

Platte River Power Authority

Independent Auditor's Report and Financial Statements

Dec. 31, 2020 and 2019

Platte River Power Authority

Financial statements

Years ended Dec. 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

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 2, 2021

Platte River Power Authority
Management's discussion and analysis (*unaudited*)
Dec. 31, 2020 and 2019

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority for the fiscal years ended Dec. 31, 2020, and Dec. 31, 2019. 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 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'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. Rawhide Unit 1 is scheduled to be retired by Dec. 30, 2029. Craig units 1 and 2 are scheduled to be retired by Dec. 31, 2025 and Sept. 30, 2028, respectively.
- 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 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 303 megawatts provided under long-term power purchase agreements. The agreements are for deliveries from the following facilities.

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- Roundhouse Wind Energy Center (225 megawatts) in Wyoming; contract ends May 31, 2042.
- 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 the Roundhouse Wind Energy Center power purchase agreement and reduce ancillary services expense, the energy and renewable attribute from this site is being sold under a 10-year long-term sales contract that began in 2020. Therefore, the energy is not delivered to the owner communities for the term of the sales contract. At the end of the sales contract, the energy will return to Platte River.
- Silver Sage Windpower Project (12 megawatts) in Wyoming; contract ends Sept. 30, 2029. To accommodate additional wind energy available from the Roundhouse Wind Energy Center power purchase agreement and to reduce transmission and ancillary services expenses, the energy and renewable attribute from this site have been sold under a long-term sales contract. Therefore, it is not delivered to the owner communities.
- Medicine Bow Wind Project (6 megawatts) in Wyoming; contract ends Dec. 30, 2033.
- Solar generation includes 52 megawatts with 2 megawatt-hours of battery storage provided under long-term power purchase agreements. The agreements are for deliveries from the following facilities.
 - Rawhide Flats Solar facility (30 megawatts) located at Rawhide; contract ends Dec. 14, 2041.
 - Rawhide Prairie Solar facility (22 megawatts) located at Rawhide; contract ends 20 years from the date of commercial operation which is expected to be early 2021. A battery storage system (2 megawatt-hours) is integrated with this project, which can be discharged once daily at a rate up to 1 megawatt per hour.
- The joint dispatch agreement is between Public Service Company of Colorado, Black Hills Colorado Electric, City of Colorado Springs and Platte River and operates similarly to an energy imbalance market. This agreement provides access to lower cost resources and increases operational efficiencies while enhancing reliability. The agreement renews annually and is expected to terminate when Public Service Company of Colorado, Black Hills Colorado Electric and Platte River concurrently enter the Western Energy Imbalance Market in April 2022.
- Spot market purchases provide energy to satisfy loads, replace power during outages and meet reserve requirements.
- Capacity of approximately 3.862 megawatts and 0.445 megawatts is purchased from Fort Collins and Loveland community solar facilities, respectively. For these two

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facilities, the owner communities retain the renewable attribute and the facilities are not part of Platte River's noncarbon resource portfolio.

- Platte River has a forced outage exchange agreement with Tri-State Generation and Transmission Association, 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 operates as a utility enterprise and follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Platte River has implemented all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements for Platte River and the defined benefit pension plan are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. For the defined benefit pension plan, payments are recognized when due and payable in accordance with the terms of the defined benefit pension plan.

Request for information

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

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Financial summary

Platte River reported income of \$22 million in 2020, approximately \$11.5 million lower than 2019. The year ended with an increase in operating revenues of \$11.6 million, an increase in operating expenses of \$21.2 million and an increase in nonoperating expenses, net, of \$1.9 million.

2020 was an unprecedented year with the world-wide COVID-19 pandemic. Platte River responded to the pandemic by generating additional revenues from unplanned contract sales and reducing operations and maintenance expenses from what was originally budgeted, as well as delaying capital projects. Despite the pandemic, Platte River had strong financial results in 2020 and had another year of exceptional performance from the production and transmission facilities. As a result, Platte River was able to provide a one-time \$1 million owner distribution to the governing body of the owner communities to assist with the COVID-19 pandemic impacts within their communities.

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 2020, 2019 and 2018.

	2020	Dec. 31, 2019	2018
	<i>(in thousands)</i>		
Assets			
Electric utility plant	\$ 603,342	\$ 586,230	\$ 563,253
Special funds and investments	126,237	119,445	117,135
Current and noncurrent assets	176,960	130,724	135,691
Total assets	906,539	836,399	816,079
Deferred outflows of resources	28,052	31,699	41,384
Liabilities			
Noncurrent liabilities	215,882	235,651	254,661
Current liabilities	32,997	33,050	40,956
Total liabilities	248,879	268,701	295,617
Deferred inflows of resources	70,118	5,795	1,787
Net position			
Net investment in capital assets	392,499	394,847	352,451
Restricted	18,521	17,872	17,784
Unrestricted	204,574	180,883	189,824
Total net position	\$ 615,594	\$ 593,602	\$ 560,059

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Net position

Total net position at Dec. 31, 2020, was \$615.6 million, an increase of \$22 million over 2019. Total net position at Dec. 31, 2019, was \$593.6 million, an increase of \$33.5 million over 2018.

Electric utility plant increased \$17.1 million during 2020, primarily the result of a \$46.6 million increase in plant and equipment in service and a \$25.9 million decrease in accumulated depreciation and amortization. Partially offsetting these net increases was a \$55.4 million decrease in construction work in progress and a \$0.1 million decrease in land and land rights. Platte River implemented a change in estimate to the depreciation method from the group method to the specific identification method to be applied prospectively. As a result, a board of directors approved accounting policy using GASB 62 was implemented to reclass \$55.8 million of a net deferred gain on capital retirements to a regulatory credit as described in note 9. Further, another board approved accounting policy reclassified \$19.8 million for Windy Gap Firing Project storage rights to a regulatory asset also described in note 9.

In 2019, electric utility plant increased \$23 million from 2018, 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.

Special funds and investments increased \$6.8 million during 2020 primarily due to an increase in funds from the additional sales of ten Windy Gap water units for \$27 million.

In 2019, special funds and investments increased \$2.3 million over 2018 primarily due to an increase in funds from the additional sales of two Windy Gap water units for \$5.2 million.

Current and noncurrent assets increased \$46.2 million during 2020 primarily due to increases in cash and investment balances as a result of the additional sales of Windy Gap water units, higher surplus sales revenues and lower capital expenditures. Accounts receivable increased as a result of higher surplus sales and outstanding balances at the end of the year. Craig Generating Station fuel inventory levels decreased due to a stockpile sale earlier in the year. In addition, regulatory assets increased primarily due to the regulatory asset for Windy Gap Firing Project storage rights as described in note 9.

In 2019, current and noncurrent assets decreased \$5 million from 2018 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.

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Deferred outflows of resources decreased \$3.6 million during 2020 primarily due an updated estimate for impoundment closure costs at Craig Generating Station (asset retirement obligation) as well as a decrease in deferred loss on debt refundings following the partial advance refunding of Series II power revenue bonds through the issuance of Taxable Series KK power revenue bonds as described in note 7.

In 2019, deferred outflows of resources decreased \$9.7 million from 2018 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.

Noncurrent liabilities decreased \$19.8 million during 2020 primarily due to principal retirements of debt, an updated estimate for impoundment closure costs at the Craig Generating Station (asset retirement obligation) and a decrease in the net pension liability primarily due to higher contributions in 2020. Platte River also successfully completed a \$25.2 million bond offering, Taxable Series KK, which advance refunded \$23.5 million of Series II power revenue bonds as described in note 7.

In 2019, noncurrent liabilities decreased \$19 million from 2018 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.

Current liabilities decreased \$0.1 million during 2020 primarily due to payments for asset retirement obligations related to the closure of two ash ponds at the Rawhide Energy Station as described in note 8. Partially offsetting the decrease was increases in current maturities of long-term debt following principal retirements and the partial advance refunding of Series II power revenue bonds through the issuance of Taxable Series KK power revenue bonds (note 7) and increases in accrued liabilities and other.

In 2019, current liabilities decreased \$7.9 million from 2018 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 as described in note 8.

