Annual Report 2016

Powering Our Sustainable *FUTURE*

Platte River Power Authority

Estes Park • Fort Collins • Longmont • Loveland

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From the **Chairman of the Board** and **General Manager**

The future of Platte River looks bright as we continue to build on a strong foundation of operational, financial, and environmental excellence. Sustaining our success will require enhanced collaboration with the municipalities we serve so that Platte River continues to be the foundation upon which these communities can build their energy and innovation future.

Since its inception, Platte River has provided a reliable and low-cost supply of electricity to its owners. In the past, a simple strategy accomplished this result. Projecting municipal load growth, Platte River constructed generation facilities with capacity to meet future loads and leveraged the output of these facilities in the wholesale market until the municipal loads developed. The future will require a wider range of strategies. Opportunities and challenges include diverse community values, reduced surplus sales prices, substantial shifts in natural gas availability and pricing, lower costs for renewable resources, technological advancements, regulatory uncertainty, and changes in western regional markets.

Our 2016 successes reflect the expertise and commitment of our dedicated employees. Platte River leadership actively encourages employee development and training. Employee engagement is crucial in transforming our plans into reality. We thank them for what they do every day.

Platte River has taken positive steps to address challenges and leverage opportunities. During the past decade we have diversified our resource portfolio to include natural gas-fired combustion turbines, wind deliveries from multiple sites, and a new 30 MW solar facility. Coal generation and federal hydropower purchases round out the supply side of the current resource mix and provide essential baseload capacity. As new resources are added, we are also implementing a strategy to reduce supply from coal generation at the Craig Station. For 2016, carbon-free resources provided over 30 percent of the average electrical energy supply to the member municipalities. Our new renewable energy supply (wind and solar) has more than tripled since 2013.

Other highlights in the area of resource management include approval of Platte River's first-ever comprehensive water policy, submission of our 2016 Integrated Resource Plan, approval of the Joint Dispatch Agreement by FERC, and expansion of the Laporte Substation, which will enhance resiliency of our transmission system.

Platte River's financial position remained solid in 2016. All strategic financial plan targets were exceeded and net income came in at $18 million. Our AA rating was confirmed and we issued $147 million in Series JJ Bonds to fund production and transmission capital projects and to refund a portion of outstanding debt. The refunding provided net present value savings of $13.7 million. We continue engaging our teams in continuous improvement for work planning and budgeting by better aligning scope, schedules, and available resources.

Platte River is among a group of seven regional utilities exploring potential participation with an existing regional transmission organization (RTO). Participation in a regional market may provide operational efficiencies through economies of

scale and increased opportunities to bring more resources into our system, particularly wind and solar.

As we look to the future, "sustainability" is the brass ring that the electric industry is striving to grasp, but that term is often left to the eye of the beholder. Speaking as the leadership of Platte River, we consider the vital attributes of sustainability for our organization to be:

Resilience – our infrastructure, our human capital and the bonds we share with our owner municipalities must be capable of absorbing unexpected events;

Viability – our business model and financial position must continue to provide value to our owners;

Reliability – more than ever, electricity is an indispensable component of our everyday lives, and we must strive to make it available continuously.

These attributes demonstrate the soundness of the strategy to diversify our resource portfolio. A diverse mix of resources —both on the supply and demand side—answers a need associated with each of the attributes.

Activities planned for 2017 support the sustainability of the organization. A key aspect of maintaining a viable business model for our organization is responsiveness to evolving needs of each individual community—with an eye towards managing system cost and risk. Work continues to evaluate customized resource options for the owner municipalities, with focus on modeling system level resource additions (particularly increased renewable and integration sources). Board direction and collaboration with the municipalities' staff continue to guide this important effort.

Platte River Power Authority remains a customer-focused, sustainable and innovative energy provider for our owner communities of Estes Park, Fort Collins, Longmont, and Loveland. We are committed to powering our sustainable future.

Our team is pleased to present Platte River's 2016 Annual Report.

