

Platte River Power Authority

Independent Auditor's Report and Financial Statements

Dec. 31, 2019 and 2018

Platte River Power Authority

Financial statements

Years ended Dec. 31, 2019 and 2018

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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 activities and the fiduciary activities of Platte River Power Authority (Platte River), as of and for the years ended December 31, 2019 and 2018, 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 opinions 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 respective financial position of the business-type activities and the fiduciary activities of Platte River as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 3 and 18 to the financial statements, in 2019, the Authority adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*. 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 audits 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 opinions on the financial statements that collectively comprise Platte River's basic financial statements. 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 audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Denver, Colorado
April 15, 2020

Platte River Power Authority
Management's discussion and analysis (*unaudited*)
Dec. 31, 2019 and 2018

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority for the fiscal years ended Dec. 31, 2019, and Dec. 31, 2018. 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 Colorado political subdivision and a wholesale electricity generation and transmission provider that delivers safe, reliable, environmentally responsible and financially sustainable 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 megawatts), located 25 miles north of Fort Collins, and 18% ownership in Craig units 1 and 2 (151 megawatts 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 megawatts each) and a GE 7FA (128 megawatts). The combustion turbines are used 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 megawatts in the summer and 136 megawatts in the winter. Actual capacity available varies by month. During the summer season, available capacity ranges from 51 megawatts to 60 megawatts. In the winter season, available capacity ranges from 72 megawatts to 85 megawatts. Loveland Area Projects' capacity varies from 23 megawatts to 30 megawatts in the summer and 26 megawatts to 32 megawatts 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 megawatts 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 megawatts) in Colorado; contract ends Oct. 31, 2039, and Dec. 10, 2039, respectively. To accommodate additional wind energy available from a new wind power purchase agreement and reduce ancillary services expense, the energy and renewable attribute from this site will be sold under a 10-year long-term contract beginning in 2020. Therefore, the energy is not delivered to the owner communities for the term of the sales contract. Subsequent to the end of the sales contract, the energy

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produced will be returned to Platte River and delivered to the owner communities.

- Silver Sage Windpower Project (12 megawatts) in Wyoming; contract ends Sept. 30, 2029. To accommodate additional wind energy available from a new wind power purchase agreement and reduce transmission expense, the energy and renewable attribute from this site have been sold under a long-term contract.
- Medicine Bow Wind Project (6 megawatts) in Wyoming; contract ends Dec. 30, 2033.
- Solar generation includes 30 megawatts 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.
- The joint dispatch agreement between Black Hills Colorado Electric LLC, Public Service Company of Colorado, City of Colorado Springs and Platte River 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.
- Energy is purchased from the City of Fort Collins and the City of Loveland community solar facilities, 4 megawatts and 0.5 megawatts, respectively. The owner communities retain the renewable attribute for these facilities.
- 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 megawatts 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% noncarbon 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 joining an energy market 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 noncarbon 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

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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.

Platte River Power Authority
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Dec. 31, 2019 and 2018

Financial summary

Platte River reported income before contributions of \$33.5 million in 2019, approximately \$1.2 million higher than 2018. The year ended with an increase in operating revenues of \$7.1 million, an increase in operating expenses of \$7.3 million, and a decrease in nonoperating expenses, net, of \$1.4 million. In 2019, Platte River recognized the effect of a change in accounting principle for recognizing asset retirements obligations (note 18) resulting in a restatement of beginning net position.

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 2019, 2018 and 2017.

	2019	Dec. 31, 2018 restated	2017*
	<i>(in thousands)</i>		
Assets			
Electric utility plant	\$ 586,230	\$ 563,253	\$ 552,975
Special funds and investments	119,445	117,135	123,407
Current and noncurrent assets	130,724	135,691	123,142
Total assets	836,399	816,079	799,524
Deferred outflows of resources	31,699	41,384	11,042
Liabilities			
Noncurrent liabilities	235,651	254,661	238,266
Current liabilities	33,050	40,956	33,135
Total liabilities	268,701	295,617	271,401
Deferred inflows of resources	5,795	1,787	11,326
Net position			
Net investment in capital assets	394,847	352,451	350,853
Restricted	17,872	17,784	20,247
Unrestricted	180,883	189,824	156,739
Total net position	\$ 593,602	\$ 560,059	\$ 527,839

* 2017 not restated

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Net position

Total net position at Dec. 31, 2019, was \$593.6 million, an increase of \$33.5 million over 2018. Total net position at Dec. 31, 2018, was \$560.1 million, an increase of \$32.2 million over 2017. This amount includes a \$0.5 million decrease resulting from the previously mentioned change in accounting principle (note 18).

Electric utility plant increased \$23 million during 2019, primarily the result of a \$17.8 million increase in plant and equipment in service and a \$16.6 million increase in construction work in progress. Partially offsetting these increases was an increase of \$11.4 million in accumulated depreciation. This includes \$5.2 million for the sale of several Windy Gap water units, following FERC accounting guidance as described in note 4.

In 2018, electric utility plant increased \$10.3 million, 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.

Special funds and investments increased \$2.3 million during 2019 primarily due to an increase in funds from the additional sales of Windy Gap water units as described in note 4.

In 2018, special funds and investments 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.

Current and noncurrent assets decreased \$5 million during 2019 primarily due to decreases in cash and investment balances as a result of paying expenses accrued at the end of 2018 for the Rawhide Unit 1 scheduled maintenance outage. Accounts receivable decreased as a result of lower surplus sales and outstanding balances at the end of the year. Craig Generating Station fuel inventory levels decreased due to higher generation to manage the stockpile and to meet requirements under a surplus sales contract. Partially offsetting the decreases was an increase in materials and supplies for replenishment of inventory after the Rawhide Unit 1 maintenance outage and completion of capital projects. In addition, regulatory assets increased primarily due to the expense recognition differences related to regulatory pension accounting.

In 2018, other current and noncurrent assets increased \$12.5 million over 2017 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 Generating 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. In addition, there was an increase in regulatory assets for the expense recognition differences and additional funding deferrals

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related to regulatory pension accounting. Other long-term assets decreased as a result of recognizing asset retirement obligations and reclassifying those amounts to deferred outflows of resources in 2018.

Deferred outflows of resources decreased \$9.7 million in 2019 primarily due to the deferred amortization for differences between the defined benefit pension plan's expected and actual experience and investment earnings. The deferred outflows of resources for prior years defined benefit pension plan assumption changes decreased as those expenses were fully amortized in 2019. Further, there was a decrease in the unamortized deferred loss on debt refunding.

In 2018, deferred outflows of resources increased \$30.3 million over 2017. The largest increase was a result of the implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations*. New asset retirement obligations were recorded, and reclassifications were made from other long-term assets that were previously recorded as regulatory assets. Other reasons include the increase in 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.

Noncurrent liabilities decreased \$19 million in 2019 primarily due to principal retirements of debt and a decrease in the net pension liability due to a gain in the market value of assets.

In 2018, noncurrent liabilities increased \$16.4 million over 2017 primarily due to recording asset retirement obligations and an increase in the net pension liability partially offset by principal retirements of debt.

Current liabilities decreased \$7.9 million in 2019 primarily due to a decrease 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 in 2018 that were paid in 2019. This decrease is partially offset by the current portion of asset retirement obligations related to the planned closure in 2020 of two ash ponds at the Rawhide Energy Station.

In 2018, current liabilities increased \$7.8 million over 2017 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.

Deferred inflows of resources increased \$4 million during 2019 primarily due to accruing the expenses for the 2021 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 and actuarial assumptions.

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In 2018, deferred inflows of resources decreased \$9.5 million from 2017 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.

	Years ended Dec. 31,		
	2019	2018 restated	2017*
	<i>(in thousands)</i>		
Operating revenues	\$ 229,185	\$ 222,114	\$ 213,297
Operating expenses	194,951	187,711	194,525
Operating income	34,234	34,403	18,772
Nonoperating expenses, net	(691)	(2,046)	(4,643)
Income before contributions	33,543	32,357	14,129
Contributions of assets to owner communities	-	(137)	(137)
Change in net position	33,543	32,220	13,992
Beginning net position	560,059	527,839	513,847
Ending net position	\$ 593,602	\$ 560,059	\$ 527,839

* 2017 not restated

Changes in net position

Net position increased \$33.5 million in 2019, \$1.3 million higher than 2018. There was an increase in both operating revenues and operating expenses and a decrease in nonoperating expenses, net. Net position increased \$32.2 million in 2018, \$20.8 million higher than 2017. There was an increase in operating revenues and a decrease in both operating expenses and nonoperating expenses, net. The \$0.5 million additional expense for asset retirement obligations in 2018 also impacted net position.

Operating revenues in 2019 increased \$7.1 million over 2018.

- Sales to the owner communities increased \$1.6 million over 2018 primarily as the result of a 2% increase in wholesale rates partially offset by a decrease in billing demand and owner communities energy deliveries of 1.8% and 1.1%, respectively, from 2018.
- Surplus sales revenue (sales for resale and other) increased \$5.5 million over 2018 primarily as a result of short-term sales at higher prices and new long-term sales contracts. Wheeling revenues increased 7.9% as a result of an increase in customer loads and a rate increase to the transmission tariff.

Platte River Power Authority
Management's discussion and analysis (*unaudited*)
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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% increase in wholesale rates and an increase in billing demand and owner communities energy deliveries of 2.5% and 1.3%, respectively, over 2017.
- Surplus sales revenue (sales for resale and other) increased \$2 million over 2017 primarily as a result of short-term sales at higher prices. Wheeling revenues increased 11.6% as a result of an increase in customer loads and rate increase to the transmission tariff.

Operating expenses in 2019 increased \$7.3 million over 2018.