Deferred inflows of resources increased \$64.3 million during 2020 primarily due to the regulatory credit regarding deferred gains and losses on capital retirements as described in note 9. Additional expenses for the 2021 scheduled maintenance outage of Rawhide Unit 1 were also accrued. In addition, there was an increase in deferred pension contribution expense recognition as actual pension contributions exceeded actuarial pension expenses.

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In 2019, deferred inflows of resources increased \$4 million over 2018 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.

Condensed statements of revenues, expenses and changes in net position

	Years ended Dec. 31,		
	2020	2019	2018
	<i>(in thousands)</i>		
Operating revenues	\$ 240,749	\$ 229,185	\$ 224,114
Operating expenses	216,154	194,951	187,711
Operating income	24,595	34,234	34,403
Nonoperating expenses, net	(2,603)	(691)	(2,046)
Income before contributions	21,992	33,543	32,357
Contributions of assets to owner communities	-	-	(137)
Change in net position	21,992	33,543	32,220
Net position at beginning of year	593,602	560,059	527,839
Net position at end of year	\$ 615,594	\$ 593,602	\$ 560,059

Changes in net position

Net position increased \$22 million in 2020, \$11.5 million lower than 2019. There was an increase in operating revenues, operating expenses and nonoperating expenses, net. 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.

Operating revenues in 2020 increased \$11.6 million over 2019.

- Sales to the owner communities decreased \$1.9 million from 2019 primarily as the result of a decrease in owner communities energy deliveries of 0.9%. While there was no average wholesale rate increase, 2020 was the first year of a new unbundled and transparent wholesale rate structure.
- Surplus sales revenue (sales for resale and other) increased \$13.5 million over 2019 primarily as a result of new short-term and long-term sales contracts. Wheeling revenues increased 8.1% as a result of a rate increase to the transmission tariff, additional point to point service and higher loss charges during a period of elevated energy market prices.

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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.

Operating expenses in 2020 increased \$21.2 million over 2019.

- Purchased power costs increased \$9.6 million over 2019. The increase is due primarily to the commercial operation of the Roundhouse Wind Energy Center and increased generation of existing wind and solar facilities. Purchases made under the joint dispatch agreement also increased purchased power and offset baseload generation.
- Fuel expense decreased \$3.8 million from 2019. Fuel expense for Rawhide Unit 1 and the Craig units was \$1.5 million and \$4.8 million less than 2019, respectively. All coal units were run at lower capacity factors to take advantage of lower cost energy under the joint dispatch agreement. Natural gas expense was \$2.5 million higher than 2019 primarily due to higher generation for surplus sales made from the combustion turbine units.
- Operations and maintenance expenses were \$2.5 million more than 2019. The increase is due to a minor outage for Rawhide Unit 1 and additional personnel costs as a result of health and safety precautions as a response to the COVID-19 pandemic. Partially offsetting the increases were overall decreases in operating expenses at the Craig units and reductions of expenses in response to the COVID-19 pandemic.
- Administrative and general expenses increased \$1.3 million over 2019 primarily due to increased personnel expenses partially offset by reduced expenses in response to the COVID-19 pandemic.
- Distributed energy resources expense increased \$0.4 million over 2019 due to program expansion for business and consumer product offerings for energy efficiency programs. Approximately \$2 million of additional program expenses were planned for 2020 but were delayed due to the COVID-19 pandemic.
- Depreciation and amortization expense increased \$11.2 million over 2019 due to acceleration of expenses as a result of early retirement announcements for all three coal-fired units, project cost overruns on the closure of two ash ponds at the Rawhide Energy Station as described in note 8 and additional expense for deferred gains and losses under the board of directors approved accounting policy using GASB 62 as described in note 9.

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

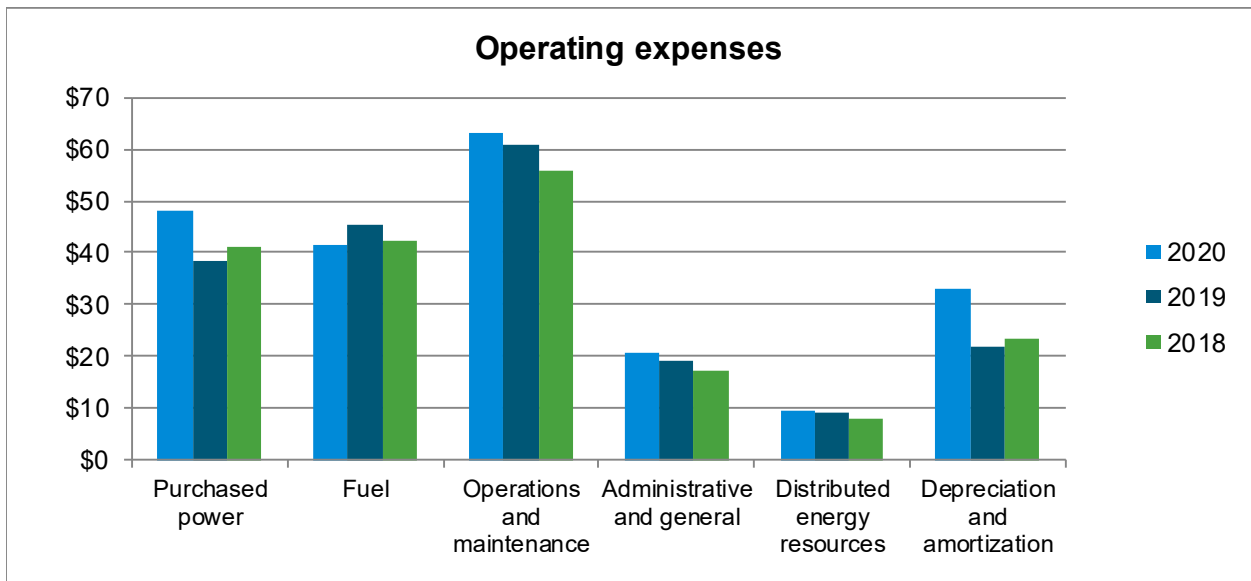
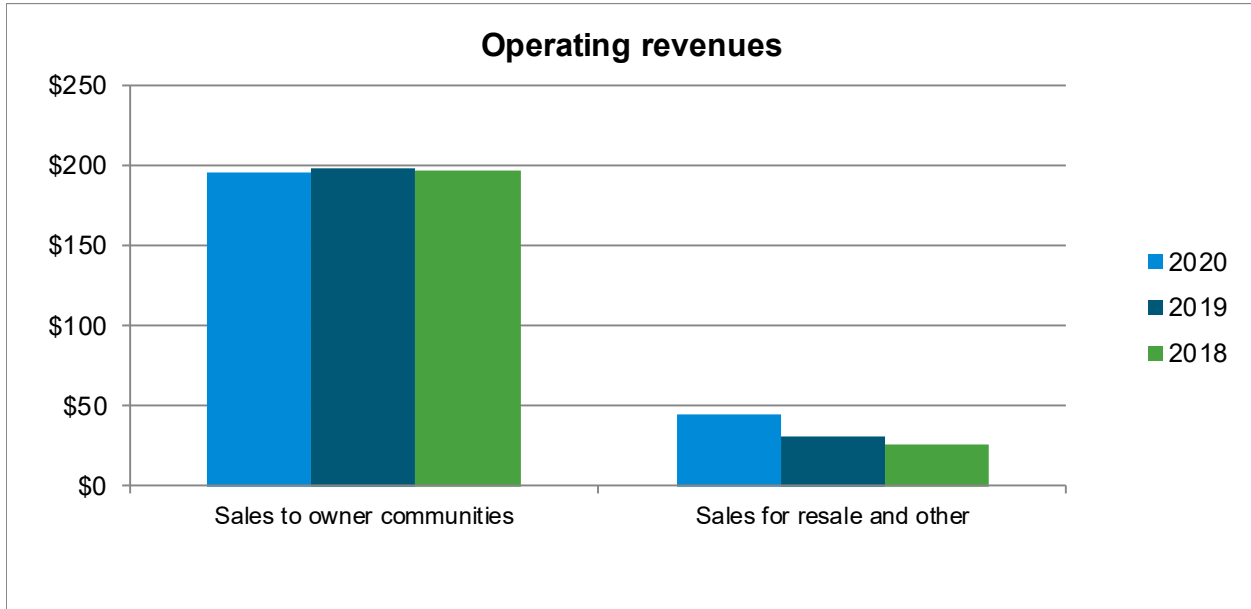
- Purchased power costs for 2019 decreased \$2.7 million compared to 2018. The primary reason was in 2018 additional purchases were required for the extension of the Rawhide Unit 1 scheduled maintenance outage.
- Fuel expense increased \$3.1 million over 2018. Fuel expense for Rawhide Unit 1 and the 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 over 2018 due to program expansion for business and consumer product offerings for energy efficiency programs.
- Depreciation and amortization expense decreased \$1.6 million from 2018 due to certain assets at the Rawhide Energy Station reaching the end of their depreciable life and the sale of two additional Windy Gap water units.