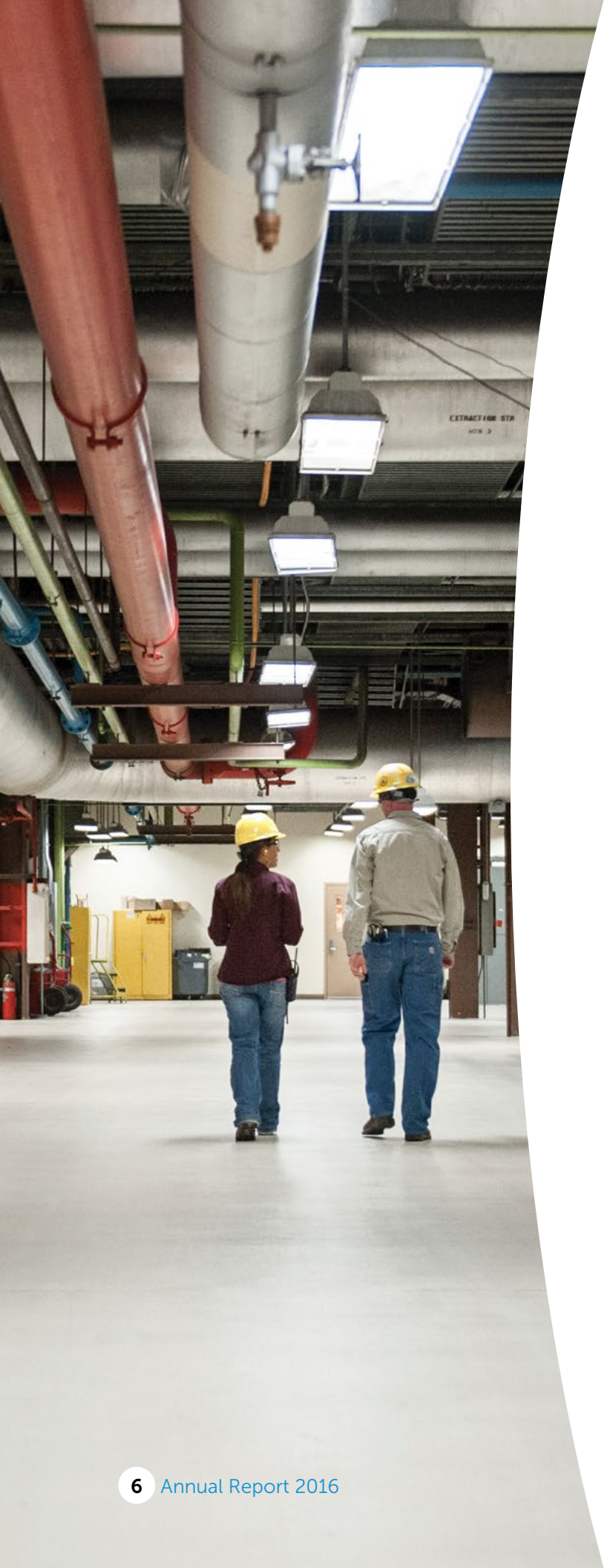
Sincerely,

Jason Frisbie

Tom Roiniotis

Jason Frisbie Named New General Manager /CEO

Platte River Power Authority's Board of Directors hired Jason Frisbie on August 6, 2016 as Platte River's sixth General Manager. Mr. Frisbie has been with Platte River since 1982, serving in multiple roles related to power production, and was selected as Plant Manager for Rawhide Energy Station in 1999. In 2003 he became Division Manager of Power Production, with responsibility for all production and fuel management. Jason was named COO in 2010, overseeing all operations functions at Platte River.



About **Platte River**

Platte River delivers safe, reliable, environmentally responsible, and competitively priced energy and services to its owner municipalities of Estes Park, Fort Collins, Longmont, and Loveland, Colorado for their utility customers.

Employees (Dec. 31, 2016):
245

Headquarters:
Fort Collins, Colorado

Began Operations:
1973

Historical Peak Municipal Demand:
659 MW on June 21, 2016

Governance:
Platte River is governed by an eight-person board of directors designed to bring relevant expertise to the decision-making process. The board includes two members from each of the owner municipalities.

The mayor may serve or designate some other member of the governing board of their owner municipality to serve in their place on Platte River's Board of Directors. Each of the other four directors is appointed to a four-year staggered term by the governing body of the owner municipality being represented by that director.

Transmission System:
Platte River has equipment in 26 substations, 258 miles of wholly owned and operated high-voltage lines, and 511 miles of high-voltage lines jointly owned with other utilities.

The Organization:
Platte River is a political subdivision of the State of Colorado.

Our Mission

Provide safe, reliable, environmentally responsible, and competitively priced energy and services.

Our Vision

As a respected leader and responsible energy partner, improve the quality of life for the citizens served by our owner communities.

Values

Operational Excellence

How do we provide reliable service while managing costs and creating a rewarding work environment?

By engaging employees to strive for excellence and continuous improvement.

Sustainability

How do we ensure long-term viability of the organization and the communities we serve?

