defined benefit pension plan related deferrals.

**Deferred inflows of resources**

Deferred inflows consist of the estimated incremental expenses of scheduled major maintenance outages and defined benefit pension plan 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.

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

**Recent accounting pronouncements**

In 2018, Platte River implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. When applying this criteria Platte River's defined benefit pension plan is considered a fiduciary pension trust fund. Other than the inclusion of the defined benefit pension plan's pension trust fund as a fiduciary fund, the implementation of GASB 84 had no impact on the financial statements.

**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 Dec. 31, 2018, was as follows.

	<b>Dec. 31, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Dec. 31, 2018</b>
		<i>(in thousands)</i>		
<b>Nondepreciable assets</b>				
Land and land rights	\$ 16,997	\$ -	\$ -	\$ 16,997
Construction work in progress	75,415	64,434	(53,392)	86,457
	<u>92,412</u>	<u>64,434</u>	<u>(53,392)</u>	<u>103,454</u>
<b>Depreciable assets</b>				
Production plant	900,584	39,418	(10,214)	929,788
Transmission plant	361,667	12,572	(1,718)	372,521
General plant	40,220	1,366	(865)	40,721
	<u>1,302,471</u>	<u>53,356</u>	<u>(12,797)</u>	<u>1,343,030</u>
Less accumulated depreciation	<u>(841,908)</u>	<u>(21,834)</u>	<u>(19,489)</u>	<u>(883,231)</u>
Total electric utility plant	<u>\$ 552,975</u>	<u>\$ 95,956</u>	<u>\$ (85,678)</u>	<u>\$ 563,253</u>

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

Electric utility plant asset activity for the year ended Dec. 31, 2017, was as follows.

	<b>Dec. 31, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Dec. 31, 2017</b>
	<i>(in thousands)</i>			
<b>Nondepreciable assets</b>				
Land and land rights	\$ 16,997	\$ -	\$ -	\$ 16,997
Construction work in progress	57,036	39,040	(20,661)	75,415
	<u>74,033</u>	<u>39,040</u>	<u>(20,661)</u>	<u>92,412</u>
<b>Depreciable assets</b>				
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
	<u>1,287,246</u>	<u>29,773</u>	<u>(14,548)</u>	<u>1,302,471</u>
Less accumulated depreciation	<u>(782,145)</u>	<u>(26,013)</u>	<u>(33,750)</u>	<u>(841,908)</u>
Total electric utility plant	<u>\$ 579,134</u>	<u>\$ 42,800</u>	<u>\$ (68,959)</u>	<u>\$ 552,975</u>

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 the Rawhide Energy Station's current useful life is estimated to be 2046. The most significant disposal was a portion of the Windy Gap water units. The sale of 15 units and 23 units of Windy Gap water was finalized for \$31.8 million and \$39 million in 2018 and 2017, respectively. 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 in 2017. A total salvage value of \$77.8 million (\$31.8 million in 2018 and \$46 million in 2017) was recorded for all Windy Gap units sold, as the majority of the assets were fully depreciated.

## 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 funds and

**Platte River Power Authority**  
**Notes to financial statements**  
Dec. 31, 2018 and 2017

investments). The fair value of investments, exclusive of accrued interest of \$595,000 and \$409,000 as of Dec. 31, 2018 and 2017, respectively, are shown in the following tables.

As of Dec. 31, 2018, Platte River had the following cash and investments and related maturities.

Cash and investment type	Fair value	Investment maturities (in years)				
		Less than 1	1-2	2-3	3-4	4-5
<i>(in thousands)</i>						
U.S. Treasuries	\$ 68,662	\$ 31,287	\$ 37,375	\$ -	\$ -	\$ -
U.S. Agencies						
FFCB	7,260	5,066	2,194	-	-	-
FHLB	11,044	8,089	2,955	-	-	-
FHLMC	6,912	-	6,912	-	-	-
FNMA	9,482	9,482	-	-	-	-
Total securities	103,360	53,924	49,436	-	-	-
Certificates of deposit	3,372	-	3,372	-	-	-
Cash and money market funds	1,565	1,565	-	-	-	-
Local government investment pools	73,772	73,772	-	-	-	-
Total cash and investments	\$ 182,069	\$ 129,261	\$ 52,808	\$ -	\$ -	\$ -

Statement of net position presentation of cash, cash equivalents and investments are as follows as of Dec. 31, 2018.

	Fair value	Accrued interest	Total
<i>(in thousands)</i>			
Restricted funds and investments	\$ 18,452	\$ 34	\$ 18,486
Dedicated funds and investments	98,253	396	98,649
Cash and cash equivalents	29,986	3	29,989
Other temporary investments	35,378	162	35,540
Total cash and investments	\$ 182,069	\$ 595	\$ 182,664

**Platte River Power Authority**  
**Notes to financial statements**  
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As of Dec. 31, 2017, Platte River had the following cash and investments and related maturities.

<b>Cash and investment type</b>	<b>Fair value</b>	<b>Investment maturities (in years)</b>				
		<b>Less than 1</b>	<b>1-2</b>	<b>2-3</b>	<b>3-4</b>	<b>4-5</b>
		<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 are as follows as of Dec. 31, 2017.

	<b>Fair value</b>	<b>Accrued interest</b>	<b>Total</b>
	<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**  
**Notes to financial statements**  
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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. Platte River and the defined benefit pension plan categorize 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. Platte River, excluding the defined benefit pension plan, had the following recurring fair value measurements as of Dec. 31, 2018.

- U.S. Treasury securities of \$68,662,000 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$34,698,000 are valued using Level 2 inputs

Platte River, excluding the defined benefit pension plan, had the following recurring fair value measurements as of Dec. 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, excluding the defined benefit pension plan, 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 of Colorado Securities Commissioner administers and enforces all Colorado state statutes governing these pools. They operate similarly to a money market fund and each share is equal in value to \$1, 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.

**Platte River Power Authority**  
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As of Dec. 31, 2018, the defined benefit pension plan had the following investments and maturities.

Investment type	Fair value	Investment maturities (in years)			
		Less than 1 or undefined	1–5	6–10	More than 10
<i>(in thousands)</i>					
Cash equivalents	\$ 1,421	\$ 1,421	\$ -	\$ -	\$ -
Core fixed income	8,165	593	2,401	3,927	1,244
Floating rate corporate loans	6,987	458	2,300	4,042	187
Domestic equity mutual funds	17,700	17,700	-	-	-
International equity mutual fund	15,203	15,200	1	-	2
Commodities	2,845	909	1,916	20	-
Reinsurance <sup>(a)</sup>	4,730	3,982	743	-	5
Hedge funds	15,025	15,025	-	-	-
Real estate funds	16,445	16,445	-	-	-
Master limited partnerships	5,802	5,802	-	-	-
Private equity	5,303	5,303	-	-	-
Total cash and investments	\$ 99,626	\$ 82,838	\$ 7,361	\$ 7,989	\$ 1,438

(a) Reinsurance investment maturities reported as of 10/31/18, 12/31/18 valuation information is not available.