Nonoperating expenses, net, increased \$1.9 million in 2020 compared to 2019. The main contributors to the increase were lower interest income, a one-time \$1 million owner distribution to the governing body of the owner communities to assist with COVID-19 pandemic impacts within their communities and less of an increase in fair value of investments compared to 2019. Partially offsetting the increase was a decrease in interest expense from ordinary principal retirements and an increase in other income for unplanned lease revenue and receipt of contract liquidated damages.

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.

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Operating revenues and expenses
 (in millions)



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Debt ratings

Moody's Investor Service (Moody's) and Fitch Ratings (Fitch) assigned ratings of Aa2 and AA, respectively, to Platte River's Taxable Series KK power revenue bonds issued in December 2020 (note 7). The ratings on Platte River's existing bonds remained unchanged.

Bond issue	Moody's	S&P	Fitch
Power revenue bonds			
Series II	Aa2	AA	AA
Series JJ	N/A	AA	AA
Taxable Series KK	Aa2	N/A	AA

Budgetary highlights

Platte River's board of directors approved the 2020 Strategic Budget with total revenues of \$240.5 million, operating expenses of \$190.3 million, capital additions of \$74 million and debt service expenditures of \$23.1 million. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Total revenues of \$243.1 million ended the year \$2.6 million above budget.

- Sales to owner communities of \$196 million were \$2.7 million below budget due to below-budget energy deliveries and billing demand.
- Sales for resale and other totaled \$44.8 million and were above budget \$6.8 million primarily due to several unanticipated short-term and long-term sales contracts and higher than anticipated sales from generation of the combustion turbine units. The increase was due to higher market prices with the rise in demand during record temperatures and wildfires across the west over the summer. Wheeling revenues were \$0.3 million above budget due to additional point-to-point sales, higher loss charges during a period of elevated energy market prices and a transmission tariff rate increase in 2020.
- Other revenues, net, of \$2.3 million were below budget \$1.5 million primarily due to a one-time \$1 million owner distribution to the governing body of the owner communities to assist with COVID-19 pandemic impacts within their communities. Additionally, interest income was less than anticipated as a planned debt financing was canceled therefore interest on the proceeds was not earned and overall interest rates were lower than budgeted, partially offset by unbudgeted lease revenue.

Operating expenses of \$182.3 million and were \$8 million below budget. The largest variances are explained below.

- Purchased power expenses of \$48 million were above budget \$3.4 million primarily due to purchases made under the joint dispatch agreement because of favorable pricing, which replaced baseload generation. Wind generation was also above budget due to the

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early commercial operation date of the Roundhouse Wind Energy Center. Partially offsetting the above-budget variances was below-budget solar generation due to the delay of commercial operation for the Rawhide Prairie Solar project, while operating, did not reach commercial operation in 2020. Hydropower purchases were below budget due to an updated rate from WAPA. Lastly, energy was provided to Tri-State under the forced outage assistance agreement.

- Fuel expenses of \$41.6 million were \$4.4 million below budget. Rawhide Unit 1 and the Craig units operated at lower than planned loads to accommodate lower-cost energy purchased through the joint dispatch agreement. This resulted in \$8.7 million in fuel savings. Partially offsetting the below-budget variance was above-budget natural gas expense of \$4.3 million, as the combustion turbines were used to meet load requirements and surplus sales resulting in above-budget generation.
- Production, transmission, administrative and general and distributed energy resources expenses of \$92.7 million were \$7 million below budget consisting of the items described below.
 - Operations and maintenance expenses were below budget approximately \$3.3 million due to projects being completed below budget, expenses not being required and reductions in response to the COVID-19 pandemic.
 - Personnel expenses were below budget \$1 million primarily due to lower than anticipated medical and dental claims and lower wages primarily as a result of vacancies, partially offset by additional overtime incurred as a result of health and safety precautions in response to the COVID-19 pandemic.
 - Distributed energy resources program expenses were below budget \$2.7 million primarily due to curtailed services and project delays resulting from the COVID-19 pandemic, reduced customer participation and the unpredictability of the completion of customers' energy efficiency projects.

Capital additions of \$39.8 million were \$34.2 million below budget. This variance was due to construction schedule changes, scope changes, contract delays, internal resource constraints, canceled projects and delays in response to the COVID-19 pandemic. Production additions, transmission additions and general additions were below budget \$25.6 million, \$3.1 million and \$6.6 million, respectively, and asset retirement obligations were \$1.1 million above budget. The variance has been carried over to the 2021 Strategic Budget in order to complete the projects.

Debt service expenditures of \$18.2 million were \$4.9 million below budget due to the cancelation of the debt financing for the Windy Gap Firming Project planned for 2020.

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

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Statements of net position
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	Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Assets		
Electric utility plant, at original cost (notes 3 and 4)		
Land and land rights	\$ 16,924	\$ 16,997
Plant and equipment in service	1,407,436	1,360,820
Less: accumulated depreciation and amortization	(868,778)	(894,676)
Plant in service, net	555,582	483,141
Construction work in progress	47,760	103,089
Total electric utility plant	603,342	586,230
Special funds and investments (note 5)		
Restricted funds and investments	19,044	18,532
Dedicated funds and investments	107,193	100,913
Total special funds and investments	126,237	119,445
Current assets		
Cash and cash equivalents (notes 3 and 5)	52,593	26,211
Other temporary investments (note 5)	33,526	35,310
Accounts receivable—owner communities	16,149	16,035
Accounts receivable—other	8,483	7,457
Fuel inventory, at last-in, first-out cost	13,409	14,185
Materials and supplies inventory, at average cost	15,127	15,728
Prepayments and other assets	1,624	1,369
Total current assets	140,911	116,295
Noncurrent assets		
Regulatory assets (note 9)	35,385	14,056
Other long-term assets	664	373
Total noncurrent assets	36,049	14,429
Total assets	906,539	836,399
Deferred outflows of resources		
Deferred loss on debt refundings (note 7)	4,971	6,063
Pension deferrals (note 11)	2,023	1,769
Asset retirement obligations (note 8)	21,058	23,867
Total deferred outflows of resources	28,052	31,699

See notes to financial statements.

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	Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Liabilities		
Noncurrent liabilities (note 6)		
Long-term debt, net (note 7)	\$ 167,208	\$ 181,437
Net pension liability (note 11)	15,604	18,679
Asset retirement obligations (note 8)	26,520	28,636
Other liabilities and credits	6,550	6,899
Total noncurrent liabilities	215,882	235,651
Current liabilities		
Current maturities of long-term debt (note 7)	11,145	10,310
Current portion of asset retirement obligations (note 8)	1,073	1,888
Accounts payable	17,750	18,119
Accrued interest	524	660
Accrued liabilities and other	2,505	2,073
Total current liabilities	32,997	33,050
Total liabilities	248,879	268,701
Deferred inflows of resources		
Deferred gain on debt refundings	154	–
Regulatory credits (note 9)	69,964	5,726
Pension deferrals (note 11)	–	69
Total deferred inflows of resources	70,118	5,795
Net position		
Net investment in capital assets (note 10)	392,499	394,847
Restricted	18,521	17,872
Unrestricted	204,574	180,883
Total net position	\$ 615,594	\$ 593,602

See notes to financial statements.