By maintaining financial integrity, minimizing our environmental impact, and supporting responsible economic development in our owner communities.

Innovation

How do we mitigate risk and create opportunities?

By becoming an early adopter of technologies proven to improve electric efficiency, protect the environment, and create a diversified energy supply portfolio.

Safety

What is non-negotiable?

Working safely to protect the public, our employees, and the assets we manage.

Customer Service

What creates added value and improves customer satisfaction?

Providing quality service at a competitive price while being responsive to our owners' needs.

Respect

What leads us to optimal solutions for even the most difficult challenges?

Encouraging constructive dialogue that promotes a culture of inclusiveness, recognizes our differences, and accepts varying viewpoints.

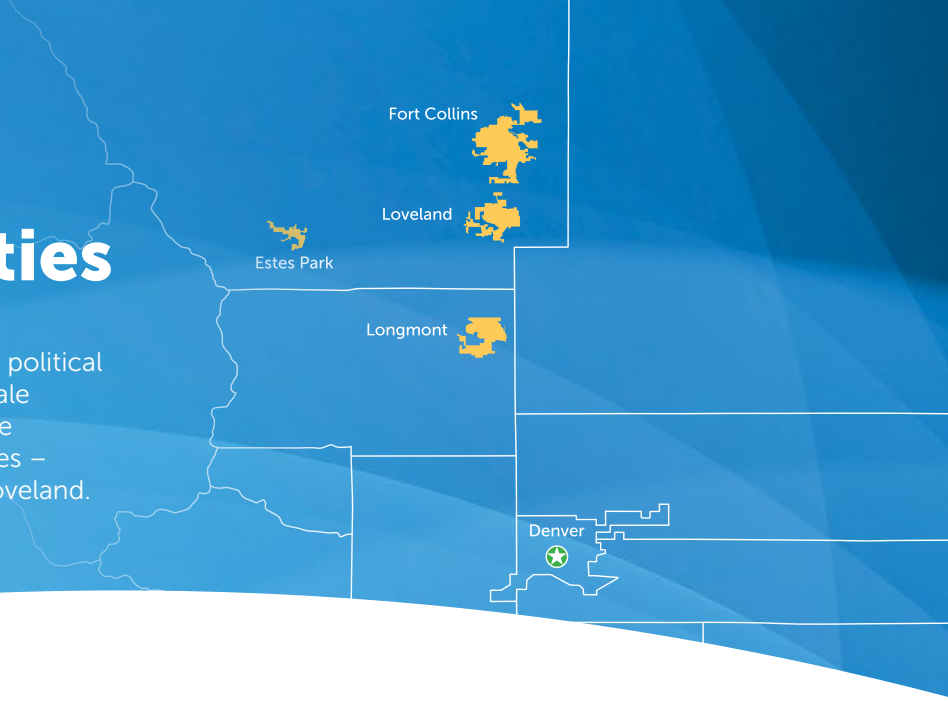
Integrity

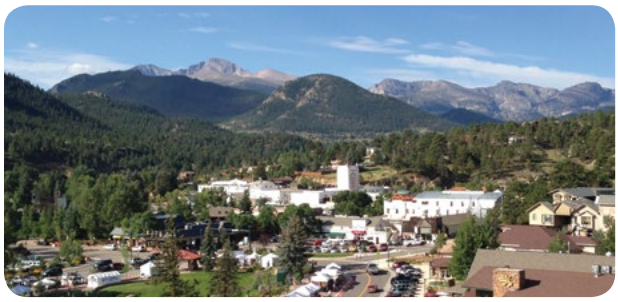
What is at the core of what we do?

Being ethical and holding ourselves accountable to conduct business in a fair, honest, open, compliant, and environmentally responsible manner.

Our **Communities**

Platte River Power Authority is a Colorado political subdivision established to provide wholesale electric generation and transmission to the municipal utilities of its owner communities – Estes Park, Fort Collins, Longmont, and Loveland.