- Purchased power costs for 2019 decreased \$2.7 million compared to 2018. The primary reason was in 2018 additional purchases were required for the extension of the Rawhide Unit 1 scheduled maintenance outage.
- Fuel expense increased \$3.1 million over 2018. Fuel expense for Rawhide Unit 1 and the Craig units was \$3 million and \$0.4 million above 2018, respectively. The increase in Rawhide Unit 1's fuel expenses was a result of higher generation, as a nine-week scheduled maintenance outage occurred in 2018. The Craig units' generation was higher to manage coal inventory and to meet requirements of the long-term sales contract. Natural gas expense was \$0.3 million lower than 2018 primarily due to lower natural gas prices as generation was higher as a result of load requirements and surplus sales made from the combustion turbine units.
- Operations and maintenance expenses were \$5.2 million more than 2018. The increase is due to the Craig units scheduled maintenance outages in 2019. Rawhide Unit 1 also returned to normal operations in 2019 after the 2018 maintenance outage, for which the outage expenses were lower than anticipated.
- Administrative and general expenses increased \$2 million over 2018 primarily due to increased technology expenses, resource planning consulting services and personnel expenses.
- Distributed energy resources expense increased \$1.3 million due to program expansion for business and consumer product offerings for energy efficiency programs.
- Depreciation and amortization expense decreased \$1.6 million due to certain assets at the Rawhide Energy Station reaching the end of their depreciable life and the sale of the Windy Gap water units as discussed in note 4.

Platte River Power Authority
Management's discussion and analysis (*unaudited*)
Dec. 31, 2019 and 2018

Operating expenses in 2018 decreased \$6.8 million from 2017.

- Purchased power costs 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 expenses 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 due to lower generation as a result of 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 \$8.1 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 \$1.1 million over 2017 primarily due to increased technology expenses and personnel expenses.
- Distributed energy resources expense increased \$2.5 million due to program expansion for business and consumer product offerings for energy efficiency programs. Further, in 2017 personnel expenses were not allocated to distributed energy resources and were included in administrative and general personnel expenses.
- Depreciation expense decreased \$2.6 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. This decrease was partially offset by recognizing amortization expense in 2018 for asset retirement obligations.

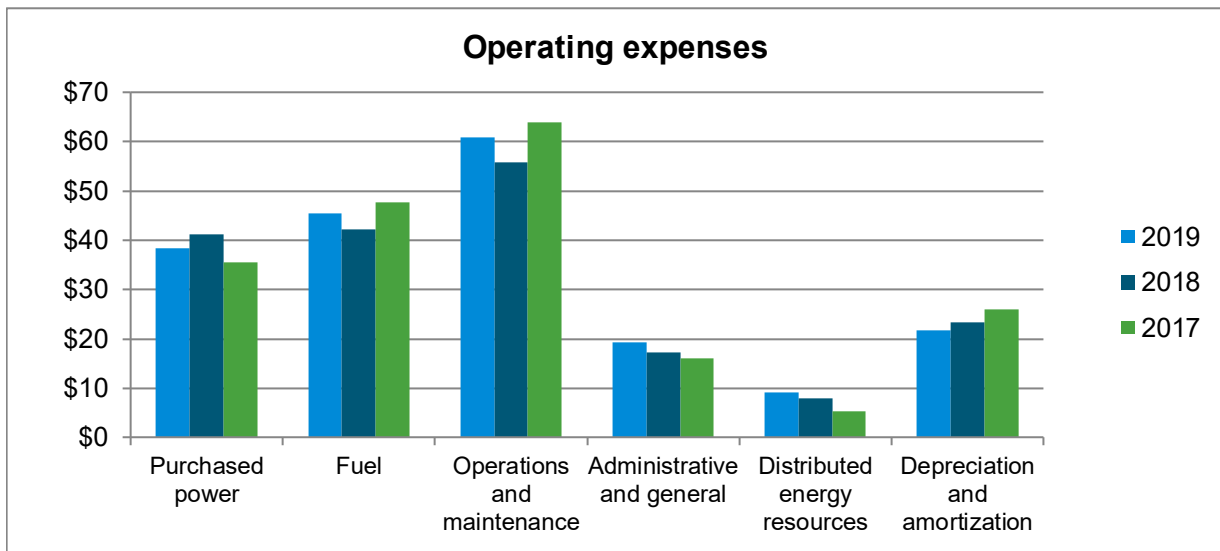
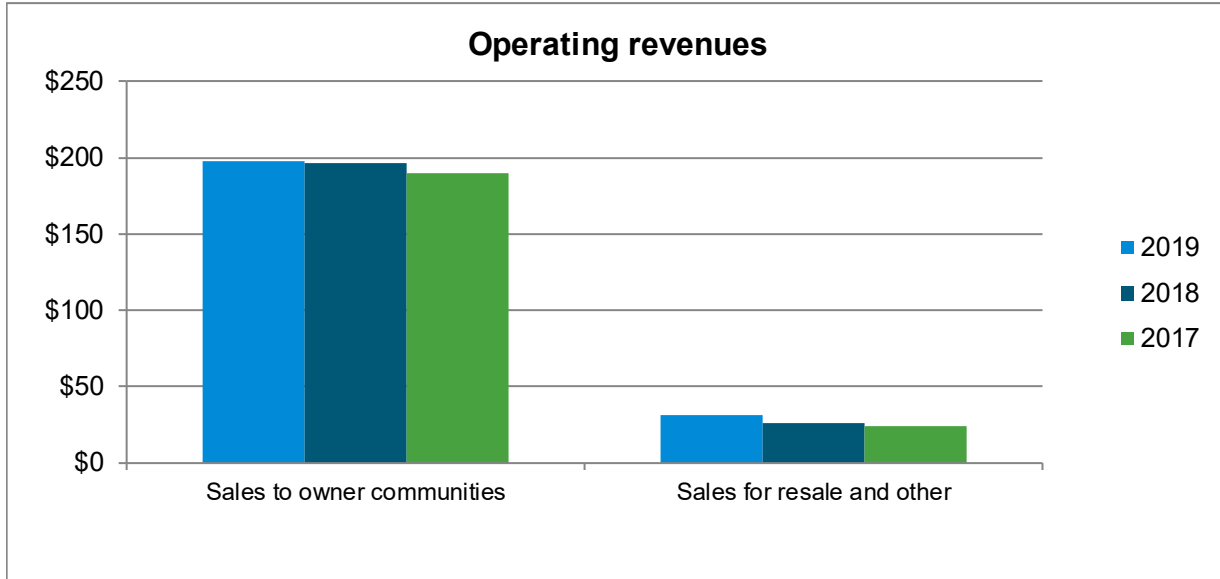
Nonoperating expenses, net, decreased \$1.4 million in 2019 compared to 2018. The main contributors to the decrease were higher interest income, lower interest expense and an increase in fair value of investments. In 2019, cash balances were higher primarily due to the additional sales of Windy Gap water units. Interest expense was lower mainly due to making the final payment on the Series HH power revenue bonds in 2019 and Series GG power revenue bonds were paid off in 2018.

Nonoperating expenses, net, decreased \$2.6 million in 2018 compared to 2017. The main factors contributing 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

Platte River Power Authority
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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.

Operating revenues and expenses
(in millions)



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Debt ratings

The ratings on Platte River's existing bonds remained unchanged.

Bond issue	Moody's	S&P	Fitch
Power revenue bonds			
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 2019 Annual Budget with total revenues of \$231.3 million, operating expenses of \$180.6 million, debt service expenditures of \$19.5 million and capital additions of \$56.5 million. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Total revenues of \$233.3 million ended the year \$2 million above budget.

- Sales to owner communities of \$198 million were \$2.6 million below budget due to below-budget energy deliveries and billing demand.
- Sales for resale and other totaled \$31.2 million and were above budget \$4.8 million primarily due to an overall increase in market prices. The average price was approximately 27.9% above budget or \$5.1 million of the variance, partially offset by \$2.4 million due to 11.7% below-budget sales volume. An unbudgeted contract sale to another utility for approximately \$1.8 million also contributed to the above-budget variance. Wheeling revenues were \$0.3 million above budget due to higher-than-anticipated customer loads, additional point-to-point sales and a transmission tariff rate increase in 2019.
- Interest and other income of \$4.1 million were below budget \$0.2 million primarily due to delaying a debt financing and not earning the interest on the proceeds as planned, partially offset by unbudgeted lease revenue.

Operating expenses totaled \$173.1 million and were \$7.5 million below budget. The largest variances are explained below.

- Purchased power expenses of \$38.4 million were above budget \$1.5 million primarily due to purchases made under the joint dispatch agreement because of favorable pricing, which replaced baseload generation. Other supplemental purchases were also made for Rawhide Unit 1's screen outage at higher-than-budgeted prices, forced outages, replacement of generation during Rawhide Unit 1's low load testing, and providing energy to Tri-State under the forced outage assistance agreement. Due to surplus sales market prices, reserves were also above budget as it was more economical to purchase

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than hold reserves on the Craig units. Below-budget wind and solar generation partially offset the additional purchases.

- Fuel expenses of \$45.4 million were \$2.6 million below budget. Rawhide Unit 1's generation decreased due to operating the unit at lower loads to accommodate more renewable resources purchased through the joint dispatch agreement. This resulted in \$4 million in fuel savings. Partially offsetting the below-budget variance was above-budget natural gas expense of \$1.4 million, as the combustion turbines were used to meet load requirements, make additional sales and perform unit testing.
- Production, transmission, administrative and general and distributed energy resources expenses of \$89.3 million were \$6.4 million below budget consisting of the items described below.
 - Operations and maintenance expenses were below budget approximately \$2.1 million due to the reclassification of amortization of asset retirement obligations, projects being completed below budget, and expenses not being required.
 - Personnel expenses were below budget \$3.2 million primarily due to lower than anticipated medical and dental claims and lower wages primarily as a result of vacancies.
 - Distributed energy resources program expenses were below budget \$1.1 million. Energy efficiency expenses were below budget due to not requiring contingency funds of approximately \$0.6 million and below-budget program commitments from the owner communities.