As of Dec. 31, 2017, the defined benefit pension plan had the following investments and maturities.

Investment type	Fair value	Investment maturities (in years)			
		Less than 1 or undefined	1–5	6–10	More than 10
<i>(in thousands)</i>					
Cash equivalents	\$ 1,303	\$ 1,303	\$ -	\$ -	\$ -
Core fixed income	6,982	814	2,822	2,370	976
High yield bond fund	3,056	247	1,762	858	189
Floating rate corporate loans	9,049	368	3,535	5,130	16
Domestic equity mutual funds	26,346	26,346	-	-	-
International equity mutual fund	15,215	15,164	44	7	-
Commodities	5,329	1,367	3,826	136	-
Reinsurance <sup>(a)</sup>	2,866	2,215	633	15	3
Hedge funds	14,724	14,724	-	-	-
Real estate funds	16,161	16,161	-	-	-
Master limited partnerships	4,609	4,609	-	-	-
Total cash and investments	\$ 105,640	\$ 83,318	\$ 12,622	\$ 8,516	\$ 1,184

(a) Reinsurance investment maturities reported as of 10/31/17, 12/31/17 valuation information is not available.

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The following table presents the fair value measurements of the defined benefit pension plan's assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at Dec. 31, 2018 and 2017.

<b>Dec. 31, 2018</b>	<b>Fair value</b>	<b>Quoted prices in active markets for identical assets (level 1)</b>	<b>Significant other observable inputs (level 2)</b>	<b>Significant unobservable inputs (level 3)</b>
<i>(in thousands)</i>				
<b>Investments by fair value level</b>				
Cash equivalents	\$ 1,421	\$ 1,421	\$ -	\$ -
Core fixed income	8,165	8,165	-	-
Floating rate corporate loans	6,987	6,987	-	-
Domestic equity mutual funds	17,700	17,700	-	-
International equity mutual funds	15,203	15,203	-	-
Commodities	2,845	2,845	-	-
Reinsurance	4,730	4,730	-	-
Real estate funds	16,445	-	-	16,445
Master limited partnerships	5,802	-	5,802	-
Private equity	5,303	-	5,303	-
Total investments by fair value level	<u>\$ 84,601</u>	<u>\$ 57,051</u>	<u>\$ 11,105</u>	<u>\$ 16,445</u>
<b>Investments measured at the net asset value (NAV) <sup>(A)</sup></b>				
Hedge funds	\$ 15,025	\$ -	\$ -	\$ -

(A) Certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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Dec. 31, 2017	Fair value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<i>(in thousands)</i>				
<b>Investments by fair value level</b>				
Cash equivalents	\$ 1,303	\$ 1,303	\$ -	\$ -
Core fixed income	6,982	6,982	-	-
High yield bond fund	3,056	3,056	-	-
Floating rate corporate loans	9,049	9,049	-	-
Domestic equity mutual funds	26,346	14,369	11,977	-
International equity mutual funds	15,215	15,215	-	-
Commodities	5,329	5,329	-	-
Reinsurance	2,866	2,866	-	-
Real estate funds	16,161	-	-	16,161
Master limited partnerships	4,609	-	4,609	-
Total investments by fair value level	\$ 90,916	\$ 58,169	\$ 16,586	\$ 16,161
<b>Investments measured at the net asset value (NAV) <sup>(A)</sup></b>				
Hedge funds	\$ 14,724	\$ -	\$ -	\$ -

(A) Certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

For the defined benefit pension plan, where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the following tables for inputs and valuation techniques used for Level 3 securities.

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As a practical expedient, a government can use the Net Asset Value (NAV) per share for investments in a nongovernmental entity that does not have a readily determinable fair value. The NAV is not permitted for valuation if it is probable the government will sell the investment at a different price. Investments measured at NAV would be excluded from the fair value hierarchy (Level 1, 2 or 3). The valuation method for the defined benefit pension plan's investments measured at the NAV per share (or its equivalent) is presented below.

**Dec. 31, 2018**

<b>Hedge funds</b>	<b>Value</b>	<b>Redemption frequency</b>	<b>Redemption notice period</b>
	<i>(in thousands)</i>		
Multi-category	\$ 5,807	Monthly – non-redeemable	5 days – non-redeemable
Equity	2,696	Monthly – non-redeemable	5 days – non-redeemable
Credit-driven	3,082	Monthly – non-redeemable	30 days – non-redeemable
Relative value	1,438	Monthly – quarterly	32 days – 120 days
Interest rate driven	1,131	Quarterly	90 days – 95 days
Managed futures	541	Monthly	17 days
Commodities	179	Quarterly – non-redeemable	95 days – non-redeemable
Global macro	151	Quarterly – non-redeemable	60 days – non-redeemable
Total hedge funds	<u>\$ 15,025</u>		

**Dec. 31, 2017**

<b>Hedge funds</b>	<b>Value</b>	<b>Redemption frequency</b>	<b>Redemption notice period</b>
	<i>(in thousands)</i>		
Multi-category	\$ 4,984	Monthly – non-redeemable	20 days – non-redeemable
Equity	3,655	Monthly – non-redeemable	5 days – non-redeemable
Credit-driven	2,777	Monthly – non-redeemable	30 days – non-redeemable
Relative value	1,331	Monthly – quarterly	30 days – 120 days
Interest rate driven	1,033	Quarterly	90 days – 95 days
Managed futures	474	Daily – monthly	2 days – 17 days
Commodities	283	Monthly – non-redeemable	95 days – non-redeemable
Global macro	187	Monthly – non-redeemable	60 days – non-redeemable
Total hedge funds	<u>\$ 14,724</u>		

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**Asset allocation**

All assets of the defined benefit pension plan are invested in a manner consistent with the defined benefit pension plan document, the defined benefit pension plan investment policy statement (IPS) and any federal, state, or the IRS laws or regulations. Under Colorado Revised Statutes, the defined benefit pension plan's investments are governed by the Colorado Uniform Prudent Investor Act. The IPS provides an asset allocation strategy to create a broadly diversified portfolio. The strategy is designed to reflect and be consistent with the objectives expressed in the IPS, subject to the risk tolerance of the retirement committee.

Defined benefit pension plan assets are held by Wells Fargo Bank N.A. (the trustee) under a trust agreement and invested in money market funds, bonds, stock portfolios, commodities, reinsurance funds, real estate, hedge funds, private equity or master limited partnerships as directed by the retirement committee. Innovest Portfolio Solutions, LLC assists the retirement committee in the oversight of the investment program. Investment management firms have the responsibility of investing in a specific asset class with full discretionary investment authority subject to the policies and guidelines of the IPS.

The investment mix and percentage allocations were as follows at Dec. 31.