Town of Estes Park

Estimated population*: 6,257

Utility: Estes Park Light & Power, established in 1945

City of Fort Collins

Estimated population*: 161,000

Utility: Fort Collins Utilities, established in 1938

City of Longmont

Estimated population*: 93,933

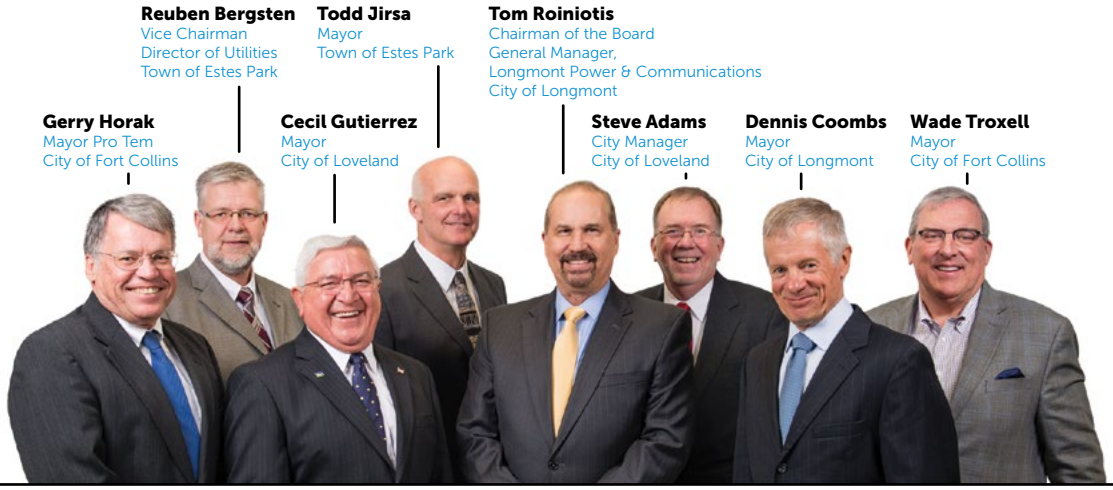
Utility: Longmont Power & Communications, established in 1912

City of Loveland

Estimated Population*: 74,427

Utility: Loveland Water and Power, established in 1925

** Population data from U.S. Census and municipal staff*



Board of **Directors**

Platte River is governed by an eight-person board of directors designed to bring relevant expertise to the decision-making process. The board includes two members from each of the owner municipalities.

The mayor may serve or designate some other member of the governing board of their owner municipality to serve in their place on Platte River's Board of Directors. Each of the other four directors is appointed to a four-year staggered term by the governing body of the owner municipality being represented by that director.

Senior **Management Team**

Platte River operates under the direction of a general manager/CEO who serves at the pleasure of the board of directors. The general manager/CEO is the principal executive officer with full responsibility for planning, operations, and administrative affairs of Platte River. The senior management team also includes a deputy general manager/chief financial officer, a chief operating officer, a chief administrative services officer, a general counsel, a chief communications and marketing officer, and an executive administrative assistant to the general manager/CEO. Platte River's senior management has substantial experience, with an average of 30 years of service in the utility industry.

Financial **Results**

Platte River's financial position remains stable. Favorable results were reported in 2016. Net income of $18.0 million exceeded the budget and the strategic financial plan target. Revenues were lower primarily due to unfavorable surplus sales market conditions. However, lower revenues were offset by below-budget operating expenses and favorable financing expenses as a result of the 2016 debt financing. Debt service coverage – the ratio of total net revenues to debt payments and a source of confidence for holders of Platte River bonds – was 1.78 times, well above the 1.10 times required by bond covenants.

Financial Highlights

	Year Ended December 31,		
	2016	2015	2014
Revenues / Expenses ($000)			
Operating Revenues	$ 205,293	$ 199,433	$ 199,867
Operating Expenses	181,698	184,741	174,985
Nonoperating Revenues (Expenses), Net	(5,630)	(7,905)	(8,276)
Income Before Contributions	$ 17,965	$ 6,787	$ 16,606
Power Operations			
Demand-Municipalities (MW)	659	639	626
Energy-Municipalities (GWh)	3,216	3,201	3,154
Energy-Others	722	713	770
Selected Other Data			
Gross Utility Plant ($000)	$ 1,361,279	$ 1,334,404	$ 1,304,828
Long-Term Debt, Net ($000)	$ 250,838	$ 200,174	$ 223,552
Debt to Capitalization Ratio	33 / 67	29 / 71	31 / 69
Total Revenue Bond Coverage	1.78x	1.51x	1.71x