Debt service expenditures of \$18.5 million were \$1 million below budget due to a delay in a debt financing planned for 2019.

Capital additions of \$48.6 million were \$7.9 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 \$5.2 million, \$1 million and \$1.7 million, respectively. The variance has been carried over to the 2020 Strategic 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
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	Dec. 31,	
	2019	2018 restated
	<i>(in thousands)</i>	
Assets		
Electric utility plant, at original cost (notes 3 and 4)		
Land and land rights	\$ 16,997	\$ 16,997
Plant and equipment in service	1,360,820	1,343,030
Less: accumulated depreciation and amortization	(894,676)	(883,231)
Plant in service, net	483,141	476,796
Construction work in progress	103,089	86,457
Total electric utility plant	586,230	563,253
Special funds and investments (note 5)		
Restricted funds and investments	18,532	18,486
Dedicated funds and investments	100,913	98,649
Total special funds and investments	119,445	117,135
Current assets		
Cash and cash equivalents (notes 3 and 5)	26,211	29,989
Other temporary investments (note 5)	35,310	35,540
Accounts receivable—owner communities	16,035	15,720
Accounts receivable—other	7,457	9,676
Fuel inventory, at last-in, first-out cost	14,185	16,532
Materials and supplies inventory, at average cost	15,728	14,469
Prepayments and other assets	1,369	868
Total current assets	116,295	122,794
Noncurrent assets		
Regulatory assets (note 9)	14,056	12,586
Other long-term assets	373	311
Total noncurrent assets	14,429	12,897
Total assets	836,399	816,079
Deferred outflows of resources		
Deferred loss on debt refundings (note 7)	6,063	7,209
Pension deferrals (note 11)	1,769	10,357
Asset retirement obligations (note 8)	23,867	23,818
Total deferred outflows of resources	31,699	41,384

See notes to financial statements.

Platte River Power Authority
Statements of net position
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	Dec. 31,	
	2019	2018 restated
	<i>(in thousands)</i>	
Liabilities		
Noncurrent liabilities (notes 3 and 6)		
Long-term debt, net (note 7)	\$ 181,437	\$ 195,139
Net pension liability (note 11)	18,679	24,071
Asset retirement obligations (note 8)	28,636	29,510
Other liabilities and credits	6,899	5,941
Total noncurrent liabilities	235,651	254,661
Current liabilities		
Current maturities of long-term debt (note 7)	10,310	10,335
Current portion of asset retirement obligations (note 8)	1,888	—
Accounts payable	18,119	28,048
Accrued interest	660	702
Accrued liabilities and other	2,073	1,871
Total current liabilities	33,050	40,956
Total liabilities	268,701	295,617
Deferred inflows of resources		
Regulatory credits (note 9)	5,726	1,531
Pension deferrals (note 11)	69	256
Total deferred inflows of resources	5,795	1,787
Net position		
Net investment in capital assets (note 10)	394,847	352,451
Restricted	17,872	17,784
Unrestricted	180,883	189,824
Total net position	\$ 593,602	\$ 560,059

See notes to financial statements.

Platte River Power Authority
Statements of revenues, expenses and changes in net position
Dec. 31, 2019 and 2018

	Years ended Dec. 31,	
	2019	2018
	restated	
	<i>(in thousands)</i>	
Operating revenues (note 3)		
Sales to owner communities	\$ 197,974	\$ 196,411
Sales for resale and other	31,211	25,703
Total operating revenues	229,185	222,114
Operating expenses		
Purchased power	38,441	41,140
Fuel	45,401	42,279
Operations and maintenance	60,877	55,740
Administrative and general	19,286	17,289
Distributed energy resources	9,136	7,864
Depreciation and amortization (note 4 and 8)	21,810	23,399
Total operating expenses	194,951	187,711
Operating income	34,234	34,403
Nonoperating revenues (expenses) (notes 5 and 7)		
Interest income	3,610	2,988
Other income	450	507
Interest expense	(5,962)	(6,536)
Allowance for funds used during construction	-	821
Net increase in fair value of investments (note 5)	1,211	174
Total nonoperating revenues (expenses)	(691)	(2,046)
Income before contributions	33,543	32,357
Contributions of assets to owner communities (note 13)	-	(137)
Change in net position	33,543	32,220
Net position at beginning of year	560,059	527,839
Net position at end of year	\$ 593,602	\$ 560,059

See notes to financial statements.

Platte River Power Authority
Statements of cash flows
Dec. 31, 2019 and 2018

	Years ended Dec. 31,	
	2019	2018
	restated	
	<i>(in thousands)</i>	
Cash flows from operating activities		
Receipts from customers	\$ 230,667	\$ 222,489
Payments for operating goods and services	(129,498)	(134,586)
Payments for employee services	(39,059)	(38,420)
Net cash provided by operating activities	62,110	49,483
Cash flows from capital and related financing activities		
Additions to electric utility plant	(43,436)	(50,822)
Payments from accounts payable incurred for electric utility plant additions	(12,537)	(2,519)
Proceeds from disposal of electric utility plant	5,467	31,932
Principal payments on long-term debt	(10,335)	(14,580)
Interest payments on long-term debt	(8,172)	(8,790)
Net cash used in capital and related financing activities	(69,013)	(44,779)
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	(891)	4,710
Interest and other income, including realized gains and losses	4,016	3,399
Net cash provided by investing activities	3,125	8,109
(Decrease)/increase in cash and cash equivalents	(3,778)	12,813
Balance at beginning of year in cash and cash equivalents	29,989	17,176
Balance at end of year in cash and cash equivalents	\$ 26,211	\$ 29,989

See notes to financial statements.

Platte River Power Authority
Statements of cash flows
Dec. 31, 2019 and 2018

	Years ended Dec. 31,	
	2019	2018
	restated	
	<i>(in thousands)</i>	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 34,234	\$ 34,403
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	20,691	21,834
Changes in assets and liabilities which provided (used) cash		
Accounts receivable	1,904	(188)
Fuel and materials and supplies inventories	1,088	(1,722)
Prepayments and other assets	(2,112)	3,821
Deferred outflows of resources	8,539	(31,569)
Accounts payable	(3,091)	1,858
Net pension liability	(5,392)	10,964
Asset retirement obligations	1,014	29,510
Other liabilities	1,227	(9,889)
Deferred inflows of resources	4,008	(9,539)
Net cash provided by operating activities	\$ 62,110	\$ 49,483
Noncash capital and related financing activities		
Additions of electric utility plant through incurrence of accounts payable	\$ 5,699	\$ 12,537
Amortization of regulatory asset (debt issuance costs)	79	94
Amortization of bond premiums and deferred loss on refundings	(2,246)	(2,287)

See notes to financial statements.

Platte River Power Authority
Defined benefit pension plan
Statements of fiduciary net position
Dec. 31, 2019 and 2018

	Dec. 31,	
	2019	2018
	<i>(in thousands)</i>	
Assets		
Cash equivalents	\$ 1,444	\$ 1,421
Investment income receivable	2	10
Investments		
Fixed income securities	32,211	8,165
Floating rate corporate loans	-	6,987
Domestic equity securities	23,660	17,700
International equity securities	16,239	15,203
Infrastructure	2,836	-
Natural resources	2,449	-
Commodities	-	2,845
Hedge funds	14,999	15,025
Real estate funds	2,690	16,445
Reinsurance funds	3,747	4,730
Private equity	6,135	5,303
Master limited partnerships	-	5,802
Total investments	104,966	98,205
Total assets	106,412	99,636
Liabilities		
Liabilities	-	58
Net position restricted for pension benefits	\$ 106,412	\$ 99,578

See notes to financial statements.

Platte River Power Authority
Defined benefit pension plan
Statements of changes in fiduciary net position
Dec. 31, 2019 and 2018

	Years ended Dec. 31,	
	2019	2018
	<i>(in thousands)</i>	
Additions		
Employer contributions	\$ 3,649	\$ 4,578
Investment income		
Net increase (decrease) in fair value of investments	11,230	(4,973)
Interest and dividends	1,814	1,794
Net investment (loss) income	13,044	(3,179)
Total additions	16,693	1,399
Deductions		
Benefit payments	9,859	7,416
Change in plan net position	6,834	(6,017)
Net position restricted for pension benefits		
Beginning net position	99,578	105,595
Ending net position	\$ 106,412	\$ 99,578

See notes to financial statements.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

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, 2060. 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, 2019, these residual interests are approximately as follows.

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

Under Colorado law and the 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 fiduciary component unit reported as a pension trust fund in the fiduciary funds statements. 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. Separate stand-alone financial statements of the defined benefit pension plan are not issued.

2. Operations

Rawhide Energy Station

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

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

Yampa project

Platte River owns 18%, 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.

Windy Gap water

Under an agreement with the Municipal Subdistrict of Northern Colorado Water Conservancy District, Platte River is entitled to an allocation of the available water from the Windy Gap Project, a water diversion facility completed May 1, 1985. The water is used in operations at the Rawhide Energy Station. Platte River's share of operating expenses of the Windy Gap Project is included in operating expenses in the accompanying statements of revenues, expenses and changes in net position.

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 11). 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 component unit of Platte River reported as a pension trust fund in the fiduciary funds statements.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

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.

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 9).

Budgetary process

A formal budgetary process is required by Colorado State Local Government Law and is utilized as a management control tool. A proposed annual budget must be submitted to 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. Prior to 2019, 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 50 years. The original cost of

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

property replaced or retired, and removal costs less salvage, are charged to accumulated depreciation.