<b>Asset class</b>	<b>2018</b>	<b>2017</b>
Domestic equities – Large cap	13%	18%
Domestic equities – Mid/small cap	5%	8%
International equities	11%	10%
Emerging market equities	4%	4%
Core fixed income	8%	7%
High yield	0%	3%
Floating rate corporate loans	7%	9%
Commodities	3%	5%
Real estate	17%	15%
Liquid low correlated hedge	15%	14%
Master limited partnerships	6%	4%
Reinsurance	5%	3%
Private equity	6%	0%

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**Rate of return**

For the years ended Dec. 31, 2018 and 2017, the money-weighted rate of return on defined benefit pension plan investments, net of investment expense, was (3.3 percent) and 12 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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, excluding the defined benefit pension plan, to maturities of five years or less. Platte River uses a laddered approach to investing funds based on projected cash flows. The assumed maturity date for callable securities is based on market conditions as of Dec. 31, 2018. 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.

The defined benefit pension plan's fixed income assets are invested in a core fixed income mutual fund managed by Metropolitan West Asset Management (MetWest) and collateral backing commodity linked instruments managed by Credit Suisse Asset Management. As interest rates rise, the value of a fixed income bond fund is likely to decrease. Securities with longer durations tend to be more sensitive to changes in interest rates, usually making them more volatile than securities with shorter durations. Given the long-term nature of the defined benefit pension plan, the IPS does not place maturity restrictions on its bond funds. By prospectus, the duration of the defined benefit pension plan's core fixed income allocation is two to eight years under normal conditions. Alternatively, duration of the defined benefit pension plan's commodity collateral is not limited by prospectus but is intended to remain one year or less.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Platte River's investment policy allows investments in local government investment pools and money market funds. As of Dec. 31, 2018, Platte River maintained investments, excluding the defined benefit pension plan, 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 AA+ 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.

The defined benefit pension plan's core fixed income mutual fund portfolio objective, under normal conditions, is to invest at least 80 percent of its net assets in investment grade fixed income or

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unrated securities determined by MetWest to be of comparable quality. Up to 20 percent of the fund's net assets may be invested in securities rated below investment grade. The defined benefit pension plan's commodity mutual fund manages the underlying cash collateral in a conservative investment strategy designed to provide exposure to high quality, short duration fixed income instruments. The cash portfolio contains U.S. Treasury or U.S. Agency debt. The portfolio's duration is less than one year. The defined benefit pension plan's floating rate corporate loan mutual fund portfolio is principally invested in credits rated below investment grade (<BBB) quality, with discretion to allocate up to 20 percent of the portfolio in higher quality debt instruments. As of Dec. 31, 2018, the defined benefit pension plan's average credit quality for core fixed income, commodity collateral and floating rate corporate loan allocations was BBB, AA+ and B, respectively.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer.

Platte River's investment policy, excluding the defined benefit pension plan, 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 Dec. 31, 2018, more than 5 percent of Platte River's investments were concentrated in FHLB and FNMA. These investments are 6.1 percent and 5.2 percent, respectively, of Platte River's total investments (including investments held in local government investment pools and certificates of deposit).

Investments in any one organization that represent 5 percent or more of the defined benefit pension plan's fiduciary net position (excluding investments issued or explicitly guaranteed by the U.S. government and mutual funds) are separately identified in the following table.

	<b>2018</b>	<b>2017</b>
	<i>(in thousands)</i>	
Principal U.S. Property Account	\$ 16,445	\$ 16,160
Blackstone Offshore Partners NT Fund	15,025	14,724
Partners Group Private Equity Master Fund	5,303	-
Wellington Opportunistic Growth Fund	4,956	6,832
Wells Fargo/Blackrock S&P 500 Fund	-	5,145
Credit Suisse Commodity Return Strategy	-	5,330

**Custodial credit risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the defined benefit pension plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The defined benefit pension plan's assets are held in trust and the custodial relationship is defined in the defined benefit pension plan

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documents. At Dec. 31, 2018 and 2017, the defined benefit pension plan did not identify any investments subject to custodial credit risk.

**Hedge fund-of-funds risk**

The hedge fund investments in the defined benefit pension plan are subject to various risk factors arising from the investment activities of the fund-of-fund managers, including market, credit, liquidity and foreign currency risk. The portfolio funds owned by the hedge fund transact in short sales and various domestic and international derivative investments, including forward foreign currency contracts, futures, and written and purchased options and swaps, which expose the portfolio funds to counterparty risk.

**Reinsurance funds risk**

The reinsurance investments in the defined benefit pension plan are subject to risks that include natural catastrophes such as hurricane, tornado, or earthquake, as well as non-natural catastrophes such as aviation or shipping disasters. A catastrophic event of a particular magnitude and in a particular geography could cause the investments to lose all or a significant portion of their principal. Reinsurance investments are also subject to underwriting risk of the ceding entity and risks related to imperfect risk models. The investments are also subject to illiquidity risk, as the majority of the investments are illiquid and despite the current expectation that the fund will repurchase 5 percent of shares each quarter, the fund may elect not to repurchase shares. Other risks include valuation risk, moral hazard risk, reinsurance industry risk, leverage risk, derivative risk, foreign investing risk and currency risk.

**Private equity risk**

The private equity investments in the defined benefit pension plan are subject to various risk factors resulting from the investment activities of the fund managers and the unique structure of the investment, including market, liquidity and capital risk. Private equity is an equity investment subject to market risk. Additionally, the defined benefit pension plan's fund reports a market value on a monthly basis - a less frequent measurement which can make it difficult to use traditional methods to monitor and measure market risk. The investments are subject to illiquidity risk. The defined benefit pension plan's investment strategy allows for quarterly liquidity with a gate, which could be instituted if the fund experienced fund-wide demand for liquidity greater than 5% of the portfolio. The defined benefit pension plan's private equity fund structure mitigates funding risk. Other risks include quality of the fund manager, interest rate risk and currency risk.

**Foreign currency risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The defined benefit pension plan has exposure to foreign currency risk through its floating rate corporate loan, reinsurance, private equity and international equity allocations. The Eaton Vance Floating Rate fund may allocate up to 25 percent to non-dollar credits. As for the defined benefit pension plan's international equity allocations, the mutual fund portfolios invest primarily in foreign

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denominated securities and typically do not hedge currency risk. Non-dollar allocations for Eaton Vance Floating Rate were 6.4 percent as of Dec. 31, 2018. Non-dollar allocations for Stoneridge Reinsurance were 0.7 percent as of Oct. 31, 2018. Non-dollar allocations for Partners Group Private Equity were 33.7 percent as of Dec. 31, 2018. The defined benefit pension plan's investment in international equity mutual funds, as of Dec. 31, 2018 and 2017, was \$15.2 million and \$15.2 million, respectively.

The defined benefit pension plan's exposure to foreign currency risk in U.S. dollars as of Dec. 31, 2018, is disclosed in the following table.