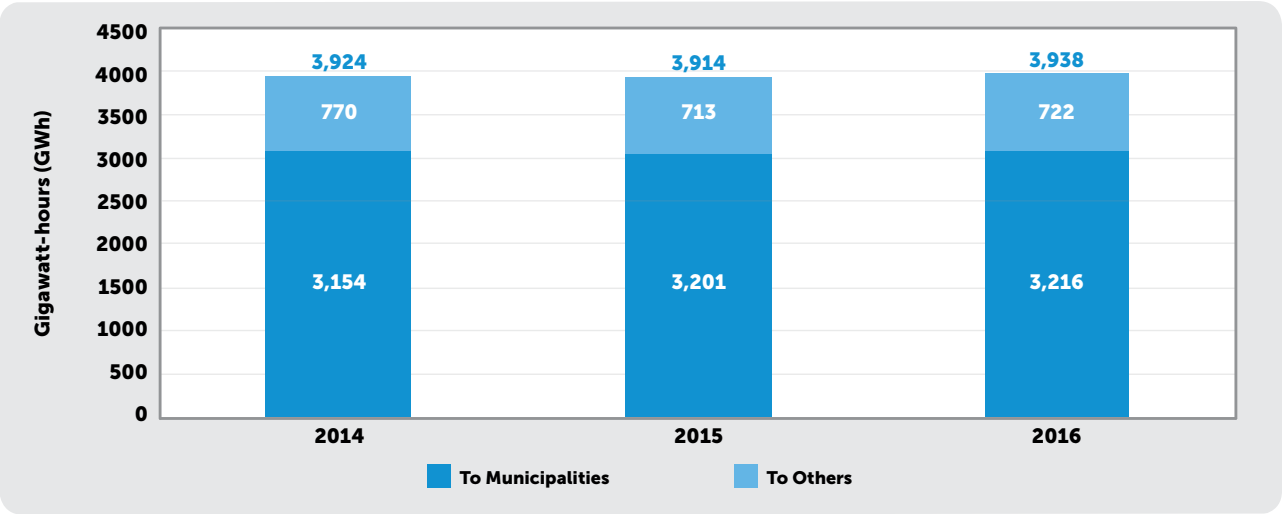
Energy Market Statistics

	Year Ended December 31, 2016	2015	2014
Combined Retail Sales for Four Municipalities[1]			
Number of Customers (average monthly)			
Residential	138,134	136,088	134,242
Commercial & Industrial	17,682	18,097	17,617
Other	290	292	290
Total	156,106	154,477	152,149
Energy Sales (MWh)			
Residential	1,115,015	1,093,146	1,089,763
Commercial & Industrial	1,995,654	1,988,855	1,962,804
Other	12,158	12,572	12,302
Total	3,122,827	3,094,573	3,064,887
Revenue ($000)			
Residential	$ 110,313	$ 106,191	$ 103,299
Commercial & Industrial	150,157	144,720	139,100
Other	502	519	505
Total	$ 260,972	$ 251,430	$ 242,904
Residential Averages (annual)			
kWh per Customer	8,072	8,033	8,118
Revenue per kWh (cents)	9.89	9.71	9.48
Revenue per Customer	$ 798.59	$ 780.31	$ 769.50
Wholesale Power Requirements			
Peak Demand (kW)			
Estes Park	25,482	25,799	28,092
Fort Collins	306,659	292,093	281,610
Longmont	179,325	170,209	169,109
Loveland	163,228	160,904	157,857
Sum of Municipalities' Peaks	674,694	649,005	636,668
Demand - PRPA Coincident	658,587	639,092	625,517
Energy (MWh)			
Estes Park	131,275	129,634	129,380
Fort Collins	1,541,509	1,516,550	1,474,916
Longmont	812,037	801,097	795,248
Loveland	731,650	753,920	754,733
Sum of Municipalities' Energy	3,216,471	3,201,201	3,154,277
Sales to Others and Miscellaneous[2]	878,615	864,955	879,949
Energy-Total System	4,095,086	4,066,156	4,034,226