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, 2019 and 2018, cash equivalents consisted of local government investment pools, money market funds and collateralized bank deposit accounts.

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.

Asset retirement obligations

An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. In accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*, Platte River records an asset retirement obligation liability when it has determined that a liability has been incurred based on (a) the occurrence of an external obligating event, such as laws, regulations, contracts or court judgments and (b) an internal obligating event that obligates it to perform asset retirement activities. Platte River updates the asset retirement obligations by inflation or deflation annually and when significant changes occur (note 8).

Long-term debt

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

Energy risk management

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 2019 and no swap contracts were outstanding as of Dec. 31, 2019 and 2018.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

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 (note 6).

Deferred outflows of resources

Deferred outflows consist of unamortized deferred losses on refunding of debt and defined benefit pension plan related deferrals (note 11) and unamortized asset retirement obligations (note 8).

Deferred inflows of resources

Deferred inflows consist of the estimated incremental expenses of scheduled major maintenance outages and defined benefit pension plan related deferrals (note 11).

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.

Adoption of recent accounting pronouncements

In 2019, Platte River implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. An asset retirement obligation is recognized when the liability is incurred and reasonably estimable. In accordance with Statement No. 83, an asset retirement obligation liability is recorded when it has determined that a liability has been incurred based on (a) the occurrence of an external obligating event, such as laws, regulations, contracts or court judgments and (b) an internal obligating event that obligates it to perform asset retirement activities. Specifically, the statement imposes requirements on the liability recognition, measurement and if/when subsequent remeasurement should occur. The statement was effective for financial statements with reporting periods beginning after June 15, 2018. The statements of net position and the statements of revenues, expenses and changes in net position were impacted by the implementation of this statement. 2018 financial statements were restated for comparative purposes and the impacts of the restatement to the financial statements are outlined in note 18.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

Also, in 2019 GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was early adopted. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2019, and is applied prospectively. The statement of revenues, expenses and changes in net position were impacted by this statement in 2019 as interest was no longer allocated to capital projects.

Reclassifications

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

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

4. Electric utility plant

Electric utility plant asset activity for the year ended Dec. 31, 2019, was as follows.

	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
	<i>(in thousands)</i>			
Nondepreciable assets				
Land and land rights	\$ 16,997	\$ -	\$ -	\$ 16,997
Construction work in progress	86,457	48,623	(31,991)	103,089
	103,454	48,623	(31,991)	120,086
Depreciable assets				
Production plant	929,788	26,904	(10,831)	945,861
Transmission plant	372,521	1,236	(223)	373,534
General plant	40,721	4,252	(3,548)	41,425
	1,343,030	32,392	(14,602)	1,360,820
Less accumulated depreciation	(883,231)	(20,691)	9,246	(894,676)
Total electric utility plant	\$ 563,253	\$ 60,324	\$ (37,347)	\$ 586,230

Electric utility plant asset activity for the year ended Dec. 31, 2018, was as follows.

	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
	<i>(in thousands)</i>			
Nondepreciable assets				
Land and land rights	\$ 16,997	\$ -	\$ -	\$ 16,997
Construction work in progress	75,415	64,434	(53,392)	86,457
	92,412	64,434	(53,392)	103,454
Depreciable assets				
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
	1,302,471	53,356	(12,797)	1,343,030
Less accumulated depreciation	(841,908)	(21,834)	(19,489)	(883,231)
Total electric utility plant	\$ 552,975	\$ 95,956	\$ (85,678)	\$ 563,253

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 two units and 15 units of Windy Gap water was finalized for \$5.2 million and

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

\$31.8 million in 2019 and 2018, respectively. A total salvage value of \$37 million (\$5.2 million in 2019 and \$31.8 million in 2018) was recorded for these Windy Gap units sold, as 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 investments). The fair value of investments, exclusive of accrued interest of \$768,000 and \$595,000 as of Dec. 31, 2019 and 2018, respectively, are shown in the following tables.

As of Dec. 31, 2019, 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
		<i>(in thousands)</i>		
U.S. Treasuries	\$ 92,843	\$ 37,684	\$ 28,492	\$ 26,667
U.S. Agencies				
FFCB	13,909	2,202	4,666	7,041
FHLB	6,008	3,001	-	3,007
FHLMC	11,211	7,002	4,209	-
Total securities	123,971	49,889	37,367	36,715
Certificates of deposit	3,425	3,425	-	-
Cash and money market funds	1,642	1,642	-	-
Local government investment pools	51,160	51,160	-	-
Total cash and investments	<u>\$ 180,198</u>	<u>\$ 106,116</u>	<u>\$ 37,367</u>	<u>\$ 36,715</u>

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

Statement of net position presentation of cash, cash equivalents and investments are as follows as of Dec. 31, 2019.

	Fair value	Accrued interest	Total
	<i>(in thousands)</i>		
Restricted funds and investments	\$ 18,493	\$ 39	\$ 18,532
Dedicated funds and investments	100,417	496	100,913
Cash and cash equivalents	26,211	-	26,211
Other temporary investments	35,077	233	35,310
Total cash and investments	<u>\$ 180,198</u>	<u>\$ 768</u>	<u>\$ 180,966</u>

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
	<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	<u>103,360</u>	<u>53,924</u>	<u>49,436</u>	<u>-</u>
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	<u>\$ 182,069</u>	<u>\$ 129,261</u>	<u>\$ 52,808</u>	<u>\$ -</u>

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	<u>\$ 182,069</u>	<u>\$ 595</u>	<u>\$ 182,664</u>

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

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, 2019.

- U.S. Treasury securities of \$92,843,000 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$31,128,000 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, 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, utilizes two local government investment pools for investment, when a high degree of liquidity is prudent. The two pools are Colorado Local Government Liquid Asset Trust (COLOTRUST) and the Colorado Statewide Investment Program (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
Notes to financial statements
Dec. 31, 2019 and 2018

As of Dec. 31, 2019, the defined benefit pension plan had the following investments and maturities.

Cash and 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	\$ 1,444	\$ 1,444	\$ -	\$ -	\$ -
Fixed income	32,211	32,211	-	-	-
Domestic equity	23,660	23,660	-	-	-
International equity	16,239	16,239	-	-	-
Natural resources equities	2,449	2,449	-	-	-
Infrastructure equities	2,836	2,836	-	-	-
Real estate equities	2,690	2,690	-	-	-
Reinsurance ⁽¹⁾	3,747	3,747	-	-	-
Hedge funds	14,999	14,999	-	-	-
Private equity	6,135	6,135	-	-	-
Total cash and investments	<u>\$ 106,410</u>	<u>\$ 106,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

⁽¹⁾ Reinsurance investment maturities reported as of Oct. 31, 2019, as Dec. 31, 2019 valuation information is not available.

As of Dec. 31, 2018, the defined benefit pension plan had the following investments and maturities.

Cash and 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	17,700	17,700	-	-	-
International equity	15,203	15,200	1	-	2
Commodities	2,845	909	1,916	20	-
Reinsurance ⁽¹⁾	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	<u>\$ 99,626</u>	<u>\$ 82,838</u>	<u>\$ 7,361</u>	<u>\$ 7,989</u>	<u>\$ 1,438</u>

⁽¹⁾ Reinsurance investment maturities reported as of Oct. 31, 2018, as Dec. 31, 2018 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, 2019 and 2018.

Dec. 31, 2019	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>				
Investments by fair value level				
Cash equivalents	\$ 1,444	\$ 1,444	\$ -	\$ -
Fixed income	32,211	32,211	-	-
Domestic equity	23,660	-	23,660	-
International equity	16,239	16,239	-	-
Natural resources	2,449	2,449	-	-
Infrastructure	2,836	2,836	-	-
Real estate funds	2,690	2,690	-	-
Reinsurance	3,747	3,747	-	-
Private equity	6,135	-	-	6,135
Total investments by fair value level	<u>\$ 91,411</u>	<u>\$ 61,616</u>	<u>\$ 23,660</u>	<u>\$ 6,135</u>
Investments measured at the net asset value (NAV) ⁽¹⁾				
Hedge funds	\$ 14,999	\$ -	\$ -	\$ -

⁽¹⁾ 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, 2018	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>				
Investments by fair value level				
Cash equivalents	\$ 1,421	\$ 1,421	\$ -	\$ -
Core fixed income	8,165	8,165	-	-
Floating rate corporate loans	6,987	6,987	-	-
Domestic equity	17,700	17,700	-	-
International equity	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>\$ 5,802</u>	<u>\$ 21,748</u>
Investments measured at the net asset value (NAV) ⁽¹⁾				
Hedge funds	\$ 15,025	\$ -	\$ -	\$ -

⁽¹⁾ 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.

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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, 2019

Hedge funds	Value	Redemption frequency	Redemption notice period
	<i>(in thousands)</i>		
Multi-category	\$ 5,335	Monthly – non-redeemable	5 days – non-redeemable
Equity	2,627	Monthly – non-redeemable	5 days – non-redeemable
Credit-driven	3,326	Monthly – non-redeemable	30 days – non-redeemable
Relative value	1,550	Monthly – quarterly	32 days – 120 days
Interest rate driven	869	Quarterly	90 days – 95 days
Managed futures	670	Monthly	17 days
Commodities	198	Quarterly – non-redeemable	95 days – non-redeemable
Global macro	205	Quarterly – non-redeemable	60 days – non-redeemable
Event-driven	219	Annual	61 days
Total hedge funds	<u>\$ 14,999</u>		

Dec. 31, 2018

Hedge funds	Value	Redemption frequency	Redemption notice period
	<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>		

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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 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, infrastructure, natural resources, reinsurance funds, real estate, hedge funds, or private equity as directed by the retirement committee. Northern Trust Investments (Northern Trust) assists the retirement committee in the oversight of the investment program. As the retirement committee's investment manager, 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.