Platte River Power Authority
Statements of revenues, expenses and changes in net position
Dec. 31, 2020 and 2019

	Years ended Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Operating revenues		
Sales to owner communities	\$ 196,002	\$ 197,974
Sales for resale and other	44,747	31,211
Total operating revenues	240,749	229,185
Operating expenses		
Purchased power	48,029	38,441
Fuel	41,571	45,401
Operations and maintenance	63,348	60,877
Administrative and general	20,604	19,286
Distributed energy resources	9,560	9,136
Depreciation and amortization (note 4 and 8)	33,042	21,810
Total operating expenses	216,154	194,951
Operating income	24,595	34,234
Nonoperating revenues (expenses) (notes 5 and 7)		
Interest income	2,479	3,610
Other income	821	450
Distribution to owner communities	(1,000)	-
Interest expense	(5,570)	(5,962)
Allowance for funds used during construction	-	-
Net increase in fair value of investments	667	1,211
Total nonoperating revenues (expenses)	(2,603)	(691)
Change in net position	21,992	33,543
Net position at beginning of year	593,602	560,059
Net position at end of year	\$ 615,594	\$ 593,602

See notes to financial statements.

Platte River Power Authority
Statements of cash flows
Dec. 31, 2020 and 2019

	Years ended Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Cash flows from operating activities		
Receipts from customers	\$ 239,456	\$ 230,667
Payments for operating goods and services	(131,680)	(129,498)
Payments for employee services	(46,696)	(39,059)
Net cash provided by operating activities	61,080	62,110
Cash flows from capital and related financing activities		
Additions to electric utility plant	(36,005)	(43,436)
Payments from accounts payable incurred for electric utility plant additions	(5,699)	(12,537)
Proceeds from disposal of electric utility plant	27,174	5,467
Deposits into escrow for bond defeasance	(238)	-
Proceeds from issuance of long-term debt	243	-
Principal payments on long-term debt	(10,310)	(10,335)
Interest payments on long-term debt	(7,756)	(8,172)
Net cash used in capital and related financing activities	(32,591)	(69,013)
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	(4,363)	(891)
Interest and other income, including realized gains and losses	3,256	4,016
Distribution to owner communities	(1,000)	-
Net cash (used in)/provided by investing activities	(2,107)	3,125
Increase/(decrease) in cash and cash equivalents	26,382	(3,778)
Balance at beginning of year in cash and cash equivalents	26,211	29,989
Balance at end of year in cash and cash equivalents	\$ 52,593	\$ 26,211

See notes to financial statements.

Platte River Power Authority
Statements of cash flows
Dec. 31, 2020 and 2019

	Years ended Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 24,595	\$ 34,234
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	29,027	20,691
Changes in assets and liabilities which provided (used) cash		
Accounts receivable	(1,140)	1,904
Fuel and materials and supplies inventories	1,377	1,088
Prepayments and other assets	(1,901)	(2,112)
Deferred outflows of resources	2,555	8,539
Accounts payable	4,059	(3,091)
Net pension liability	(3,075)	(5,392)
Asset retirement obligations	(2,931)	1,014
Other liabilities	150	1,227
Deferred inflows of resources	8,364	4,008
Net cash provided by operating activities	\$ 61,080	\$ 62,110
Noncash capital and related financing activities		
Additions of electric utility plant through incurrence of accounts payable	\$ 1,270	\$ 5,699
Amortization of regulatory assets (debt issuance costs)	71	79
Amortization of bond premiums and deferred loss on refundings	(2,120)	(2,246)
Net proceeds from refunding bond issuance deposited directly into irrevocable trust	25,182	—

See notes to financial statements.

Platte River Power Authority
Defined benefit pension plan
Statements of fiduciary net position
Dec. 31, 2020 and 2019

	Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Assets		
Cash equivalents	\$ 1,866	\$ 1,444
Investment income receivable	-	2
Investments		
Fixed income securities	29,055	32,211
Domestic equity securities	39,693	23,660
International equity securities	29,905	16,239
Infrastructure	4,982	2,836
Natural resources	3,627	2,449
Hedge funds	-	14,999
Real estate funds	2,809	2,690
Reinsurance funds	919	3,747
Private equity	-	6,135
Total investments	110,990	104,966
Total assets	112,856	106,412
Net position restricted for pension benefits	\$ 112,856	\$ 106,412

See notes to financial statements.

Platte River Power Authority
Defined benefit pension plan
Statements of changes in fiduciary net position
Dec. 31, 2020 and 2019

	Years ended Dec. 31,	
	2020	2019
	<i>(in thousands)</i>	
Additions		
Employer contributions	\$ 7,593	\$ 3,649
Investment income		
Net increase in fair value of investments	4,721	11,230
Interest and dividends	2,274	1,814
Net investment income	6,995	13,044
Total additions	14,588	16,693
Deductions		
Benefit payments	8,144	9,859
Change in plan net position	6,444	6,834
Net position restricted for pension benefits		
Beginning net position	106,412	99,578
Ending net position	\$ 112,856	\$ 106,412

See notes to financial statements.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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, 2020, 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 two solar facilities. 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. Solar facilities include Rawhide Solar Flats (30 megawatts) and Rawhide Prairie Solar (22 megawatts). A battery storage system of 2 megawatt-hours is

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

integrated with Rawhide Prairie Solar and can be discharged once daily at a rate up to 1 megawatt per hour. The Rawhide Energy Station facilities, except for the solar and battery storage facilities, are wholly owned and operated by Platte River. Rawhide Unit 1 is scheduled to be retired by Dec. 31, 2029.

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. Craig units 1 and 2 are scheduled to be retired by Dec. 31, 2025 and Sept. 30, 2028, respectively. 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 two 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. One previous cooperative member of Trapper Mining, Inc. was liquidated effective Dec. 31, 2020, increasing Platte River's minority ownership.

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 income. Platte River is also exempt from taxes on its property located in Colorado.

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

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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.

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 and includes expenditures of \$5,000 or more for property, equipment or construction projects with an estimated useful life greater than two years. 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.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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. Following asset closure announcement, assets are evaluated and estimated useful lives are accelerated, as applicable. Prior to 2020, the original cost of property replaced or retired, and removal costs less salvage, were 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, 2020 and 2019, 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 amounts are reported as deferred outflows or inflows of resources.

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.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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. Accrued liabilities for compensated absences are valued using the vesting method.

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, defined benefit pension plan related deferrals (note 11) and unamortized asset retirement obligations (note 8).

Deferred inflows of resources

Deferred inflows consist of unamortized deferred gains on refunding of debt, unamortized deferred gains and losses on retirement of capital assets (regulatory credit), estimated incremental expenses of scheduled major maintenance outages (regulatory credit) 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.

4. Electric utility plant

Electric utility plant asset activity for the year ended Dec. 31, 2020, was as follows.

	Dec. 31, 2019	Increases	Decreases	Dec. 31, 2020
	<i>(in thousands)</i>			
Nondepreciable assets				
Land and land rights	\$ 16,997	\$ -	\$ (73)	\$ 16,924
Construction work in progress	103,089	37,488	(92,817)	47,760
	120,086	37,488	(92,890)	64,684
Depreciable assets				
Production plant	945,861	25,679	(19,662)	951,878
Transmission plant	373,534	1,249	(485)	374,298
General plant	41,425	51,806	(11,971)	81,260
	1,360,820	78,734	(32,118)	1,407,436
Less accumulated depreciation	(894,676)	(29,027)	54,925	(868,778)
Total electric utility plant	\$ 586,230	\$ 87,195	\$ (70,083)	\$ 603,342

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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
	<u>103,454</u>	<u>48,623</u>	<u>(31,991)</u>	<u>120,086</u>
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
	<u>1,343,030</u>	<u>32,392</u>	<u>(14,602)</u>	<u>1,360,820</u>
Less accumulated depreciation	(883,231)	(20,691)	9,246	(894,676)
Total electric utility plant	<u>\$ 563,253</u>	<u>\$ 60,324</u>	<u>\$ (37,347)</u>	<u>\$ 586,230</u>

Platte River used the group depreciation method of accounting prior to 2020. According to FERC accounting guidelines for group depreciation, 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. During 2020, Platte River implemented a change in estimate to the depreciation method from the group method to the specific identification method. Under the specific identification method, gains and losses are recognized immediately on the retirement of capital assets. Alternative accounting treatment under board of directors approved policy using GASB 62 (note 9) recognizes the effects of the rate-making process whereby deferred gains and losses on retirements of capital assets may be deferred to future periods. As such, all previously deferred gains and losses on retirements of capital assets were reclassified and are now recorded as a regulatory credit rather than a component of accumulated depreciation causing the significant decrease in accumulated depreciation.