Currency	Total	International stocks	Fixed income	Reinsurance <sup>(a)</sup>	Private equity
	<i>(in thousands)</i>				
Argentine peso	\$ 1	\$ -	\$ 1	\$ -	\$ -
Australian dollar	251	193	-	-	58
Brazilian real	369	361	-	-	8
British pound	1,956	1,468	50	-	438
Canadian dollar	604	579	7	-	18
Chilean peso	53	53	-	-	-
Chinese yuan renminbi	343	343	-	-	-
Colombian peso	3	3	-	-	-
Czech koruna	2	2	-	-	-
Danish krone	253	216	-	-	37
European euro	3,935	2,416	391	23	1,105
Hong Kong dollar	1,615	1,609	-	-	6
Hungarian forint	14	14	-	-	-
Indian rupee	1,181	1,100	-	-	81
Indonesian rupiah	275	275	-	-	-
Israeli new shekel	40	40	-	-	-
Japanese yen	1,586	1,581	-	-	5
Malaysian ringgit	88	88	-	-	-
Mexican peso	157	157	-	-	-
New Zealand dollar	33	33	-	-	-
Norwegian krone	87	87	-	-	-
Philippine peso	221	221	-	-	-
Polish zloty	55	55	-	-	-
Russian ruble	21	21	-	-	-
Singapore dollar	155	133	-	-	22
South African rand	259	259	-	-	-
South Korean won	694	694	-	-	-
Swedish krona	199	192	-	-	7
Swiss franc	551	543	-	8	-
Taiwan dollar	431	431	-	-	-
Thai baht	170	170	-	-	-
Turkish new lira	57	57	-	-	-
	<u>\$ 15,659</u>	<u>\$ 13,394</u>	<u>\$ 449</u>	<u>\$ 31</u>	<u>\$ 1,785</u>

(a) Foreign currency exposure through the reinsurance fund reported as of 10/31/2018.

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The defined benefit pension plan's exposure to foreign currency risk in U.S. dollars as of Dec. 31, 2017, is disclosed in the following table.

<b>Currency</b>	<b>Total</b>	<b>International stocks</b>	<b>Fixed income</b>	<b>Reinsurance <sup>(a)</sup></b>
	<i>(in thousands)</i>			
Australian dollar	\$ 183	\$ 183	\$ -	\$ -
Brazilian real	491	491	-	-
British pound	1,550	1,519	31	-
Canadian dollar	466	455	11	-
Chilean peso	67	67	-	-
Chinese yuan renminbi	367	367	-	-
Colombian peso	3	3	-	-
Czech koruna	3	3	-	-
Danish krone	177	177	-	-
European euro	2,687	2,282	405	20
Hong Kong dollar	1,295	1,295	-	-
Hungarian forint	50	50	-	-
Indian rupee	1,121	1,121	-	-
Indonesian rupiah	268	268	-	-
Israeli new shekel	10	10	-	-
Japanese yen	1,742	1,742	-	-
Malaysian ringgit	75	75	-	-
Mexican peso	113	113	-	-
New Zealand dollar	33	33	-	-
Norwegian krone	104	104	-	-
Philippine peso	228	228	-	-
Polish zloty	59	59	-	-
Russian ruble	78	78	-	-
Singapore dollar	103	103	-	-
South African rand	287	287	-	-
South Korean won	868	868	-	-
Swedish krona	160	160	-	-
Swiss franc	458	458	-	6
Taiwan dollar	505	505	-	-
Thai baht	248	248	-	-
Turkish new lira	145	145	-	-
	<u>\$ 13,944</u>	<u>\$ 13,497</u>	<u>\$ 447</u>	<u>\$ 26</u>

(a) Foreign currency exposure through the reinsurance fund reported as of 10/31/2017.

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**6. Noncurrent liabilities**

Noncurrent liability activity for the year ended Dec. 31, 2018, was as follows.

	<b>Dec. 31, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Dec. 31, 2018</b>	<b>Due within one year</b>
	<i>(in thousands)</i>				
Long-term debt, net	\$ 223,568	\$ -	\$ (18,094)	\$ 205,474	\$ 10,335
Reclamation liability	3,084	-	(20)	3,064	-
Disposal facility closure costs	198	2	-	200	-
Impoundments closure costs	7,557	98	(15)	7,640	-
Compensated absences	4,688	855	(363)	5,180	411
Lease advances	745	-	(92)	653	66
Yampa employee obligation	383	2	-	385	-
Total noncurrent liabilities	<b>\$ 240,223</b>	<b>\$ 957</b>	<b>\$ (18,584)</b>	<b>\$ 222,596</b>	<b>\$ 10,812</b>

Noncurrent liability activity for the year ended Dec. 31, 2017, was as follows.

	<b>Dec. 31, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Dec. 31, 2017</b>	<b>Due within one year</b>
	<i>(in thousands)</i>				
Long-term debt, net	\$ 250,838	\$ -	\$ (27,270)	\$ 223,568	\$ 14,580
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	<b>\$ 267,286</b>	<b>\$ 750</b>	<b>\$ (27,813)</b>	<b>\$ 240,223</b>	<b>\$ 15,062</b>

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**7. Long-term debt**

Long-term debt outstanding as of Dec. 31, 2018 and 2017, consists of the following.

	<b>Interest rate</b>	<b>Dec. 31</b>	
		<b>2018</b>	<b>2017</b>
		<i>(in thousands)</i>	
Power revenue bonds (all serial bonds)			
Series GG maturing 6/1/2018	4.5%–5%	\$ -	\$ 12,755
Series HH maturing 6/1/2019	3%–5%	<b>7,985</b>	8,085
Series II maturing 6/1/2037	4%–5%	<b>26,170</b>	26,270
Series JJ maturing 6/1/2036	3.5%–5%	<b>145,605</b>	147,230
		<b>179,760</b>	194,340
Unamortized bond premium		<b>25,714</b>	29,228
Total revenue bonds outstanding		<b>205,474</b>	223,568
Less: due within one year		<b>(10,335)</b>	(14,580)
Total long-term debt, net		<b>\$ 195,139</b>	\$ 208,988

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

Interest expense for the years ended Dec. 31, 2018 and 2017, is comprised of the following.

	<b>2018</b>	<b>2017</b>
	<i>(in thousands)</i>	
Interest	<b>\$ 8,729</b>	\$ 9,582
Amortization of bond related costs	<b>(2,193)</b>	(2,123)
Total interest expense	<b>\$ 6,536</b>	\$ 7,459

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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 Dec. 31	Principal	Interest	Total
	<i>(in thousands)</i>		
Deposits in 2018 for 2019 payment	\$ 6,029	\$ 702	\$ 6,731
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>\$ 179,760</u>	<u>\$ 67,435</u>	<u>\$ 247,195</u>

The proceeds from the Series JJ bonds that were used to advance refund a portion of the outstanding Series HH 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 Dec. 31, 2018, \$105,440,000 of the defeased Series HH 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 owner communities and others, and from interest earnings.

Under the general power bond resolution, Platte River is required to charge wholesale electric energy rates to the owner communities 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 Dec. 31, 2018 and 2017, were \$20,075,000 and \$20,049,000, respectively, excluding accrued interest. The rate stabilization reserve account is included in dedicated funds and investments in the statements of net position.

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The following table is a calculation of the power revenue bond coverage ratios for the years ended Dec. 31, 2018 and 2017.