Asset class	2019	2018
Domestic equities	23%	0%
Domestic equities – Large cap	0%	13%
Domestic equities – Mid/small cap	0%	5%
International equities	12%	11%
Emerging market equities	3%	4%
Core fixed income	21%	8%
Inflation protection	1%	0%
High yield	8%	0%
Infrastructure	3%	0%
Natural resources	2%	0%
Floating rate corporate loans	0%	7%
Commodities	0%	3%
Real estate	3%	17%
Liquid low correlated hedge	14%	15%
Master limited partnerships	0%	6%
Reinsurance	4%	5%
Private equity	6%	6%

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Rate of return

For the years ended Dec. 31, 2019 and 2018, the money-weighted rate of return on defined benefit pension plan investments, net of investment expense, was 13.5% and (3.1%), 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, 2019. 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 fund, a high-yield fixed income exchange traded fund, and an inflation-protection exchange traded fund. All are managed by Northern Trust. 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 three to 15 years under normal conditions. The high yield fixed income strategy, by prospectus, seeks to obtain an effective duration similar to its representative index. According to its prospectus the inflation-protection fixed income strategy has a duration target of five years.

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, 2019, Platte River maintained investments, excluding the defined benefit pension plan, in funds managed by the local government investment pools COLOTRUST and CSIP. COLOTRUST and CSIP Liquid Portfolios are both rated AAAm by Standard and Poor's Ratings Services (S&P). CSIP's TERM Portfolio is rated AAAf by FitchRatings. Platte River's investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were rated Aaa by Moody's Investors Service and AA+ by S&P.

The defined benefit pension plan's core fixed income fund portfolio objective, under normal conditions, is to primarily invest in investment grade domestic fixed income (or unrated securities determined to be of comparable quality). Up to 20% of the fund's net assets may be

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invested in securities rated below investment grade. The defined benefit pension plan's high yield allocation invests at least 80% of its assets in below investment grade corporate bonds (which are not in default) as rated by at least one nationally recognized statistical rating organization. The defined benefit pension plan's inflation-protection allocation invests in a selection of U.S. treasury inflation protected securities (TIPS). The principal and interest payments are supported by the full faith and credit of the United States. Under normal circumstances, the strategy will invest at least 80% of the assets in TIPS and up to 20% in cash and cash equivalents. As of Dec. 31, 2019, the defined benefit pension plan's average credit quality for its core fixed income and high yield allocations were AAA 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, 2019, more than 5% of Platte River's investments were concentrated in FFCB and FHLMC. These investments are 7.7% and 6.2%, 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% 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.

	2019	2018
	<i>(in thousands)</i>	
Wellington Opportunistic Growth Fund	\$ -	\$ 4,956
Blackstone Offshore Partners NT Fund	14,999	15,025
Principal U.S. Property Account	-	16,445
Partners Group Private Equity Master Fund	6,135	5,303

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 documents. At Dec. 31, 2019 and 2018, the defined benefit pension plan did not identify any investments subject to custodial credit risk.

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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% 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, which is a less frequent measurement that 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 international equity, emerging markets, global natural resources, global infrastructure, and global real estate allocations. All of which are exchange traded funds. As for the defined benefit pension plan's international and emerging markets equity allocations, the portfolios invest primarily in foreign denominated securities and typically do not hedge currency risk. The remaining allocations primarily invest in both domestic and foreign denominated securities while also not typically hedging currency risk. As of Dec. 31, 2019, non-dollar allocations for the global natural

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resources allocation were 59.7%, non-dollar allocations for the global infrastructure allocation were 64.4%, non-dollar allocations for the global real estate allocation were 42.1%, and non-dollar allocations for Partners Group Private Equity were 37.5%. Non-dollar allocations for Stoneridge Reinsurance were 0.8% as of Oct. 31, 2019. The defined benefit pension plan's investment in international and emerging markets equity mutual funds, as of Dec. 31, 2019 and 2018, was \$16.2 million and \$15.2 million, respectively.

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The defined benefit pension plan's exposure to foreign currency risk in U.S. dollars as of Dec. 31, 2019, is disclosed in the following table.

Currency	Total	International stocks	Reinsurance ⁽¹⁾	Private equity
			<i>(in thousands)</i>	
Australian dollar	\$ 1,129	\$ 1,031	\$ -	\$ 98
Brazilian real	360	335	-	25
Canadian dollar	1,971	1,946	-	25
Chilean peso	27	27	-	-
Chinese yuan renminbi	963	963	-	-
Colombian peso	14	14	-	-
Czech crown	112	2	-	110
Danish krone	212	169	-	43
Dirham	3	3	-	-
Egyptian pound	8	8	-	-
European Euro	8,439	6,686	23	1,730
Hong Kong dollar	768	762	-	6
Hungarian forint	12	12	-	-
Indian rupee	421	243	-	178
Indonesian rupiah	67	67	-	-
Israeli new shekel	137	137	-	-
Japanese yen	4,304	4,298	-	6
Malaysian ringgit	104	104	-	-
Mexican Peso	96	96	-	-
New Zealand dollar	90	90	-	-
Norwegian krone	283	240	-	43
Pakistani rupee	21	21	-	-
Peruvian sol	9	9	-	-
Philippine peso	57	57	-	-
Polish zloty	37	37	-	-
Qatari Riyal	34	34	-	-
Russian Ruble	217	217	-	-
Saudi Riyal	63	63	-	-
Singapore dollar	454	436	-	18
South African rand	532	532	-	-
South Korean won	382	382	-	-
Swedish krona	503	484	-	19
Swiss franc	728	720	8	-
Taiwan dollar	80	80	-	-
Thai baht	96	96	-	-
Turkish new lira	32	32	-	-
	<u>\$ 22,765</u>	<u>\$ 20,433</u>	<u>\$ 31</u>	<u>\$ 2,301</u>

⁽¹⁾ Foreign currency exposure through the reinsurance fund reported as of Oct. 31, 2019.

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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 ⁽¹⁾	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>

⁽¹⁾ Foreign currency exposure through the reinsurance fund reported as of Oct. 31, 2018.

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6. Noncurrent liabilities

Noncurrent liability activity for the year ended Dec. 31, 2019, was as follows.

	Dec. 31, 2018 restated	Additions	Reductions	Dec. 31, 2019	Due within one year
	<i>(in thousands)</i>				
Long-term debt, net	\$ 205,474	\$ -	\$ (13,727)	\$ 191,747	\$ 10,310
Asset retirement obligations	29,510	1,168	(154)	30,524	1,888
Other liabilities and credits					
Compensated absences	5,180	693	(650)	5,223	490
Deposits	-	1,020		1,020	-
Lease advances	653	-	(66)	587	66
Yampa employee obligation	385	37	-	422	-
Disposal facility closure costs	200	3	-	203	-
Total other liabilities and credits	6,418	1,753	(716)	7,455	556
Total noncurrent liabilities	\$ 241,402	\$ 2,921	\$ (14,597)	\$ 229,726	\$ 12,754

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

	Dec. 31, 2017	Additions	Reductions	Dec. 31, 2018 restated	Due within one year
	<i>(in thousands)</i>				
Long-term debt, net	\$ 223,568	\$ -	\$ (18,094)	\$ 205,474	\$ 10,335
Asset retirement obligations	-	29,525	(15)	29,510	-
Other liabilities and credits					
Compensated absences	4,688	855	(363)	5,180	411
Lease advances	745	-	(92)	653	66
Yampa employee obligation	383	2	-	385	-
Disposal facility closure costs	198	2	-	200	-
Reclamation liability	3,084	-	(3,084)	-	-
Impoundments closure costs	7,557	236	(7,793)	-	-
Total other liabilities and credits	16,655	1,095	(11,332)	6,418	477
Total noncurrent liabilities	\$ 240,223	\$ 30,620	\$ (29,441)	\$ 241,402	\$ 10,812

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7. Long-term debt

Long-term debt outstanding as of Dec. 31, 2019 and 2018, consists of the following.

	<u>Interest rate</u>	Dec. 31	
		<u>2019</u>	<u>2018</u>
		<i>(in thousands)</i>	
Power revenue bonds (all serial bonds)			
Series HH matured 6/1/2019	3%–5%	\$ -	\$ 7,985
Series II maturing 6/1/2037	4%–5%	25,530	26,170
Series JJ maturing 6/1/2036	3.5%–5%	143,895	145,605
		169,425	179,760
Unamortized bond premium		22,322	25,714
Total revenue bonds outstanding		191,747	205,474
Less: due within one year		(10,310)	(10,335)
Total long-term debt, net		\$ 181,437	\$ 195,139

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

Interest expense for the years ended Dec. 31, 2019 and 2018, is comprised of the following.

	<u>2019</u>	<u>2018</u>
	<i>(in thousands)</i>	
Interest	\$ 8,129	\$ 8,729
Amortization of bond related costs	(2,167)	(2,193)
Total interest expense	\$ 5,962	\$ 6,536

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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 2019 for 2020 payment	\$ 6,014	\$ 660	\$ 6,674
2020	10,604	7,620	18,224
2021	11,130	7,096	18,226
2022	11,682	6,547	18,229
2023	12,259	5,970	18,229
2024	12,870	5,365	18,235
2025-2029	66,165	17,572	83,737
2030-2034	25,910	7,426	33,336
2035-2037	12,791	1,008	13,799
	<u>\$ 169,425</u>	<u>\$ 59,264</u>	<u>\$ 228,689</u>

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, 2019 and 2018, were \$20,284,000 and \$20,075,000, 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, 2019 and 2018.