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

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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 \$412,000 and \$768,000 as of Dec. 31, 2020 and 2019, respectively, are shown in the following tables.

As of Dec. 31, 2020, Platte River had the following cash and investments and related maturities.

Cash and investment type	Investment maturities (in years)		
	Fair value	Less than 1	1-2
	<i>(in thousands)</i>		
U.S. Treasuries	\$ 77,941	\$ 28,607	\$ 49,334
U.S. Agencies			
FFCB	18,393	4,694	13,699
FHLB	3,070	-	3,070
FHLMC	9,230	9,230	-
FNMA	8,471	8,471	-
Total securities	117,105	51,002	66,103
Certificates of deposit	3,506	3,506	-
Cash and money market funds	4,745	4,745	-
Local government investment pools	86,588	86,588	-
Total cash and investments	\$ 211,944	\$ 145,841	\$ 66,103

Statement of net position presentation of cash, cash equivalents and investments are as follows as of Dec. 31, 2020.

	Fair value	Accrued interest	Total
	<i>(in thousands)</i>		
Restricted funds and investments	\$ 19,022	\$ 22	\$ 19,044
Dedicated funds and investments	106,936	257	107,193
Cash and cash equivalents	52,593	-	52,593
Other temporary investments	33,393	133	33,526
Total cash and investments	\$ 211,944	\$ 412	\$ 212,356

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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>

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>

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, 2020.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

- U.S. Treasury securities of \$77,941,000 are valued using quoted market prices (Level 1 inputs)
- U.S. Agency securities of \$39,164,000 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, 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, 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.

As of Dec. 31, 2020 and 2019, all investments of the defined benefit pension plan had a maturity of less than one year or undefined.

Platte River Power Authority
Notes to financial statements
Dec. 31, 2020 and 2019

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, 2020 and 2019.

Dec. 31, 2020	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	\$ 1,866	\$ 68	\$ 1,798	\$ -
Fixed income	29,055	29,055	-	-
Domestic equity	39,693	39,693	-	-
International equity	29,905	29,905	-	-
Infrastructure	4,982	4,982	-	-
Natural resources	3,627	3,627	-	-
Real estate funds	2,809	2,809	-	-
Reinsurance	919	919	-	-
Total investments by fair value level	<u>\$ 112,856</u>	<u>\$ 111,058</u>	<u>\$ 1,798</u>	<u>\$ -</u>

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	-	-
Infrastructure	2,836	2,836	-	-
Natural resources	2,449	2,449	-	-
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>\$ 60,172</u>	<u>\$ 25,104</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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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.

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 as of Dec. 31, 2019. There were no defined benefit pension plan's investments measured at the NAV per share as of Dec. 31, 2020.

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>		

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 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 investment policy statement provides an asset allocation strategy to create a broadly diversified portfolio. The strategy is designed to reflect and be consistent with the

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objectives expressed in the investment policy statement, 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 or real estate 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 investment policy statement.

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

Asset class	2020	2019
Domestic equities	36%	23%
International equities	19%	12%
Emerging market equities	8%	3%
Core fixed income	15%	21%
Inflation protection	0%	1%
High yield	11%	8%
Infrastructure	4%	3%
Natural resources	3%	2%
Real estate	3%	3%
Liquid low correlated hedge	0%	14%
Reinsurance	1%	4%
Private equity	0%	6%

Rate of return

For the years ended Dec. 31, 2020 and 2019, the money-weighted rate of return on defined benefit pension plan investments, net of investment expense, was 6.6% and 13.5%, 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 ladder approach to investing funds based on projected cash flows. The assumed maturity date for

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callable securities is based on market conditions as of Dec. 31, 2020. 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 and a high-yield fixed income exchange traded fund. The funds 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 investment policy statement does not place maturity restrictions on its bond funds.

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, 2020, 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 AA Af 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 up to 80% of its net assets in US dollar-denominated investment grade fixed income securities either directly or indirectly through exchange traded funds (ETFs). 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. As of Dec. 31, 2020, the defined benefit pension plan's average credit quality for its core fixed income and high yield allocations were AA and B, respectively.

Concentration of credit risk

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

Platte River's investment policy, excluding the defined benefit pension plan, states that assets held in Platte River's funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of Dec. 31, 2020, more than 5% of Platte River's investments were concentrated in FFCB. These investments are 8.7% of Platte River's total investments (including investments held in local government investment pools and certificates of deposit).

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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.

	2020	2019
	<i>(in thousands)</i>	
Blackstone Offshore Partners NT Fund	\$ -	\$ 14,999
Partners Group Private Equity Master Fund	-	6,135

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, 2020 and 2019, the defined benefit pension plan did not identify any investments subject to custodial credit 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.

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, 2020, foreign non-dollar allocations for the global natural resources allocation were 38.7%, foreign non-dollar allocations for the global infrastructure allocation were 59.4% and foreign non-dollar allocations for the global real estate allocation were 38.7%. Foreign non-dollar allocations for Stoneridge Reinsurance were less than 1% as of

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Oct. 31, 2020. The defined benefit pension plan's investment in international and emerging markets equity mutual funds, as of Dec. 31, 2020 and 2019, was \$29.9 million and \$16.2 million, respectively.

The defined benefit pension plan's exposure to foreign currency risk in U.S. dollars as of Dec. 31, 2020, is disclosed in the following table.

Currency	Total ⁽¹⁾	International stocks	Fixed income
		<i>(in thousands)</i>	
Argentine peso	\$ 88	\$ 44	\$ 44
Australian dollar	1,319	1,319	-
Bahamian dollar	32	16	16
Bermudian dollar	294	147	147
Brazilian real	182	182	-
Canadian dollar	4,416	3,894	522
Caymanian dollar	211	106	105
Chilean peso	97	97	-
Colombian peso	45	45	-
Czech crown	68	68	-
Danish krone	1,196	1,183	13
Egyptian pound	62	62	-
European euro	8,953	8,058	895
Hong Kong dollar	3,806	3,806	-
Hungarian forint	50	50	-
Indian rupee	633	633	-
Indonesian rupiah	10	10	-
Israeli new shekel	196	196	-
Japanese yen	6,491	6,462	29
Liberian dollar	180	90	90
Malaysian ringgit	493	493	-
Mexican peso	239	239	-
Moroccan dirham	157	157	-
New Zealand dollar	171	171	-
Norwegian krone	35	35	-
Peruvian sol	93	93	-
Philippine peso	173	173	-
Polish zloty	51	51	-
Russian ruble	107	107	-
Singapore dollar	634	634	-
South African rand	146	146	-
South Korean won	1,126	1,126	-
Swedish krona	633	613	20
Swiss franc	2,851	2,851	-
Taiwan dollar	1,526	1,526	-
Thai baht	516	516	-
Turkish new lira	80	80	-
	<u>\$ 37,360</u>	<u>\$ 35,479</u>	<u>\$ 1,881</u>

⁽¹⁾ There was no foreign currency exposure through the reinsurance fund as of Oct. 31, 2020.

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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		Private equity
		stocks	Reinsurance ⁽¹⁾	
<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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6. Noncurrent liabilities

Noncurrent liability activity for the year ended Dec. 31, 2020, was as follows.

	Dec. 31,			Dec. 31,	Due within
	2019	Additions	Reductions	2020	one year
	<i>(in thousands)</i>				
Long-term debt, net	\$ 191,747	\$ 25,230	\$ (38,624)	\$ 178,353	\$ 11,145
Other liabilities and credits					
Compensated absences	5,223	1,239	(475)	5,987	515
Deposits	1,020	-	(1,020)	-	-
Lease advances	587	-	(66)	521	66
Yampa employee obligation	422	-	(4)	418	-
Disposal facility closure costs	203	2	-	205	-
Total other liabilities and credits	<u>7,455</u>	<u>1,241</u>	<u>(1,565)</u>	<u>7,131</u>	<u>581</u>
Total noncurrent liabilities	<u>\$ 199,202</u>	<u>\$ 26,471</u>	<u>\$ (40,189)</u>	<u>\$ 185,484</u>	<u>\$ 11,726</u>

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

	Dec. 31,			Dec. 31,	Due within
	2018	Additions	Reductions	2019	one year
	<i>(in thousands)</i>				
Long-term debt, net	\$ 205,474	\$ -	\$ (13,727)	\$ 191,747	\$ 10,310
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	<u>6,418</u>	<u>1,753</u>	<u>(716)</u>	<u>7,455</u>	<u>556</u>
Total noncurrent liabilities	<u>\$ 211,892</u>	<u>\$ 1,753</u>	<u>\$ (14,443)</u>	<u>\$ 199,202</u>	<u>\$ 10,866</u>

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7. Long-term debt

Long-term debt outstanding as of Dec. 31, 2020 and 2019, consists of the following.