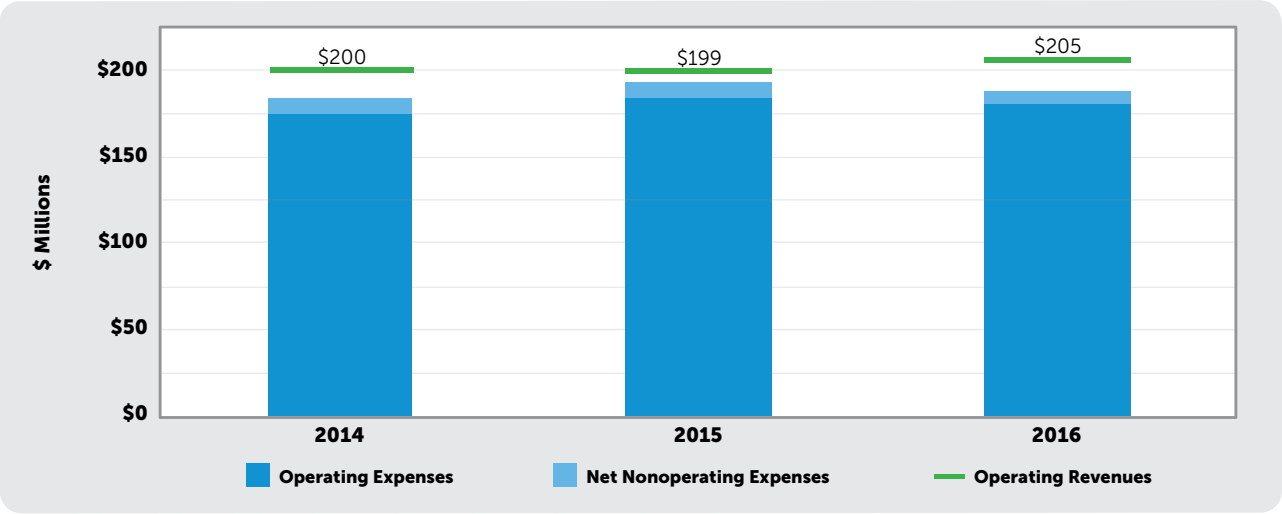
1 Compiled from preliminary sales and other reports of the municipalities supplied with electric energy by Platte River.
2 Includes energy imbalance and exchange agreement settlements.

Financial **Results** (continued)

Energy Deliveries



Revenues, Expenses, and Income (In millions)



News

Resources and **Planning**

Platte River Power Authority employs an adaptive strategy to cost-effectively maintain reliability, manage risks, and ensure regulatory compliance. During 2016, Platte River delivered its latest Integrated Resource Plan, initiated collaborative efforts to help satisfy individual resource needs of the owner municipalities, and began exploring potential participation in an existing Regional Transmission Organization. Platte River continues to evaluate future plans with an eye toward resource diversification.

One of the most significant events of 2016 involved the decision to decommission Craig Unit 1 by the end of 2025. This decision was jointly made by the five owners of the Yampa Project based on market conditions and regulatory uncertainty. During 2016, Platte River also participated in discussions with several other regional utilities to consider forming an organized wholesale power market, which could materialize in the next few years. Belonging to an organized market will also bring future operational and planning challenges for Platte River's system, and these changes are being contemplated in current modeling efforts.

Shown below is the Action Plan from the 2016 IRP, which helps shape near-term resource decisions for Platte River.

Continue to diversify the portfolio to manage risk and limit CO2 emissions

- Exit ownership of Platte River's share of Craig Unit 1
- Integrate 30 MW of new solar generation into the portfolio
- Evaluate the acquisition of additional renewables generation

Prepare for business structures, products, and programs preferred by our owner municipalities

- Work with owner municipalities to develop customized future supply portfolios
- Continue expansion of cost-effective energy efficiency programs
- Continue development and implementation of a demand response pilot
- Participate with owner municipalities in the evaluation of distributed technologies such as community solar and combined heat-and-power applications

Continue to implement ways to maintain the high reliability of Platte River's power system

- Look to secure affordable ways of balancing expected long-term growth in renewables generation using services from the regional balancing authority or future organized markets
- Manage unit outage risk through mutual support agreements, use of peaking resources, or other market opportunities for capacity
- Actively monitor regional markets to understand options for cost-effective reliability products
- Provide direction to influence the development of regional energy and ancillary services markets

Water **Policy**

In December 2016, Platte River's board of directors approved and adopted the first comprehensive Platte River Water Policy, which will provide direction to Platte River going forward in the management of water resources and assets. The board of directors and city staff members from Fort Collins, Loveland, Longmont, and the town of Estes Park all contributed to the document's content and completion. Water is critical to the reliable operation of Rawhide Energy Station and may be necessary for the reliable operation of future generation resources. This policy will position Platte River to pursue activities that will:

- Increase reliability of water deliveries to meet contractual commitments and operational needs
- Actively manage water as an asset
- Maintain adequate water supplies for all existing and projected future operations

Rawhide
Flats Solar

In October 2016, Platte River further diversified its energy portfolio with the commissioning of a 30 MW solar generation facility at Rawhide Energy Station. The new solar facility, Rawhide Flats Solar, joins Platte River's existing coal and natural gas facilities at the site, and will generate an expected 65,000 MWh annually—enough to supply the equivalent energy use of 8,000 average homes. Rawhide Flats Solar covers approximately 185 acres with over 117,000 solar photovoltaic panels mounted on a single-axis tracking system. The full energy output of the project is purchased from a third party under contract that runs through 2040.