	<b>2018</b>	<b>2017</b>
	<i>(in thousands)</i>	
<b>Net revenues</b>		
Operating revenues	\$ 222,114	\$ 213,297
Operating expenses, excluding depreciation	<u>165,349</u>	<u>168,512</u>
Net operating revenues	56,765	44,785
Plus interest and other income <sup>(1)</sup>	<u>3,491</u>	<u>2,422</u>
Net revenues before rate stabilization	<b>60,256</b>	<b>47,207</b>
<b>Rate stabilization</b>		
Deposits	-	-
Withdrawals	-	-
Total net revenues	<u><b>\$ 60,256</b></u>	<u><b>\$ 47,207</b></u>
<b>Bond service</b>		
Power revenue bonds	\$ 20,833	\$ 27,900
Allowance for funds used during construction	<u>(821)</u>	<u>(903)</u>
Net revenue bond service	<u><b>\$ 20,012</b></u>	<u><b>\$ 26,997</b></u>
Power revenue bond coverage ratio	<b>3.01</b>	<b>1.75</b>

<sup>(1)</sup> Excludes unrealized holding gains and losses on investments.

### Arbitrage rebate

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after Aug. 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 Dec. 31, 2018 and 2017.

### Deferred outflows of resources related to debt

As of Dec. 31, 2018 and 2017, deferred outflows related to debt consisted of the unamortized deferred loss on debt refundings of \$7,209,000 and \$8,437,000, respectively.

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## **8. Regulatory assets and deferred inflows of resources related to regulatory credits**

### **Additional pension expense**

Platte River funds its defined benefit pension plan (note 10) 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 percent of the actuarial present value of accumulated plan benefits. The board of directors approved policy under GASB 62, paragraphs 476–500, provides for the expense recognition of any additional pension funding charge to be spread over a ten-year period. There was an additional pension funding charge of \$1,010,000 in 2018 and \$2,200,000 in 2017. The regulatory asset for additional pension expense was \$3,325,000 and \$3,079,000 as of Dec. 31, 2018 and 2017, respectively. The current portion of these amounts, \$764,000 and \$663,000 as of Dec. 31, 2018 and 2017, 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 \$616,000 and \$709,000 as of Dec. 31, 2018 and 2017, respectively.

### **Accrued maintenance outage costs**

As allowed under GASB 62, paragraphs 476–500, and in accordance with the board of directors approved policy, an accrual for the estimated incremental expenses of future scheduled major maintenance outages is recorded each year. After a Rawhide Unit 1 maintenance outage is completed, a portion of the estimated maintenance and replacement power costs for the next major maintenance outage is accrued and included in deferred inflow of resources. As of Dec. 31, 2018, \$259,000 was accrued for the 2021 scheduled maintenance outage planned for Rawhide Unit 1. As of Dec. 31, 2017, \$9,383,000 was accrued for the 2018 scheduled maintenance outage planned for Rawhide Unit 1.

### **Pension contribution expense recognition**

The board of directors approved policy under GASB 62, paragraphs 476–500, states pension contributions for the defined benefit pension plan will be recorded as pension expense, 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 asset 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 Dec. 31, 2018, a regulatory asset of \$2,669,000 was recorded as a result of the difference between the 2018 contribution amount of \$4,578,000 and pension expense of \$7,247,000 as calculated

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under GASB 68. The regulatory asset for unamortized pension expense was \$8,646,000 and \$6,662,000, respectively, as of Dec. 31, 2018 and 2017. The regulatory credit for unamortized pension expense was \$1,272,000 and \$1,130,000, respectively, as of Dec. 31, 2018 and 2017, and was accrued as a deferred inflow of resources.

## 9. Net investment in capital assets

Net investment in capital assets is comprised of the following as of Dec. 31, 2018 and 2017.

	<b>2018</b>	<b>2017</b>
	<i>(in thousands)</i>	
Electric utility plant	<b>\$ 563,253</b>	\$ 552,975
Unspent Series JJ bond proceeds	-	15,528
Deferred loss on debt refundings	<b>7,209</b>	8,437
Long-term debt, net	<b>(205,474)</b>	(223,568)
Accounts payable incurred for capital assets	<b>(12,537)</b>	(2,519)
Net investment in capital assets	<b>\$ 352,451</b>	\$ 350,853

## 10. Defined benefit pension plan

### Description

The following brief description of the defined benefit pension plan is provided for general information purposes only. Participants and all others should refer to the defined benefit pension plan document for more complete information.

Effective June 1, 1973, Platte River adopted the defined benefit pension plan. Generally, the defined benefit pension plan is a defined-benefit, single-employer plan covering all regular employees of Platte River hired prior to Sept. 1, 2010. The defined benefit pension plan is closed to new employees hired on or after that date.

The general manager of Platte River is the defined benefit pension plan administrator. The retirement committee, composed of six members (two staff members and four members of the board of directors), meets quarterly and has responsibility for oversight of the defined benefit pension plan's investments. Platte River's board of directors, composed of eight members, is the designated governing body over the defined benefit pension plan and has the authority to amend the defined benefit pension plan as necessary. All administrative expenses of the defined benefit pension plan are paid by Platte River.

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The defined benefit pension plan has received favorable determination letters, the most recent dated Oct. 6, 2014, from the Internal Revenue Service (the IRS) for the original defined benefit pension plan and subsequent amendments effective through Jan. 1, 2014. In 2015, the IRS ended the five-year amendment cycle for determination letters.

**Benefits provided**

Retirement benefits are based upon years of service rendered and the final average compensation earned by the participant as defined by the defined benefit pension plan document. The defined benefit pension plan provides for 100 percent vesting after five years of service to all eligible employees.

The defined benefit pension plan provides for normal retirement at age 65. A participant may retire before age 65 after having completed 10 years of credited service and having attained at least age 55, with reduced benefits in accordance with the defined benefit pension plan document. For a participant who commenced employment before Jan. 1, 2008, a special early retirement benefit is available if the participant has completed 13 years of credited service and has attained the ages of 55 through 58 or has completed 20 years of credited service and has attained the age of 55. For a participant who commenced employment on or after Jan. 1, 2008, the participant shall qualify for special early retirement if the participant has completed 20 years of credited service and terminated employment after attaining age 55. Benefits will not be reduced if the participant elects to receive benefits on or after the seventh anniversary of the date the participant is first eligible for the special early retirement benefit. The defined benefit pension plan also provides for a deferred vested retirement income starting at the normal retirement date to participants who choose to leave Platte River prior to normal retirement age.

Participants may elect to receive their benefits by selecting one of the six optional forms of payment including the following: (1) the duration of the participant's life; (2) the duration of the participant's life with a minimum of 10 years certain and any remainder paid to a beneficiary; (3) 50 percent joint and survivor annuity option; (4) 66-2/3 percent joint and survivor option with a minimum of 10 years certain and any remainder paid to a beneficiary; (5) 66-2/3 percent joint and survivor option without 10 years certain; or (6) an actuarially equivalent lump sum payment. Active employees who become totally and permanently disabled may qualify for a vested retirement income at age 65 or an early retirement income at ages 55 through 64 if they have met the requirements for these benefits at the time they initially became disabled. Upon the death of an active or disabled retiree, a benefit in the form of a monthly income is paid to the participant's beneficiary in accordance with the defined benefit pension plan's provisions.