	<u>Interest rate</u>	Dec. 31	
		2020	2019
<i>(in thousands)</i>			
Power revenue bonds (all serial bonds)			
Series II maturing 6/1/2022	4%	\$ 1,410	\$ 25,530
Series JJ maturing 6/1/2036	3.5%–5%	134,250	143,895
Taxable Series KK maturing 6/1/2037	1%-1.9%	25,230	-
		<u>160,890</u>	<u>169,425</u>
Unamortized bond premium		17,463	22,322
Total revenue bonds outstanding		<u>178,353</u>	<u>191,747</u>
Less: due within one year		<u>(11,145)</u>	<u>(10,310)</u>
Total long-term debt, net		<u>\$ 167,208</u>	<u>\$ 181,437</u>

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

The outstanding balance of Series II are non-callable. Series JJ is callable June 1, 2026. Taxable Series KK is subject to prior redemption, in whole or in part as selected by Platte River, on any date.

Interest expense for the years ended Dec. 31, 2020 and 2019, is comprised of the following.

	<u>2020</u>	<u>2019</u>
<i>(in thousands)</i>		
Interest	\$ 7,619	\$ 8,129
Amortization of bond related costs	(2,049)	(2,167)
Total interest expense	<u>\$ 5,570</u>	<u>\$ 5,962</u>

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.

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Year ending Dec. 31	Principal	Interest	Total
	<i>(in thousands)</i>		
Deposits in 2020 for 2021 payment	\$ 6,309	\$ 524	\$ 6,833
2021	11,638	6,359	17,997
2022	11,984	5,803	17,787
2023	12,550	5,233	17,783
2024	13,146	4,642	17,788
2025	13,730	4,022	17,752
2026-2030	57,605	11,563	69,168
2031-2035	28,386	4,042	32,428
2036-2037	5,542	175	5,717
	<u>\$ 160,890</u>	<u>\$ 42,363</u>	<u>\$ 203,253</u>

In December 2020, Platte River issued \$25,230,000 Taxable Series KK power revenue bonds at a true interest cost of 1.59%. The bonds were sold at a \$195,000 premium, providing total bond proceeds of \$25,425,000. Proceeds of \$414,000 were used to pay issuance costs and underwriter's fees and \$25,011,000 were used to advance refund a portion of the outstanding Series II power revenue bonds. The refunding resulted in an economic gain (net present value savings) of \$6,471,000.

The proceeds from the Taxable Series KK power revenue bonds used to advance refund a portion of the outstanding Series II power revenue bonds have been placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Platte River's financial statements. As of Dec. 31, 2020, \$23,455,000 of the defeased Series II power revenue bonds remains outstanding.

Bond service coverage

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

Under the general power bond resolution, Platte River is required to charge wholesale electric energy rates to the owner communities that are reasonably expected to yield net revenues for the forthcoming 12-month period that are at least equal to 1.10 times total power bond service requirements. Under the general power bond resolution, Platte River has established a rate stabilization reserve account. Deposits to this account are a reduction to current net revenues for purposes of computing bond service coverage. Future withdrawals will increase net revenues for purposes of computing bond service coverage and could assist Platte River, at such time, in meeting its wholesale rate covenant. The balances in the rate stabilization reserve account at Dec. 31, 2020 and 2019, were \$20,410,000 and \$20,284,000, respectively, excluding

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accrued interest. The rate stabilization reserve account is included in dedicated funds and investments in the statements of net position.

The following table is a calculation of the power revenue bond coverage ratios for the years ended Dec. 31, 2020 and 2019.

	2020	2019
	<i>(in thousands)</i>	
Bond service coverage		
Net revenues		
Operating revenues	\$ 240,749	\$ 229,185
Operating expenses, excluding depreciation	183,112	173,141
Net operating revenues	57,637	56,044
Plus interest, other income and distribution to owner communities ⁽¹⁾	2,322	4,082
Net revenues before rate stabilization	59,959	60,126
Rate stabilization		
Deposits	-	-
Withdrawals	-	-
Total net revenues	\$ 59,959	\$ 60,126
Bond service		
Power revenue bonds	\$ 18,224	\$ 18,450
Bond service coverage ratio	3.29	3.26

⁽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, 2020 and 2019.

Deferred outflows of resources related to debt

As of Dec. 31, 2020 and 2019, deferred outflows related to debt consisted of the unamortized deferred loss on debt refundings of \$4,971,000 and \$6,063,000, respectively.

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Deferred inflows of resources related to debt

As of Dec. 31, 2020, deferred outflows related to debt consisted of the unamortized deferred gain on debt refundings of \$154,000. There were no deferred inflows of resources related to debt as of Dec. 31, 2019.

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.

Asset retirement obligation activity for the year ended Dec. 31, 2020, was as follows.

	Dec. 31, 2019	Additions	Reductions	Dec. 31, 2020	Due within one year
	<i>(in thousands)</i>				
Deferred outflows of resources	\$ 23,867	\$ 3,923	\$ (6,732)	\$ 21,058	\$ -
Liabilities	30,524	3,808	(6,739)	27,593	1,073

Asset retirement obligation activity for the year ended Dec. 31, 2019, was as follows.

	Dec. 31, 2018	Additions	Reductions	Dec. 31, 2019	Due within one year
	<i>(in thousands)</i>				
Deferred outflows of resources	\$ 23,818	\$ 1,168	\$ (1,119)	\$ 23,867	\$ -
Liabilities	29,510	1,168	(154)	30,524	1,888

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

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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 outflow of resources is based on the estimated remaining useful life of the Rawhide Energy Station facility of Dec. 31, 2055.

The liability and associated deferred outflows of resources as of Dec. 31, 2020 and 2019, are shown in the table below.

		2020		2019
<i>(in thousands)</i>				
Deferred outflows of resources	\$	14,397	\$	14,525
Noncurrent liability		15,555		15,280

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 closed in 2020 with final soil backfilling and reseeding activities to complete in 2021, the impoundments are amortized over the estimated useful life of Rawhide Unit 1, which is Dec. 31, 2029. 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, 2020 and 2019, are shown in the table below.

		2020		2019
<i>(in thousands)</i>				
Deferred outflows of resources	\$	5,154	\$	5,315
Noncurrent liability		6,093		5,881
Current liability		1,073		1,888

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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.

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. Platte River's interest in Craig units 1 and 2 represents a minority of the asset retirement obligation. As such, under GASB Statement No. 83 guidance, Platte River's reported liability is dependent on the measurement produced by Tri-State. Platte River receives an annual update for its share of change in cost estimates for the asset retirement obligation from Tri-State and adjusts the liability and future amortization schedule accordingly. Each pond, representing an associated tangible capital asset of the asset retirement obligation liability is amortized until Craig Unit 2 is scheduled to be retired from service, which is Sept. 30, 2028.

Platte River's share of the liability and associated deferred outflows of resources as of Dec. 31, 2020 and 2019, are shown in the table below.

	2020	2019
	<i>(in thousands)</i>	
Total member liability	\$ 15,417	\$ 36,161
Platte River's % share	12%	12%
Platte River's deferred outflows of resources	\$ 1,507	\$ 4,027
Platte River's liability	\$ 1,850	\$ 4,340

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

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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, 2025, and the entire amount of the deferred outflows of resources has been previously amortized resulting in no deferred outflows of resources at year end.

The liability as of Dec. 31, 2020 and 2019, is shown in the table below.