Power For
8,000 Homes

185 Acres

117,000
Photovoltaic Panels

30 Megawatts

Platte River Completes **Sale of Series JJ Bonds**

Platte River issued its Series JJ Bonds in April 2016 using $119 million of the proceeds to advance refund a portion of the outstanding Series HH Bonds. The true interest cost of the Series JJ Bonds is 2.20 percent, and the net present value savings for the refunded bonds is $13.7 million. The remaining $60 million of the proceeds from the Series JJ Bonds will be used to reimburse and fund transmission and production capital projects. These bond proceeds will enable Platte River to initiate and complete projects that are essential in ensuring the high level of service reliability owner municipalities expect.

Platte River's strong credit rating was a key to obtaining a low interest rate for the Series JJ Bonds. Prior to the sale, Standard and Poor's Global Ratings and Fitch Ratings rated the bonds AA with a stable outlook. The agencies also affirmed Platte River's AA ratings on all outstanding Power Revenue Bonds. Rationale behind the ratings included strong historical and projected debt service coverage, prudent risk management procedures, the creditworthiness of Platte River's four owner municipalities, strength of the local economy, and a continued commitment of the board of directors to raise rates when necessary to sustain strong financial performance. The closing date of the transaction was April 26, 2016.

Employee **Engagement**

Our most important resource is our employees. They work hard to provide reliable power to our owner municipalities 24 hours a day, 365 days a year. By continuing to invest in our employees we leverage diversity, grow internal talent, develop innovative skills, and maintain high standards. In 2016, Platte River:

- Conducted company-wide training events
- Provided leadership development opportunities
- Conducted a variety of safety trainings
- Offered multiple employee health and wellness events
- Encouraged and supported employee participation in several community events and volunteer opportunities

Platte River strives to create a work environment that encourages employees to be engaged, to achieve outstanding performance, and identify opportunities for continuous improvement. We are committed to open, honest, and effective communication as a way to keep employees well-informed and positioned to meet the needs of the organization and the communities we serve.

Community Involvement

Platte River believes it has a responsibility to participate in efforts that enhance the well-being of citizens in its communities. We are proud of our employees who volunteer and represent the organization. In 2016, employees raised over $36,000 for United Way of Larimer County. Employees also donated to and participated in a variety of community organizations including Boys & Girls Club of Larimer County, Project Self-Sufficiency, Arbor Day, Alexa's Hugs, Loveland Passport to Water, Bike-To-Work Day, and science fair judging at local schools.

Image: Employee donated gifts to Boys & Girls Club families

Laporte Substation **Expansion**

In 2016, Platte River completed a 230kV expansion and autotransformer addition project at Laporte Substation, located northwest of Fort Collins. Completion of this substation expansion increased Platte River's power transmission capacity from Rawhide Energy Station by 41 percent. This increased power transmission capacity helps Platte River to provide a more reliable and robust power supply to our owner municipalities. Installation of a second 230/115kV autotransformer helps Platte River to minimize system exposure and risks during maintenance operations or contingency situations. Several equipment and protection upgrades were also completed during this project to increase system reliability and more effectively protect our assets. The oil containment plan for the existing autotransformer was improved and existing oil circuit breakers were replaced.

Projects like this one help Platte River achieve operational excellence by designing, constructing, operating, and maintaining safe, reliable, and environmentally-responsible transmission assets.

New 230 115kV Autotransformer

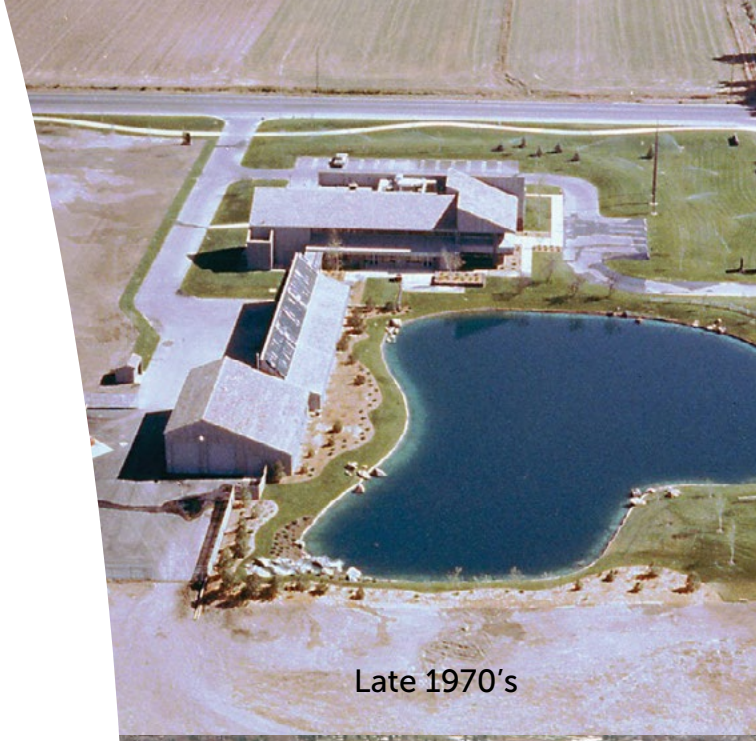
- Over 9,600 hours invested by Platte River
- Total of 10 departments involved
- Project took over 22 months to complete
- Over 18 miles of control cable installed
- Over 200 foundations installed