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

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**Membership**

At Dec. 31, participants in the defined benefit pension plan are as follows.

	<u>2018</u>	<u>2017</u>
Retirees and beneficiaries currently receiving benefits	149	141
Terminated vested employees not yet receiving benefits	57	59
Active plan participants	119	127
Total participants	<u>325</u>	<u>327</u>

**Contributions**

All contributions to the defined benefit pension plan are authorized by the board of directors and made by Platte River. Employees are not permitted to make contributions to the defined benefit pension plan. The defined benefit pension 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 percent of the actuarial present value of accumulated plan benefits. Platte River's contributions to the defined benefit pension plan for the years ended Dec. 31, 2018 and 2017, of \$4,578,000 and \$6,220,000, respectively, equaled the actuarially determined requirements.

**Expenses**

Certain investment manager fees are deducted from investment earnings by the investment management firms. Other investment manager fees are paid directly by Platte River and are therefore, not paid from the assets of the defined benefit pension plan.

Additionally, Platte River pays the administrative expenses of the defined benefit pension plan, including actuarial fees, investment consulting fees, trustee fees, auditing expenses and legal fees.

**Net pension liability**

The net pension liability was measured and determined by actuarial valuations as of Dec. 31, 2018 and 2017, respectively. The components of the net pension liability were as follows.

	<u>2018</u>	<u>2017</u>
	<i>(in thousands)</i>	
Total pension liability	\$ 123,649	\$ 118,702
Plan fiduciary net position	99,578	105,595
Platte River's net pension liability	<u>\$ 24,071</u>	<u>\$ 13,107</u>
Plan fiduciary net position as a percentage of the total pension liability	80.53%	88.96%

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**Actuarial assumptions**

The total pension liability for the years ended Dec. 31, 2018 and 2017, was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Salary increases	3%
Investment rate of return	7.5%
Cost of living	1.5%

Mortality rates for the years ended Dec. 31, 2018 and 2017, were based on the RP-2014 table for males and females combined with the modified MP-2014 projection scale.

The actuarial assumption for the long-term expected rate of return on the defined benefit pension plan investments is established in the IPS approved by the retirement committee. The basis for establishing a rate uses a method in which best-estimate ranges of expected future rates of return net of investment expense are developed for each major asset class. The estimates for each major asset class that is included in the defined benefit pension plan's target asset allocation as of Dec. 31, 2018 and 2017, are summarized in the following table.

<b>Asset class</b>	<b>Target allocation</b>		<b>Long-term expected rate of return</b>	
	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>2018</b>	<b>2017</b>
Domestic equities – large cap	14%	17%	6.5%	6.8%
Domestic equities – mid/small cap	6%	7%	7%	7.3%
International equities	12%	10%	7%	8%
Emerging market equities	4%	4%	8%	9.5%
Domestic fixed income	8%	7%	2.5%	2.8%
High yield	0%	3%	4.3%	4.5%
Floating rate corporate loans	7%	9%	5.3%	5.3%
Commodities	3%	6%	4%	4.5%
Real estate	15%	15%	6.3%	7%
Liquid low correlated hedge	14%	14%	4.8%	5%
Master limited partnerships	7%	5%	9.5%	10%
Reinsurance	5%	3%	6%	6%
Private equity	5%	0%	9%	9.5%

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**Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent for the years ended Dec. 31, 2018 and 2017. To determine the projection of cash flows, the following assumptions were made: employer contributions are made throughout the year and, on average, at midyear; all decrement events are assumed to occur in the middle of the year. Based on those assumptions, the defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current defined benefit pension plan members. Therefore, the long-term expected rate of return on defined benefit pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in net pension liability**

Changes in the net pension liability for the year ended Dec. 31, 2018, were as follows.

	<b>Total pension liability</b>	<b>Plan fiduciary net position</b>	<b>Net pension liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
	<i>(in thousands)</i>		
<b>Balances at Dec. 31, 2017</b>	\$ 118,702	\$ 105,595	\$ 13,107
Changes for the year			
Service cost	1,535	-	1,535
Interest	8,740	-	8,740
Changes of benefit terms	-	-	-
Differences between expected and actual experience	2,088	-	2,088
Employer contributions	-	4,578	(4,578)
Net investment loss	-	(3,179)	3,179
Benefit payments	(7,416)	(7,416)	-
Changes of assumptions	-	-	-
Net changes	4,947	(6,017)	10,964
<b>Balances at Dec. 31, 2018</b>	<b>\$ 123,649</b>	<b>\$ 99,578</b>	<b>\$ 24,071</b>

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Changes in the net pension liability for the year ended Dec. 31, 2017, were as follows.

	<b>Total pension liability</b>	<b>Plan fiduciary net position</b>	<b>Net pension liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
	<i>(in thousands)</i>		
<b>Balances at Dec. 31, 2016</b>	\$ 113,851	\$ 94,447	\$ 19,404
Changes for the year			
Service cost	1,616	-	1,616
Interest	8,421	-	8,421
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,175	-	1,175
Employer contributions	-	6,220	(6,220)
Net investment income	-	11,289	(11,289)
Benefit payments	(6,361)	(6,361)	-
Changes of assumptions	-	-	-
Net changes	4,851	11,148	(6,297)
<b>Balances at Dec. 31, 2017</b>	\$ 118,702	\$ 105,595	\$ 13,107

**Sensitivity of the net pension liability to changes in the discount rate**

The net pension liability at Dec. 31, 2018 and 2017, 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, is as follows.

		<b>Net pension liability</b>	
		<b>2018</b>	<b>2017</b>
<b>Discount rate</b>		<i>(in thousands)</i>	
1% decrease	6.5%	\$ 35,450	\$ 24,218
Current discount rate	7.5%	24,071	13,107
1% increase	8.5%	14,257	3,510

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**Termination**

Platte River reserves the right to discontinue its contributions at any time and to terminate the defined benefit pension plan, although it has not expressed any intention to do so. Discontinuance of contributions does not constitute a formal termination of the defined benefit pension plan. In the event that the defined benefit pension plan is formally terminated by Platte River, the net position of the defined benefit pension plan will be distributed in the following order of priority.

- a. The minimum required amount to retired or terminated participants whose retirement income payments commenced at least three years prior to the date of termination.
- b. Each other active, retired, or terminated participant who, at least three years prior to termination date, had become eligible for benefits.
- c. Remaining assets are allocated between participants and beneficiaries in an amount equal to the excess of the amount required to provide the actuarial equivalent single sum value.

Platte River is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and, therefore, is not subject to the pension benefit guaranty provisions of ERISA. Benefits under this defined benefit pension plan are not insured by the Pension Benefit Guaranty Corporation.

**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 Dec. 31, 2018, Platte River recognized pension expense of \$5,146,000. Pension expense for 2018 consists of the \$3,567,000 employer base contribution plus \$765,000 amortization of the additional funding charge and \$814,000 amortization of the difference between prior year's contributions and pension expense as calculated by GASB 68. For the year ended Dec. 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. Additional details about regulatory accounting for pension expense can be found in note 8.