	2019		2018	
			restated	
	<i>(in thousands)</i>			
Net revenues				
Operating revenues	\$ 229,185		\$ 222,114	
Operating expenses, excluding depreciation	173,141		164,312	
Net operating revenues	<u>56,044</u>		57,802	
Plus interest and other income ⁽¹⁾	4,082		3,491	
Net revenues before rate stabilization	<u>60,126</u>		61,293	
Rate stabilization				
Deposits		-		-
Withdrawals		-		-
Total net revenues	<u>\$ 60,126</u>		<u>\$ 61,293</u>	
Bond service				
Power revenue bonds	\$ 18,450		\$ 20,833	
Allowance for funds used during construction		-		(821)
Net revenue bond service	<u>\$ 18,450</u>		<u>\$ 20,012</u>	
Power revenue bond coverage ratio		3.26		3.06

⁽¹⁾ 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, 2019 and 2018.

Deferred outflows of resources related to debt

As of Dec. 31, 2019, and 2018, deferred outflows related to debt consisted of the unamortized deferred loss on debt refundings of \$6,063,000 and \$7,209,000, respectively.

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8. Asset retirement obligations

Platte River has evaluated its contracts and current regulations associated with tangible capital assets and identified those which meet the requirements for asset retirement obligation recognition under GASB Statement No. 83, *Certain Asset Retirement Obligations* and for which costs are estimable. A brief explanation of each asset retirement obligation is described below.

The total asset retirement obligation as of Dec. 31, 2019 and 2018, is shown in the table below.

	2019	2018
	<i>(in thousands)</i>	
Deferred outflows of resources	\$ 23,867	\$ 23,818
Noncurrent liability	28,636	29,510
Current liability	1,888	-
Amortization expense	1,119	1,565

Rawhide Energy Station decommissioning

As part of the rezoning resolution and Rawhide Energy Station construction agreement with the Board of County Commissioners of Larimer County, the County government has included reclamation or restoration requirements if Platte River abandons the Rawhide site as a location for the generation of electricity. If abandoned, Platte River agrees to remove all above-ground structures, excluding the cooling pond dam and power plant foundations, in accordance with reasonable specifications and procedures to be agreed upon by both parties at time of abandonment.

In 2019, Platte River contracted the services of an independent engineering firm to estimate the asset retirement obligation pertaining to the agreement’s reclamation or restoration clause. The third-party report details the cost estimate to decommission and demolish all infrastructure to grade, except the substation and transmission line, with no concrete foundation removal. The estimate assumes the services will be performed by a contractor instead of its employed workforce. The cost estimate has not been reduced for the potential market value of reusable materials or scrap material nor consider associated recycling costs.

Platte River has recognized its asset retirement liability using the “probable cost” price estimates developed by the third-party engineering firm. Cost estimates were provided with a +/- 30 percent high-low range from the probable cost estimate for decommissioning, demolition and environmental cost categories. The liability and associated deferred outflows of resources will be adjusted for inflation/deflation annually and reviewed for other significant changes.

The amortization period for recognition of the deferred assets is based on the estimated remaining useful life of the Rawhide Energy Station facility of Dec. 31, 2046.

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The liability and associated deferred outflows of resources as of Dec. 31, 2019 and 2018, are shown in the table below.

	2019	2018
	<i>(in thousands)</i>	
Deferred outflows of resources	\$ 14,525	\$ 14,037
Noncurrent liability	15,280	14,410

Rawhide Energy Station 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 closure. The impoundments include nine phosphorous removal ponds, two ash ponds, one retention pond and a fire training pond used for the generation of electric power and energy and associated uses. Platte River hired a third-party consultant to estimate the closure costs of the impoundments. Following state regulations, the estimate will be updated every five years. As a result, Platte River recognized an asset retirement obligation for the estimated clean closure costs of these impoundments and the amount is adjusted annually for inflation/deflation. These costs are amortized over the estimated remaining useful life of each impoundment or the estimated remaining useful life of the facility, whichever is shorter. Aside from two ash ponds planned for closure in 2020, the impoundments are amortized over the estimated useful life of the facility, which is Dec. 31, 2046. Platte River is in compliance with the financial assurances required by the state.

The liability and associated deferred outflows of resources as of Dec. 31, 2019 and 2018, are shown in the table below.

	2019	2018
	<i>(in thousands)</i>	
Deferred outflows of resources	\$ 5,315	\$ 5,677
Noncurrent liability	5,881	7,778
Current liability	1,888	-

Craig Generating Station

As part of the Yampa Project Amended and Restated Participation Agreement among PacifiCorp, Public Service Company of Colorado, Platte River Power Authority, Salt River Project Agricultural Improvement and Power District and Tri-State Generation and Transmission Association, Inc. ("Participation Agreement"), the participants are under contractual obligations to operate, maintain, replace, remove and provide all Yampa Project capital improvements in compliance with laws, executive orders and regulations applicable to the participants including, but without limitation, the National Environmental Policy Act of 1969, as amended, 36 CFR 800, the Archeological Resources Protection Act of 1979, and 7 CFR Part 1794 (1-1-91). The Participation Agreement shall continue in full force and effect until the last of Craig Generating Station Unit 1 or 2 is retired from service, and all salvage and required site restoration is completed and the participants have paid their respective share of the cost thereof. The participants have undivided ownership interest in Craig units 1 and 2 and the common facilities.

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In accordance with the Participation Agreement, Tri-State agreed to be the operating agent. Tri-State has provided Platte River with its asset retirement obligation liability analysis of its best estimate of the current amount most likely to be paid to settle the asset retirement obligation liability based on Financial Accounting Standard Board guidance. The asset retirement obligation is comprised of restoration costs of five dewatering ponds, a high-quality water holding pond and an evaporation pond used for the generation of electric power and energy and associated uses. The amounts are adjusted annually for inflation/deflation and significant changes. Each pond, representing an associated tangible capital asset of the asset retirement obligation liability is amortized through the retirement date of the facility, which is Dec. 31, 2044.

Platte River's share of the liability and associated deferred outflows of resources as of Dec. 31, 2019 and 2018, are shown in the table below.

	2019	2018
	<i>(in thousands)</i>	
Total member liability	\$ 36,161	\$ 35,487
Platte River's % share	12%	12%
Platte River's deferred outflows of resources	\$ 4,027	\$ 4,104
Platte River's liability	\$ 4,340	\$ 4,258

Trapper Mining Inc. reclamation and mine closure

Trapper Mining Inc. is engaged in the business of mining, selling, and delivering coal from the Trapper Mine located near Craig, Colorado, to its members under an agreement with the Craig Generating Station, located adjacent to the Trapper Mine. Trapper Mining Inc. follows Financial Accounting Standard Board guidance and has recorded an asset retirement obligation related to the final reclamation and mine closure based on detailed engineering calculations of the amount and timing of future cash spending for a third party to perform the required work. Per the Final Reclamation Agreement with its members, Trapper Mining Inc., as contractor and Salt River Project Agricultural Improvement and Power District, Tri-State, PacifiCorp, Platte River, and Public Service Company of Colorado, as payors assume the responsibility for the asset retirement obligation. The acres of mine to be reclaimed and associated costs are reviewed annually, and the costs are allocated to members based on cumulative tons of coal delivered. The coal contract expires Dec. 31, 2020, and the entire amount of the deferred outflows of resources has been amortized resulting in no deferred outflows of resources at year end.

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The liability as of Dec. 31, 2019 and 2018, is shown in the table below.

	2019	2018
	<i>(in thousands)</i>	
Total member liability	\$ 16,589	\$ 16,243
Platte River's % share	18.9%	18.86%
Platte River's liability	\$ 3,135	\$ 3,064

Easement agreements

Platte River is a party to numerous easement agreements related to transmission lines and pipelines. These assets are determined to complete a system, have a perpetual life and are not expected to be retired. The intent is to replace sections of the line, if necessary and not to retire the entire system. Therefore, an asset retirement obligation related to these easements cannot be reasonably estimated.

9. Regulatory assets and deferred inflows of resources related to regulatory credits

For rate-making purposes, Platte River's board of directors approved policies under GASB 62, paragraphs 476-500 related to expenses for pension, debt issuance costs and Rawhide Unit 1 maintenance outages.

Additional pension expense

Platte River funds its defined benefit pension plan (note 11) based on cost estimates developed on an actuarial basis. In addition to the base contribution, Platte River has an additional funding charge if the market value of the assets is less than 100% of the actuarial present value of accumulated plan benefits. The board of directors approved policy provides for the expense recognition of any additional pension funding charge to be spread over a 10-year period and is included in regulatory assets.

Pension contribution expense recognition

The board of directors approved policy 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 10-year period beginning the following year. The amortization amount will be included in pension expense along with the pension contribution for each year calculated.

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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 policy provides for the expense recognition of debt issuance costs to be amortized over the life of the associated debt and included in regulatory assets.

Accrued maintenance outage costs

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, the estimated maintenance and replacement power costs for the next major maintenance outage is accrued as a deferred inflow of resources.

Regulatory assets and deferred inflows of resources related to regulatory credits as of Dec. 31, 2019, are shown in the tables below.

	Dec. 31, 2018	Additions	Reductions	Dec. 31, 2019
	<i>(in thousands)</i>			
Regulatory assets				
Additional pension expense	\$ 3,324	\$ 15	\$ (765)	2,574
Pension contribution expense recognition	8,646	3,009	(710)	10,945
Debt issuance costs	616	-	(79)	537
Total regulatory assets	\$ 12,586	\$ 3,024	\$ (1,554)	\$ 14,056
 Deferred inflows of resources				
Regulatory credits				
Accrued maintenance outage costs	\$ 259	\$ 4,322	\$ -	\$ 4,581
Pension contribution expense recognition	1,272	-	(127)	1,145
Total regulatory credits	\$ 1,531	\$ 4,322	\$ (127)	\$ 5,726

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Regulatory assets and deferred inflows of resources related to regulatory credits as of Dec. 31, 2018, are shown in the tables below.