	2020	2019
	<i>(in thousands)</i>	
Total member liability	\$ 15,954	\$ 16,589
Platte River's % share	18.94%	18.9%
Platte River's liability	\$ 3,022	\$ 3,135

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, Rawhide Unit 1 maintenance outages, Windy Gap Firming Project storage rights and deferred gains and losses on capital retirements.

Additional pension funding

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

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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.

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.

Windy Gap Firing Project storage rights

Platte River has an allotment contract for capacity in the Windy Gap Firing Project. Once the firming project is completed, Platte River will obtain a perpetual right for capacity in the firming project. The board of directors approved policy allows Platte River's costs, including payments on a pooled financing arrangement, for the indefinite life storage rights to be recognized ratably over the term of the pooled financing with the unamortized component included in regulatory assets.

Deferred gains and losses on capital retirements

During 2020, Platte River implemented a change in estimate to the depreciation method from the group method to the specific identification method. Under the specific identification method, gains and losses would be recognized immediately on the retirement of capital assets. Alternative accounting treatment under the board of directors approved policy recognizes the effects of the rate-making process whereby deferred gains and losses on retirements of capital assets may be deferred to future periods.

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Regulatory assets and deferred inflows of resources related to regulatory credits as of Dec. 31, 2020, are shown in the tables below.

	Dec. 31, 2019	Additions	Reductions	Dec. 31, 2020
	<i>(in thousands)</i>			
Regulatory assets				
Additional pension funding	\$ 2,574	\$ 3,092	\$ (759)	4,907
Pension contribution expense recognition	10,945	-	(978)	9,967
Debt issuance costs	537	408	(202)	743
Windy Gap Firming Project storage rights	-	19,768	-	19,768
Total regulatory assets	\$ 14,056	\$ 23,268	\$ (1,939)	\$ 35,385
Deferred inflows of resources				
Regulatory credits				
Accrued maintenance outage costs	\$ 4,581	\$ 5,162	\$ -	\$ 9,743
Pension contribution expense recognition	1,145	3,398	(127)	4,416
Deferred gains and losses on capital retirements	-	55,805	-	55,805
Total regulatory credits	\$ 5,726	\$ 64,365	\$ (127)	\$ 69,964

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 funding	\$ 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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10. Net investment in capital assets

Net investment in capital assets is comprised of the following as of Dec. 31, 2020 and 2019.

	2020	2019
	<i>(in thousands)</i>	
Electric utility plant	\$ 603,342	\$ 586,230
Windy Gap Firming Project storage rights	19,768	-
Deferred gains and losses on capital retirements	(55,805)	-
Deferred loss on debt refundings	4,971	6,063
Deferred gain on debt refundings	(154)	-
Long-term debt, net	(178,353)	(191,747)
Accounts payable incurred for capital assets	(1,270)	(5,699)
Net investment in capital assets	\$ 392,499	\$ 394,847

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.

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. In 2020, the board appointed a defined benefit plan subcommittee. The subcommittee has the power by unanimous resolution to amend the defined benefit plan. 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.

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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 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%.

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Membership

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

	2020	2019
Retirees and beneficiaries currently receiving benefits	172	157
Terminated vested employees not yet receiving benefits	52	57
Active plan participants	90	102
Total participants	314	316

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, 2020 and 2019, are as follows.

	2020	2019
	<i>(in thousands)</i>	
Base contribution	\$ 4,501	\$ 3,634
Additional funding	3,092	15
Total contributions	\$ 7,593	\$ 3,649

Expenses

Investment manager fees are deducted from investment earnings by the investment management firms.

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.

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Notes to financial statements
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Net pension liability

The net pension liability was measured and determined by actuarial valuations as of Dec. 31, 2020 and 2019, respectively. The components of the net pension liability were as follows.

	2020	2019
	<i>(in thousands)</i>	
Total pension liability	\$ 128,460	\$ 125,091
Plan fiduciary net position	112,856	106,412
Platte River's net pension liability	\$ 15,604	\$ 18,679
Plan fiduciary net position as a percentage of the total pension liability	87.85%	85.07%

Actuarial assumptions

The total pension liability for the years ended Dec. 31, 2020 and 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement with the exception of salary increases which was 0% in 2021.

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

Mortality rates for the years ended Dec. 31, 2020 and 2019, 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 investment policy statement 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, 2020 and 2019, are summarized in the following table.

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Asset class	Target allocation		Long-term expected rate of return	
	Dec. 31, 2020	Dec. 31, 2019	2020	2019
Domestic equities	36%	19%	6.8%	6.3%
International equities	19%	11%	7.1%	6.8%
Emerging market equities	8%	5%	7.6%	7.8%
Core fixed income	17%	26%	2.6%	3.5%
Inflation protection	3%	5%	2.4%	3.3%
High yield	8%	4%	5.3%	4.3%
Infrastructure	3%	1%	7.3%	n/a
Natural resources	3%	3%	6.6%	n/a
Real estate	2%	1%	9.3%	6.0%
Cash	1%	1%	n/a	n/a
Liquid low correlated hedge	0%	14%	n/a	4.3%
Reinsurance	0%	5%	n/a	6.0%
Private equity	0%	5%	n/a	8.3%

Discount rate

The discount rate used to measure the total pension liability was 7.5% for the years ended Dec. 31, 2020 and 2019. 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, 2020, 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, 2019	\$ 125,091	\$ 106,412	\$ 18,679
Changes for the year			
Service cost	1,364	-	1,364
Interest	9,179	-	9,179
Changes of benefit terms	-	-	-
Differences between expected and actual experience	970	-	970
Employer contributions	-	7,593	(7,593)
Net investment income	-	6,995	(6,995)
Benefit payments	(8,144)	(8,144)	-
Changes of assumptions	-	-	-
Net changes	3,369	6,444	(3,075)
Balances at Dec. 31, 2020	\$ 128,460	\$ 112,856	\$ 15,604

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

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

The net pension liability at Dec. 31, 2020 and 2019, 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	Net pension liability	
	2020	2019
	<i>(in thousands)</i>	
1% decrease	6.5%	\$ 27,442
Current discount rate	7.5%	\$ 30,177
1% increase	8.5%	15,604
		8,759

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, 2020 and 2019, Platte River recognized pension expense as follows.

	2020	2019
	<i>(in thousands)</i>	
Base contribution	\$ 4,501	\$ 3,634
Additional pension expense amortization (note 9)	759	765
Pension contribution expense recognition amortization (note 9)	851	583
Total pension expense	\$ 6,111	\$ 4,982

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

At Dec. 31, 2020 and 2019, 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, 2020	<i>(in thousands)</i>	
Differences between expected and actual experience	\$ 1,176	\$ -
Net difference between projected and actual earnings on investments	847	-
Total	\$ 2,023	\$ -

	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

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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, 2020, will be recognized as a component of pension expense as follows.

<u>Year ending Dec. 31</u>	
<i>(in thousands)</i>	
2021	1,280
2022	1,519
2023	(969)
2024	193
2025	-
Total	<u>\$ 2,023</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, 2020, there were 172 active plan participants. The plan's assets are held in an external trust account and the investments are participant directed.

Based on years of service, Platte River contributed between 5% and 10% of earnings for plan participants. 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, 2020 and 2019, contributions to the 401(a) plan by Platte River, which were recognized as expenses, were \$1,443,000 and \$1,132,000, 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. 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 \$2,000,000 per incident. 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.

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Changes in the balance of the medical claims liability during 2020 and 2019 were as follows.

	2020	2019
	<i>(in thousands)</i>	
Medical claims liability, beginning of year	\$ 642	\$ 582
Current year claims and changes in estimates	3,815	3,961
Claim payments	(3,905)	(3,901)
Medical claims liability, end of year	\$ 552	\$ 642

14. Related-party transactions

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

15. Commitments

Platte River has two long-term purchase power contracts with WAPA. 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 2020 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 2020, Platte River purchased \$16,648,000 under these contracts.