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**Deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan**

At Dec. 31, 2018 and 2017, Platte River reported deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan from the following sources.

<b>Dec. 31, 2018</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
	<i>(in thousands)</i>	
Differences between expected and actual experience	\$ 2,240	\$ 218
Changes of assumptions	610	38
Net difference between projected and actual earnings on investments	7,507	-
Total	<u>\$ 10,357</u>	<u>\$ 256</u>

<b>Dec. 31, 2017</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
	<i>(in thousands)</i>	
Differences between expected and actual experience	\$ 1,232	\$ 390
Changes of assumptions	1,373	145
Net difference between projected and actual earnings on investments	-	278
Total	<u>\$ 2,605</u>	<u>\$ 813</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan as of Dec. 31, 2018, will be recognized as a component of pension expense as follows.

<b>Year ending Dec. 31</b>	
	<i>(in thousands)</i>
2019	\$ 4,227
2020	2,002
2021	1,671
2022	2,201
2023	-
Total	<u>\$ 10,101</u>

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## **11. Defined contribution plan**

Effective Sept. 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 Dec. 31, 2018, there were 131 active plan participants. The plan's assets are held in an external trust account. The general manager of Platte River is the defined contribution 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 percent of earnings for plan participants with fewer than five years of service and 7 percent for those with five or more years of service. Platte River will also contribute to the 401(a) an amount equal to 50 percent of the participant's contributions to a separate 457(b) plan, taking into account only such participant contributions up to 6 percent of the participant's earnings. For the years ended Dec. 31, 2018 and 2017, contributions to the 401(a) plan by Platte River, which were recognized as expenses, were \$960,000 and \$731,000, respectively. The employer contributions to the 401(a) plan vest 100 percent after three years. The plan's records are kept on the accrual basis.

## **12. Contribution of fiber optic network to owner communities**

During 1998, Platte River constructed a fiber optic network between and around the four owner communities 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 owner communities to independent telecommunication service providers. The contributions of the fiber assets to the owner communities of \$137,000 for the years ended Dec. 31, 2018 and 2017, is considered a return of capital on the original asset. As of Dec. 31, 2018 and 2017, lease advances of \$653,000 and \$745,000, respectively, have been recorded as a liability in the statements of net position. The owner communities' portion of the lease payments received is flowed through to the owner communities, net of Platte River's costs.

## **13. 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 with one isolated claim at \$1 million per incident for 2018. A liability was recorded for estimated medical and dental claims that have been incurred but not reported of \$582,000 at Dec. 31, 2018, and \$630,000 at Dec. 31, 2017. A third-party administrator is used to account for the health insurance claims and provides the estimated

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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 2018 and 2017 were as follows.

	<b>2018</b>	<b>2017</b>
	<i>(in thousands)</i>	
Medical claims liability, beginning of year	\$ 630	\$ 446
Current year claims and changes in estimates	<b>2,955</b>	3,021
Claim payments	<b>(3,003)</b>	(2,837)
Medical claims liability, end of year	<b>\$ 582</b>	<b>\$ 630</b>

#### **14. Related-party transactions**

Certain defined benefit pension plan investments are shares of mutual funds managed by Wells Fargo, the trustee of the defined benefit pension plan. Platte River pays certain expenses of the defined benefit pension plan and performs certain administrative functions at no cost to the defined benefit pension plan.

#### **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 Sept. 30, 2057. The Loveland Area Projects contract continues through Sept. 30, 2054. The federal hydroelectric power received in 2018 provided approximately 22 percent of the resources needed by Platte River to serve the loads of the four owner community systems. The contract rates and the amount of energy available are subject to change. During 2018, Platte River purchased \$16,973,000 under these contracts.

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. This contract is subject to price adjustments. During 2018, coal purchases totaled \$15,174,000 under this contract.

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 2018, Platte River paid \$23,768,000 for coal delivered under these agreements.

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Platte River has committed to purchase Renewable Energy Certificates (RECs) for the years 2019 through 2024 with future payments of \$3,225,000. During 2018, 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 2029, 60 megawatts from Spring Canyon Expansion Wind Energy Center through 2039, and approximately 6 megawatts from Medicine Bow Wind Project through 2033. During 2018, Platte River purchased \$9,638,000 under these renewable wind energy agreements. Also, in 2018 Platte River entered into a long-term agreement with a third party to sell all the output purchased from the Silver Sage Windpower Project through 2029. During 2018, Platte River received \$223,000 under this agreement.

Platte River has entered into an agreement with Bison Solar LLC, to purchase all the output from the 30-megawatt solar photovoltaic power plant, located at the Rawhide Energy Station through 2041. During 2018, Platte River purchased \$3,440,000 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.

In October 2018, Platte River entered into an agreement to sell units of Windy Gap water for \$5.2 million. The sale closed in January 2019.

In January 2019, Platte River entered into an agreement to purchase all the output from the 20-megawatt solar photovoltaic power plant to be located at the Rawhide Energy Station. A battery energy storage project will also be fully integrated with the solar project. The facility is expected to be on-line in 2020 and the contract will be effective for 20 years from the commercial date of operation.

## **16. Risks, uncertainties 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 Unit 1 will have more stringent limits on annual emissions beginning in 2020 and will be retired by Dec. 31, 2025. As of Dec. 31, 2018, 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

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material adverse effect upon Platte River's operations, financial position or changes in financial position in the near term.

Currently Platte River generates and delivers the majority of its energy from carbon resources. In December 2018, the board of directors passed the Resource Diversification Policy. The policy includes the goal of reaching 100 percent non-carbon energy by 2030. Platte River is proactively working to diversify its resource mix to achieve the policy's goal. Additionally, potential changes in environmental regulations could affect the cost of generation for these facilities or could require significant capital expenditures. The Clean Power Plan was an example of a regulation that could have materially affected the rates Platte River charges its customers. At present implementation of the Clean Power Plan is stayed by order of the Supreme Court, and the Trump administration has instigated a rulemaking on a replacement rule entitled the Affordable Clean Energy rule. Current information indicates 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.

Investments of the defined benefit pension plan are subject to various risks, such as interest rate, credit, foreign currency, hedge fund of funds, reinsurance funds, private equity and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

Defined benefit pension plan contributions are made, and Platte River's net pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

The defined benefit pension plan is exposed to various risks of loss related to torts. Fiduciary liability insurance coverage is purchased for claims arising from such matters. There have been no significant decreases in insurance coverage.

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## 17. Change in accounting principle

In 2018, Platte River recognized the effect of a change in accounting principle for a change in the measurement date of its net pension liability to be the same as its fiscal year end. This presentation is preferable as the measurement date for the defined benefit pension plan now aligns with the fiscal year end, which provides current information as of the date of the financial statements. This resulted in a restatement of Dec. 31, 2017, financial statements, including notes 8 and 10. The following financial statement line items for 2017 were impacted by the restatement.