	Dec. 31, 2017	Additions	Reductions	Dec. 31, 2018
	<i>(in thousands)</i>			
Regulatory assets				
Additional pension expense	\$ 3,078	\$ 1,011	\$ (765)	3,324
Pension contribution expense recognition	6,662	2,656	(672)	8,646
Debt issuance costs	709	-	(93)	616
Total regulatory assets	\$ 10,449	\$ 3,667	\$ (1,530)	\$ 12,586
 Deferred inflows of resources				
Regulatory credits				
Accrued maintenance outage costs	\$ 9,383	\$ 3,651	\$ (12,775)	\$ 259
Pension contribution expense recognition	1,130	142	-	1,272
Total regulatory credits	\$ 10,513	\$ 3,793	\$ (12,775)	\$ 1,531

10. Net investment in capital assets

Net investment in capital assets is comprised of the following as of Dec. 31, 2019 and 2018.

	2019	2018
	<i>(in thousands)</i>	
Electric utility plant	\$ 586,230	\$ 563,253
Deferred loss on debt refundings	6,063	7,209
Long-term debt, net	(191,747)	(205,474)
Accounts payable incurred for capital assets	(5,699)	(12,537)
Net investment in capital assets	\$ 394,847	\$ 352,451

11. 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. Separate stand-alone financial statements of the defined benefit pension plan are not issued.

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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.

The defined benefit pension plan has received favorable determination letters from the Internal Revenue Service (the IRS) for the original defined benefit pension plan and subsequent amendments effective through Jan. 1, 2014. Thereafter, the IRS ended the review of amendments and providing 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% 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% joint and survivor annuity option; (4) 66-2/3% joint and survivor option with a minimum of 10 years certain and any remainder paid to a beneficiary; (5) 66-2/3% joint and survivor option without 10 years certain; or (6) an actuarially equivalent lump sum payment, when this option is available. Active employees who become totally and permanently disabled may qualify for a

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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% 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%.

Membership

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

	2019	2018
Retirees and beneficiaries currently receiving benefits	157	149
Terminated vested employees not yet receiving benefits	57	57
Active plan participants	102	119
Total participants	316	325

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% of the actuarial present value of accumulated plan benefits.

Platte River's contributions to the defined benefit pension plan equaling the actuarially determined requirements for the years ended Dec. 31, 2019 and 2018, are as follows.

	2019		2018
	<i>(in thousands)</i>		
Base contribution	\$ 3,634	\$	3,567
Additional funding	15		1,011
Total contributions	\$ 3,649	\$	4,578

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.

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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, 2019 and 2018, respectively. The components of the net pension liability were as follows.

	2019	2018
	<i>(in thousands)</i>	
Total pension liability	\$ 125,091	\$ 123,649
Plan fiduciary net position	106,412	99,578
Platte River's net pension liability	\$ 18,679	\$ 24,071
Plan fiduciary net position as a percentage of the total pension liability	85.07%	80.53%

Actuarial assumptions

The total pension liability for the years ended Dec. 31, 2019 and 2018, 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, 2019 and 2018, 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 are included in the defined benefit pension plan's target asset allocation as of Dec. 31, 2019 and 2018, are summarized in the following table.

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Asset class	Target allocation		Long-term expected rate of return	
	Dec. 31, 2019	Dec. 31, 2018	2019	2018
Domestic equities	19%	0%	6.3%	n/a
Domestic equities – large cap	0%	14%	6.0%	6.5%
Domestic equities – mid/small cap	0%	6%	6.5%	7.0%
International equities	11%	12%	6.8%	7%
Emerging market equities	5%	4%	7.8%	8%
Core fixed income	26%	8%	3.5%	2.5%
Inflation protection	5%	0%	3.3%	n/a
High yield	4%	0%	4.3%	4.3%
Infrastructure	1%	0%	n/a	n/a
Natural resources	3%	0%	n/a	n/a
Floating rate corporate loans	0%	7%	5.8%	5.3%
Commodities	0%	3%	4.0%	4%
Real estate	1%	15%	6.0%	6.3%
Liquid low correlated hedge	14%	14%	4.3%	4.8%
Master limited partnerships	0%	7%	9.8%	9.5%
Reinsurance	5%	5%	6.0%	6%
Private equity	6%	5%	8.3%	9%

Discount rate

The discount rate used to measure the total pension liability was 7.5% for the years ended Dec. 31, 2019 and 2018. 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.

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Changes in net pension liability

Changes in the net pension liability for the year ended Dec. 31, 2019, were as follows.

	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) – (b)
	<i>(in thousands)</i>		
Balances at Dec. 31, 2018	\$ 123,649	\$ 99,578	\$ 24,071
Changes for the year			
Service cost	1,575	-	1,575
Interest	9,022	-	9,022
Changes of benefit terms	-	-	-
Differences between expected and actual experience	704	-	704
Employer contributions	-	3,649	(3,649)
Net investment income	-	13,044	(13,044)
Benefit payments	(9,859)	(9,859)	-
Changes of assumptions	-	-	-
Net changes	1,442	6,834	(5,392)
Balances at Dec. 31, 2019	\$ 125,091	\$ 106,412	\$ 18,679

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

	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) – (b)
	<i>(in thousands)</i>		
Balances at Dec. 31, 2017	\$ 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
Balances at Dec. 31, 2018	\$ 123,649	\$ 99,578	\$ 24,071

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

The net pension liability at Dec. 31, 2019 and 2018, 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% lower or 1% higher than the current rate, is as follows.

	Discount rate	Net pension liability	
		2019	2018
		<i>(in thousands)</i>	
1% decrease	6.5%	\$ 30,177	\$ 35,450
Current discount rate	7.5%	18,679	24,071
1% increase	8.5%	8,759	14,257

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.

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For the years ended Dec. 31, 2019 and 2018, Platte River recognized pension expense as follows.

	2019	2018
	<i>(in thousands)</i>	
Base contribution	\$ 3,634	\$ 3,567
Additional pension expense amortization (note 9)	765	765
Pension contribution expense recognition amortization (note 9)	583	814
Total pension expense	\$ 4,982	\$ 5,146

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

At Dec. 31, 2019 and 2018, Platte River reported deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan from the following sources.

	Deferred outflows of resources	Deferred inflows of resources
Dec. 31, 2019	<i>(in thousands)</i>	
Differences between expected and actual experience	\$ 1,671	\$ 69
Net difference between projected and actual earnings on investments	98	-
Total	\$ 1,769	\$ 69

	Deferred outflows of resources	Deferred inflows of resources
Dec. 31, 2018	<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	\$ 10,357	\$ 256

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to the defined benefit pension plan as of Dec. 31, 2019, will be recognized as a component of pension expense as follows.

<u>Year ending Dec. 31</u> <i>(in thousands)</i>	
2020	\$ 1,072
2021	741
2022	1,049
2023	(1,162)
2024	-
Total	<u>\$ 1,700</u>

12. 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, 2019, there were 156 active plan participants. The plan's assets are held in an external trust account and the investments are participant directed.

Platte River contributed 5% of earnings for plan participants with fewer than five years of service and 7% for those with five or more years of service. Platte River also contributed to the 401(a) an amount equal to 50% of the participant's contributions to a separate 457(b) plan, taking into account only such participant contributions up to 6% of the participant's earnings. For the years ended Dec. 31, 2019 and 2018, contributions to the 401(a) plan by Platte River, which were recognized as expenses, were \$1,132,000 and \$960,000, respectively. The employer contributions to the 401(a) plan vest 100% after three years. The plan's records are kept on the accrual basis.

13. Contribution of fiber optic network to 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. In 2019, the surplus capacity in the network built around the City of Fort Collins, City of Loveland and Town of Estes Park was contributed to each owner community and was recorded as a return of capital. The contributions of the fiber assets to these three remaining owner communities as a return of capital on the original asset was zero and \$137,000 for the years ended Dec. 31, 2019 and 2018.

In 2019, Platte River also entered into a fiber maintenance intergovernmental agreement with the four owner communities. As part of the agreement, Platte River leases surplus portions of the dark fiber for the benefit of the City of Fort Collins, City of Loveland and Town of Estes Park

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to independent telecommunication service providers. As of Dec. 31, 2019 and 2018, lease advances of \$587,000 and \$653,000, 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.

14. Insurance programs

Platte River has purchased insurance policies to cover the risk of loss related to various general liability, property loss exposures, and cyber events. 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 \$2 million and \$1 million per incident for 2019 and 2018, respectively. A liability was recorded for estimated medical and dental claims that have been incurred but not reported. A third-party administrator is used to account for the health insurance claims and provides the estimated medical claims liability based on prior claims payment experience. The medical claims liability is included as a component of accounts payable in the statements of net position.

Changes in the balance of the medical claims liability during 2019 and 2018 were as follows.

	2019	2018
	<i>(in thousands)</i>	
Medical claims liability, beginning of year	\$ 582	\$ 630
Current year claims and changes in estimates	3,961	2,955
Claim payments	(3,901)	(3,003)
Medical claims liability, end of year	\$ 642	\$ 582

15. 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.

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16. 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 2019 provided approximately 19% 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 2019, Platte River purchased \$16,893,000 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 2019, coal purchases totaled \$13,928,000 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 2019, Platte River paid \$26,002,000 for coal delivered under these agreements.

Platte River has committed to purchase Renewable Energy Certificates (RECs) for the years 2020 through 2024 with future payments of \$2,688,000. During 2019, Platte River purchased \$550,000 under these REC agreements.