Platte River and two 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 2025. This contract is subject to price adjustments. During 2020, coal purchases totaled \$15,160,000 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 2020, Platte River paid \$24,949,000 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 \$2,150,000. During 2020, 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 Wind Energy Center Phase II and III through 2039, approximately 6 megawatts from Medicine Bow Wind Project through 2033 and 225 megawatts from Roundhouse Wind Energy Center through 2042. During 2020, Platte River paid \$16,593,000 under these renewable wind

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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 2020, Platte River received \$722,000 under this agreement. In addition, to accommodate additional wind energy available from the Roundhouse Wind Energy Center power purchase agreement and reduce ancillary services expense, the energy and renewable attribute from the Spring Canyon Wind Energy Center Phase II and III site was sold under a 10-year long-term sales contract beginning in 2020. At the end of the sales contract, the energy will return to Platte River. Platte River received \$2,254,000 under this agreement.

Platte River has entered into an agreement to purchase all the output from the 30 megawatts solar photovoltaic power plant, located at the Rawhide Energy Station through 2041. During 2020, Platte River paid \$3,365,000 under this agreement.

Platte River has entered into an agreement to purchase all the output from the 22 megawatts solar photovoltaic power plant located at the Rawhide Energy Station. A 2 megawatt-hour battery energy storage project will also be fully integrated with the solar project. The facility generated test energy during 2020 but did not reach commercial operation which is expected in 2021. The contract will be effective for 20 years from the commercial date of operation. During 2020, Platte River paid \$176,000 under this agreement.

Platte River has entered into a long-term agreement with a third party to sell 25 megawatts of generation from Craig units 1 and 2 through June 30, 2024. During 2020, Platte River received \$4,898,000 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 through Dec. 31, 2022. During 2020, Platte River received \$5,624,000 under this agreement.

Platte River has entered into a long-term agreement with a third party to sell 65 megawatts of capacity from the combustion turbine units effective Aug. 1, 2020 through Apr. 30, 2025. The agreement also calls for energy, maintenance and start charges when the capacity option is called. During 2020, Platte River received \$2,309,000 under this agreement.

16. Risks, uncertainties and contingencies

The owners of the Craig Generating Station, acting through Tri-State as operating agent, have announced that Craig Unit 1 is scheduled to be retired by Dec. 31, 2025 and Craig Unit 2 is scheduled to be retired by Sept. 30, 2028. As of Dec. 31, 2020, the decommissioning and closure costs have not been determined.

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

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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 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 and therefore materially affect the rates Platte River charges its customers. 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 regulations for these statutes and, during 2020, released a draft roadmap outlining potential policies to meet outlined targets.

Investments of the defined benefit pension plan are subject to various risks, such as interest rate, credit, foreign currency, reinsurance funds 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.

Economic uncertainties continue to exist as a result of the COVID-19 pandemic which may negatively impact 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 significant volatility. As a result of market conditions, the lump sum distribution option from the defined benefit pension plan was suspended during 2020 then reinstated effective Feb. 3, 2021. Further, the duration of these uncertainties and the ultimate financial impact of the pandemic cannot be reasonably estimated at this time.

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

	2020	2019	2017	2016	2015	2014	2013
	<i>(in thousands)</i>						
Total pension liability							
Service cost	\$ 1,364	\$ 1,575	\$ 1,535	\$ 1,616	\$ 1,728	\$ 1,839	\$ 1,885
Interest	9,179	9,022	8,740	8,421	8,176	7,665	7,343
Changes of benefit terms	-	-	-	-	-	2,397	-
Differences between expected and actual experience	970	704	2,088	1,175	(620)	931	(180)
Changes of assumptions	-	-	-	-	-	3,661	(574)
Benefit payments	(8,144)	(9,859)	(7,416)	(6,361)	(5,418)	(4,632)	(4,287)
Net change in total pension liability	3,369	1,442	4,947	4,851	3,866	11,861	4,187
Total pension liability—beginning	125,091	123,649	118,702	113,851	109,985	98,124	93,937
Total pension liability—ending (a)	\$ 128,460	\$ 125,091	\$ 123,649	\$ 118,702	\$ 113,851	\$ 109,985	\$ 98,124
Plan fiduciary net position							
Contributions – employer	\$ 7,593	\$ 3,649	\$ 4,578	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905
Net investment income	6,995	13,044	(3,179)	11,289	7,476	(624)	4,658
Benefit payments	(8,144)	(9,859)	(7,416)	(6,361)	(5,418)	(4,632)	(4,287)
Net change in Plan fiduciary net position	6,444	6,834	(6,017)	11,148	4,970	(1,954)	4,276
Plan fiduciary net position—beginning	106,412	99,578	105,595	94,447	89,477	91,431	87,155
Plan fiduciary net position—ending (b)	\$ 112,856	\$ 106,412	\$ 99,578	\$ 105,595	\$ 94,447	\$ 89,477	\$ 91,431
Net pension liability—ending (a) – (b)	\$ 15,604	\$ 18,679	\$ 24,071	\$ 13,107	\$ 19,404	\$ 20,508	\$ 6,693
Plan fiduciary net position as a percentage of the total pension liability	87.85%	85.07%	80.53%	88.96%	82.96%	81.35%	93.18%
Estimated covered payroll	\$ 13,490	\$ 14,909	\$ 15,290	\$ 16,215	\$ 16,874	\$ 17,305	\$ 17,951
Net pension liability as a percentage of estimated covered payroll	115.67%	125.29%	157.43%	80.83%	114.99%	118.51%	37.28%

Note to schedule

Historical information is not available for the years 2010 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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	<i>(in thousands)</i>									
Actuarially determined contribution	\$ 7,593	\$ 3,649	\$ 4,578	\$ 6,220	\$ 2,912	\$ 3,302	\$ 3,905	\$ 4,544	\$ 3,561	\$ 4,390
Contribution in relation to the actuarially determined contribution	7,593	3,649	4,578	6,220	2,912	3,302	3,905	4,544	3,561	4,390
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Estimated covered payroll	\$ 13,490	\$ 14,909	\$ 15,290	\$ 16,215	\$ 16,874	\$ 17,305	\$ 17,951	\$ 18,614	\$ 18,766	\$ 18,728
Contributions as a percentage of covered payroll	56.29%	24.48%	29.94%	38.36%	17.26%	19.08%	21.75%	24.41%	18.98%	23.44%

Notes to schedule

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability, entry age normal
Amortization method	5-year, level dollar, open period
Asset valuation method	4-year smoothed market
Salary increases	3.0%, 10 year average
Increases in retiree benefits – in payment pensioners	If benefits commenced prior to 1/1/92, 2.25% for 2015-2020 and 3% for 2011-2014. If benefits commenced after 12/31/1991, 1.5% for 2015–2020 and 2% for 2011-2014.
Investment rate of return	7.5% for 2016 - 2020; 8% for 2011 – 2015

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return, net of investment expense	6.6%	13.5%	(3.1%)	12%	8.5%	(0.7%)	5.4%	16.1%	13.7%	(1.5%)

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

	Year ended Dec. 31, 2020		
	Budget	Actual	Variance
	<i>(in thousands)</i>		
Revenues			
Operating revenues			
Sales to owner communities	\$ 198,688	\$ 196,002	\$ (2,686)
Sales for resale and other	37,979	44,747	6,768
Total operating revenues	236,667	240,749	4,082
Other revenues			
Interest income ⁽¹⁾	3,825	2,501	(1,324)
Other income	38	821	783
Distribution to owner communities	-	(1,000)	(1,000)
Total other revenues	3,863	2,322	(1,541)
Total revenues	\$ 240,530	\$ 243,071	\$ 2,541
Expenditures			
Operating expenses ⁽²⁾			
Purchased power	\$ 44,599	\$ 48,029	\$ (3,430)
Fuel	45,953	41,571	4,382
Production	47,888	46,502	1,386
Transmission	17,284	16,448	836
Administrative and general	22,446	20,335	2,111
Distributed energy resources	12,163	9,463	2,700
Total operating expenses	190,333	182,348	7,985
Capital additions			
Production	34,089	8,466	25,623
Transmission	25,340	22,289	3,051
General	13,345	6,734	6,611
Asset retirement obligations	1,282	2,344	(1,062)
Total capital additions	74,056	39,833	34,223
Debt service expenditures ⁽³⁾			
Principal	11,713	10,605	1,108
Interest expense	11,397	7,620	3,777
Total debt service expenditures	23,110	18,225	4,885
Total expenditures	\$ 287,499	\$ 240,406	\$ 47,093
Revenues less expenditures	\$ (46,969)	\$ 2,665	\$ 49,634

⁽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.