Year ending Dec. 31, 2017	Previously reported	Restated	Increase (decrease)
	<i>(in thousands)</i>		
<b>Statement of net position</b>			
<b>Regulatory assets (note 8)</b>	\$ 7,247	\$ 9,787	\$ 2,540
<b>Deferred outflows of resources</b>			
Pension deferrals (note 10)	14,549	2,605	(11,944)
<b>Net pension liability (note 10)</b>	19,395	13,107	(6,288)
<b>Deferred inflows of resources</b>			
Regulatory credits (note 8)	10,344	10,513	169
Pension deferrals (note 10)	1,508	813	(695)
<b>Net position</b>	530,429	527,839	(2,590)
<b>Statement of revenues, expenses and changes in net position</b>			
Restatement for change in accounting principle (note 17)	\$ -	\$ (2,590)	\$ 2,590
Net position at beginning of year, adjusted	516,437	513,847	(2,590)
Net position at end of year	530,429	527,839	(2,590)
<b>Statement of cash flows</b>			
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Prepayments and other assets	\$ 338	\$ (4,792)	\$ (5,130)
Deferred outflows of resources	(315)	11,629	11,944
Net pension liability	(1,113)	(7,401)	(6,288)
Deferred inflows of resources	6,651	6,125	(526)

**Platte River Power Authority**  
**Defined benefit pension plan**  
Required supplementary information

Schedule of changes in net pension liability and related ratios  
Last six calendar years

	2018	2017	2016	2015	2014	2013
	<i>(in thousands)</i>					
<b>Total pension liability</b>						
Service cost	\$ 1,535	\$ 1,616	\$ 1,728	\$ 1,839	\$ 1,885	\$ 1,949
Interest	8,740	8,421	8,176	7,665	7,343	7,005
Changes of benefit terms	-	-	-	2,397	-	(135)
Differences between expected and actual experience	2,088	1,175	(620)	931	(180)	86
Changes of assumptions	-	-	-	3,661	(574)	(726)
Benefit payments	(7,416)	(6,361)	(5,418)	(4,632)	(4,287)	(3,886)
Net change in total pension liability	4,947	4,851	3,866	11,861	4,187	4,293
Total pension liability—beginning	118,702	113,851	109,985	98,124	93,937	89,644
Total pension liability—ending (a)	\$ 123,649	\$ 118,702	\$ 113,851	\$ 109,985	\$ 98,124	\$ 93,937
<b>Plan fiduciary net position</b>						
Contributions – employer	\$ 4,578	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544
Net investment income	(3,179)	11,289	7,476	(624)	4,658	12,011
Benefit payments	(7,416)	(6,361)	(5,418)	(4,632)	(4,287)	(3,886)
Net change in Plan fiduciary net position	(6,017)	11,148	4,970	(1,954)	4,276	12,669
Plan fiduciary net position—beginning	105,595	94,447	89,477	91,431	87,155	74,486
Plan fiduciary net position—ending (b)	\$ 99,578	\$ 105,595	\$ 94,447	\$ 89,477	\$ 91,431	\$ 87,155
<b>Net pension liability—ending (a) – (b)</b>	\$ 24,071	\$ 13,107	\$ 19,404	\$ 20,508	\$ 6,693	\$ 6,782
Plan fiduciary net position as a percentage of the total pension liability	80.53%	88.96%	82.96%	81.35%	93.18%	92.78%
Estimated covered payroll	\$ 15,290	\$ 16,215	\$ 16,874	\$ 17,305	\$ 17,951	\$ 18,614
Net pension liability as a percentage of estimated covered payroll	157.43%	80.83%	114.99%	118.51%	37.28%	36.43%

**Note to schedule**

Historical information is not available for the years 2009 through 2012; additional years will be displayed as they become available.

**Platte River Power Authority**  
**Defined benefit pension plan**  
Required supplementary information  
Schedule of employer contributions  
Last 10 calendar years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	<i>(in thousands)</i>									
Actuarially determined contribution	\$ 4,578	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544	\$ 3,561	\$ 4,390	\$ 7,736	\$ 2,867
Contribution in relation to the actuarially determined contribution	4,578	6,220	2,912	3,302	3,905	4,544	3,561	4,390	7,736	2,866
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Estimated covered payroll	\$15,290	\$16,215	\$16,874	\$17,305	\$17,951	\$18,614	\$18,766	\$18,728	\$17,714	\$18,521
Contributions as a percentage of covered payroll	29.94%	38.36%	17.26%	19.08%	21.75%	24.41%	18.98%	23.44%	43.67%	15.47%

**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	2.8%, 10 year average
Increases in retiree benefits – in payment pensioners	2.25% if benefits commenced prior to 1/1/92, 1.5% if benefits commenced after 12/31/1991 for 2016 - 2018; 3% and 2%, respectively for 2011–2015; 3.75% and 2.5%, respectively for 2008-2010
Investment rate of return	7.5% for 2016 - 2018; 8% for 2009 – 2015

**Platte River Power Authority**  
**Defined benefit pension plan**  
 Required supplementary information  
 Schedule of investment returns  
 Last 10 calendar years

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Annual money-weighted rate of return, net of investment expense	(3.1%)	12%	8.5%	(0.7%)	5.4%	16.1%	13.7%	(1.5%)	12.5%	18.4%

**Platte River Power Authority**  
**Other information**  
 Budgetary comparison schedule *(unaudited)*

	<b>Year ended Dec. 31, 2018</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<i>(in thousands)</i>		
<b>Revenues</b>			
Operating revenues			
Sales to owner communities	\$ 197,016	\$ 196,411	\$ (605)
Sales for resale and other	23,476	25,703	2,227
Total operating revenues	220,492	222,114	1,622
Nonoperating revenues			
Interest income <sup>(1)</sup>	2,793	2,983	190
Other income	256	507	251
Total nonoperating revenues	3,049	3,490	441
Total revenues	\$ 223,541	\$ 225,604	\$ 2,063
<b>Expenditures</b>			
Operating expenses <sup>(2)</sup>			
Purchased power	\$ 34,525	\$ 41,140	\$ (6,615)
Fuel	49,654	42,259	7,395
Production	45,194	41,145	4,049
Transmission	17,199	15,374	1,825
Administrative and general	25,412	24,939	473
Total operating expenses	171,984	164,857	7,127
Debt service expenditures <sup>(3)</sup>			
Principal	12,162	12,104	58
Interest expense	10,946	8,729	2,217
Allowance for funds used during construction	(2,323)	(821)	(1,502)
Total debt service expenditures	20,785	20,012	773
Capital additions			
Production	45,164	41,483	3,681
Transmission	5,772	4,658	1,114
General	22,574	18,278	4,296
Total capital additions	73,510	64,419	9,091
Total expenditures	\$ 266,279	\$ 249,288	\$ 16,991
Revenues less expenditures	\$ (42,738)	\$ (23,684)	\$ 19,054

<sup>(1)</sup> Interest income excludes unrealized investment holding gains and losses.

<sup>(2)</sup> Operating expenses do not include depreciation and other nonappropriated expenses.

<sup>(3)</sup> Debt service expenditures represent monthly principal and interest funding.