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 2019, Platte River purchased \$9,653,000 under these renewable wind energy agreements. Platte River has 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 2019, Platte River received \$688,000 under this agreement. In addition, to accommodate additional wind energy available from the Roundhouse Renewable Energy Project wind power purchase agreement and reduce ancillary services expense, the energy and renewable attribute from the Spring Canyon Expansion Wind Energy site will be sold under a 10-year long-term contract beginning in 2020. At the end of the sales contract, the energy will return to Platte River.

Platte River has entered into an agreement with Bison Solar LLC, to purchase all the output from the 30 megawatts solar photovoltaic power plant, located at the Rawhide Energy Station through 2041. During 2019, Platte River purchased \$3,275,000 under this agreement.

Platte River has entered into an agreement to purchase renewable wind energy from the Roundhouse Renewable Energy Project, a wind electric generating facility with an expected installed capacity of approximately 225 megawatts, through 2042. The facility is expected to be on-line in 2020. In addition, Platte River entered into an agreement to purchase the generator

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outlet line that delivers the energy from the Roundhouse Renewable Energy Project to the Rawhide Substation for approximately \$20 million, once the facility is on-line.

Platte River has entered into an agreement to purchase all the output from the 22 megawatts 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.

Platte River has entered into a long-term agreement with a third party to sell 25 megawatts of generation from Craig units 1 and 2 effective Sept. 1, 2019, through June 30, 2024. During 2019, Platte River received \$1,802,000 under this agreement.

Platte River has entered into a long-term agreement with a third party to sell 25 megawatts of generation from Craig unit 1 and 2 and Rawhide Unit 1 effective Jan. 1, 2020, through Dec. 31, 2022.

17. Risks, uncertainties and contingencies

The owners of the Craig Generating Station, 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, 2019, the decommissioning and closure costs have not been determined. In January 2020, the owners of the Craig Generating Station have announced that Craig Unit 2 will be retired no later than Dec. 31, 2029, and the owners continue discussions to work out the specifics of Unit 2's retirement. Craig Unit 2 will also have more stringent limits on annual emissions beginning in 2020.

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

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 a 100% noncarbon energy mix by 2030 while maintaining Platte River's "three pillars" of providing reliable, environmentally responsible and financially sustainable electricity and services. The policy acknowledges that several conditions must be met to achieve this goal, including participation in a full energy market, more mature battery storage performance, transmission and distribution infrastructure investments, improved grid

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management systems and more. 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. Although the Clean Power Plan was repealed and replaced by the Trump Administration's Affordable Clean Energy rule (which is subject to pending legal challenges), many states, including Colorado, have adopted laws regulating greenhouse gas and other emissions. In 2019, the Colorado General Assembly adopted a "Climate Action Plan" (H.B. 19-1261) which established statewide goals for a 26% reduction in greenhouse gas emissions from 2005 levels by 2025, a 50% reduction by 2030 and a 90% reduction by 2050. In addition, S.B. 19-236 established even more stringent greenhouse gas emission reduction targets for electric utilities, including an 80% reduction from 2005 levels by 2030 and a 100% reduction by 2050. The state is currently developing implementing regulations for these statutes.

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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18. Change in accounting principle

In 2019, Platte River recognized the effect of a change in accounting principle for implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations* to reflect the initial recording of asset retirement obligations and related amortization expense (note 8). This resulted in a restatement of Dec. 31, 2018, financial statements. The following financial statement line items for 2018 were impacted by the restatement.

Year ending Dec. 31, 2018	Previously reported	Restated	Increase (decrease)
	<i>(in thousands)</i>		
Statement of net position			
Noncurrent assets			
Other long-term assets	\$ 5,851	\$ 311	\$ (5,540)
Deferred outflows of resources			
Asset retirement obligations	-	23,818	23,818
Noncurrent liability			
Asset retirement obligations	-	29,510	29,510
Other liabilities and credits	16,645	5,941	(10,704)
Net position			
Unrestricted	190,352	189,824	(528)
Statement of revenues, expenses and changes in net position			
Operating expenses			
Fuel	\$ 42,259	\$ 42,279	\$ 20
Operations and maintenance	56,797	55,740	(1,057)
Depreciation and amortization	21,834	23,399	1,565
Income before contributions	32,885	32,357	(528)
Net position at end of year	560,587	560,059	(528)
Statement of cash flows			
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 34,931	\$ 34,403	\$ (528)
Prepayments and other assets	(1,719)	3,821	5,540
Deferred outflows of resources	(7,751)	(31,569)	(23,818)
Asset retirement obligations	-	29,510	29,510
Other liabilities	815	(9,889)	(10,704)

Platte River Power Authority
Notes to financial statements
Dec. 31, 2019 and 2018

19. Subsequent event

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of Platte River. Platte River's defined benefit pension plan portfolio includes allocations to various asset classes which have experienced a significant decline and volatility. As a result, Platte River's board of directors approved on March 26, 2020, to remove the lump sum distribution option from the defined benefit pension plan. Further, the duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Platte River sold \$5.4 million of excess coal from the stockpile at the Craig Station in April 2020 resulting in a \$0.2 million loss.

Platte River Power Authority
Defined benefit pension plan
Required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013
	<i>(in thousands)</i>						
Total pension liability							
Service cost	\$ 1,575	\$ 1,535	\$ 1,616	\$ 1,728	\$ 1,839	\$ 1,885	\$ 1,949
Interest	9,022	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	704	2,088	1,175	(620)	931	(180)	86
Changes of assumptions	-	-	-	-	3,661	(574)	(726)
Benefit payments	(9,859)	(7,416)	(6,361)	(5,418)	(4,632)	(4,287)	(3,886)
Net change in total pension liability	1,442	4,947	4,851	3,866	11,861	4,187	4,293
Total pension liability—beginning	123,649	118,702	113,851	109,985	98,124	93,937	89,644
Total pension liability—ending (a)	\$ 125,091	\$ 123,649	\$ 118,702	\$ 113,851	\$ 109,985	\$ 98,124	\$ 93,937
Plan fiduciary net position							
Contributions – employer	\$ 3,649	\$ 4,578	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544
Net investment income	13,044	(3,179)	11,289	7,476	(624)	4,658	12,011
Benefit payments	(9,859)	(7,416)	(6,361)	(5,418)	(4,632)	(4,287)	(3,886)
Net change in Plan fiduciary net position	6,834	(6,017)	11,148	4,970	(1,954)	4,276	12,669
Plan fiduciary net position—beginning	99,578	105,595	94,447	89,477	91,431	87,155	74,486
Plan fiduciary net position—ending (b)	\$ 106,412	\$ 99,578	\$ 105,595	\$ 94,447	\$ 89,477	\$ 91,431	\$ 87,155
Net pension liability—ending (a) – (b)	\$ 18,679	\$ 24,071	\$ 13,107	\$ 19,404	\$ 20,508	\$ 6,693	\$ 6,782
Plan fiduciary net position as a percentage of the total pension liability	85.07%	80.53%	88.96%	82.96%	81.35%	93.18%	92.78%
Estimated covered payroll	\$ 14,909	\$ 15,290	\$ 16,215	\$ 16,874	\$ 17,305	\$ 17,951	\$ 18,614
Net pension liability as a percentage of estimated covered payroll	125.29%	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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	<i>(in thousands)</i>									
Actuarially determined contribution	\$ 3,649	\$ 4,578	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544	\$ 3,561	\$ 4,390	\$ 7,736
Contribution in relation to the actuarially determined contribution	3,649	4,578	6,220	2,912	3,302	3,905	4,544	3,561	4,390	7,736
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated covered payroll	\$14,909	\$15,290	\$16,215	\$16,874	\$17,305	\$17,951	\$18,614	\$18,766	\$18,728	\$17,714
Contributions as a percentage of covered payroll	24.48%	29.94%	38.36%	17.26%	19.08%	21.75%	24.41%	18.98%	23.44%	43.67%

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	2.6%, 10 year average
Increases in retiree benefits – in payment pensioners	If benefits commenced prior to 1/1/92, 2.25% for 2015-2019 and 3% for 2010-2014. If benefits commenced after 12/31/1991, 1.5% for 2015–2019 and 2% for 2010-2014.
Investment rate of return	7.5% for 2016 - 2019; 8% for 2010 – 2015

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	13.5%	(3.1%)	12%	8.5%	(0.7%)	5.4%	16.1%	13.7%	(1.5%)	12.5%

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

	Year ended Dec. 31, 2019		
	Budget	Actual	Variance
	<i>(in thousands)</i>		
Revenues			
Operating revenues			
Sales to owner communities	\$ 200,595	\$ 197,974	\$ (2,621)
Sales for resale and other	26,450	31,211	4,761
Total operating revenues	227,045	229,185	2,140
Nonoperating revenues			
Interest income ⁽¹⁾	4,232	3,632	(600)
Other income	38	450	412
Total nonoperating revenues	4,270	4,082	(188)
Total revenues	\$ 231,315	\$ 233,267	\$ 1,952
Expenditures			
Operating expenses ⁽²⁾			
Purchased power	\$ 36,919	\$ 38,441	\$ (1,522)
Fuel	47,986	45,401	2,585
Production	48,123	45,171	2,952
Transmission	16,694	15,825	869
Administrative and general	20,715	19,212	1,503
Distributed energy resources	10,201	9,047	1,154
Total operating expenses	180,638	173,097	7,541
Debt service expenditures ⁽³⁾			
Principal	10,346	10,321	25
Interest expense	9,129	8,129	1,000
Total debt service expenditures	19,475	18,450	1,025
Capital additions			
Production	17,729	12,499	5,230
Transmission	3,173	2,234	939
General	35,597	33,895	1,702
Total capital additions	56,499	48,628	7,871
Total expenditures	\$ 256,612	\$ 240,175	\$ 16,437
Revenues less expenditures	\$ (25,297)	\$ (6,908)	\$ 18,389

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

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

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