Headquarters **Campus Project**

Platte River's headquarters, located in Fort Collins, Colorado, was built in 1978. Since then, Platte River has experienced significant growth in staffing and the services provided to our owner municipalities, which exceeds the capacity and functionality of the existing facilities. As a result, the Headquarters Campus Project was initiated. After performing a detailed analysis of the existing site, facilities, and discussing possible alternatives with a specific focus on safety, efficiency, code compliance, useful life span, and functional requirements, direction was given to proceed towards a complete campus redevelopment. In October 2016, visioning and programming of the new Platte River Campus began. The new campus facilities will provide a modern up-to-date workplace with up-to-date technology and energy efficiency, allow for future growth, increase public interaction and education, as well as honor Platte River's history.

In 2016, the Platte River Headquarters Campus Project:

- Selected Belford Watkins Group and Anderson Mason Dale as our design team partner
- Completed the programming process and began schematic design



Late 1970's

Current

Artistic Rendering

Report of **Management**

Platte River's management is responsible for the preparation, integrity, and objectivity of the financial statements and related information included in this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, where required, reflect amounts based on the best estimates and judgments of management.

Platte River maintains a strong internal control structure designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in conformity with generally accepted accounting principles, and that assets are safeguarded.

Platte River's internal auditor evaluates internal controls for adherence to policies and procedures on an ongoing basis, and reports findings and recommendations for possible improvements to management. In addition, the independent auditors consider elements of the internal control system in determining the nature and scope of their audit procedures in performing the annual audit of Platte River's financial statements.

The board of directors, whose members are not employees of Platte River, periodically meet with the independent auditors and management to discuss the audit scope, audit results, and any recommendations to improve the internal control structure. The board of directors directly engages the independent auditors.

Jason Frisbie
General Manager / CEO

David Smalley
Deputy General Manager / CFO

Independent
Auditor's Report

Platte River Power Authority

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

Platte River Power Authority

Financial Statements

Years Ended December 31, 2016 and 2015

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BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Independent Auditor's Report

Board of Directors
Platte River Power Authority
Fort Collins, Colorado

We have audited the accompanying financial statements of Platte River Power Authority (Platte River), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Platte River's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Board of Directors
Platte River Power Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Platte River as of December 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 an opinion on the basic financial statements as a whole. The Other Information (Budgetary Comparison Schedule) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Denver, Colorado
March 9, 2017

Platte River Power Authority

Management's Discussion and Analysis

(Unaudited)

December 31, 2016 and 2015

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority (Platte River) for the fiscal years ended December 31, 2016 and December 31, 2015. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

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

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

- Coal-fired generation includes Rawhide Unit 1 (280 MW), located 25 miles north of Fort Collins, and 18 percent ownership in Craig Units 1 and 2 (154 MW combined), located in northwest Colorado.

- Gas-fired combustion turbines located at Rawhide Energy Station include five simple cycle combustion turbines, which includes four GE 7EAs (65 MW each) and a GE 7FA (128 MW). The combustion turbines are utilized to meet peak load demand, to provide reserves during outages of the coal-fired units, and to make short-term surplus sales.

- Hydropower is received under two long-term contracts with WAPA. Colorado River Storage Project contract rate of delivery amounts are 106 MW in the summer and 136 MW in the winter. Actual capacity available varies by month. During the summer season, available capacity ranges from 51 MW to 60 MW. In the winter season, available capacity ranges from 72 MW to 85 MW. Loveland Area Projects capacity is 30 MW in the summer and 32 MW in the winter.

- Wind generation includes 78 MW provided under long-term power purchase agreements. The agreements are for deliveries from Spring Canyon Wind Energy Center (60 MW) in Colorado, Silver Sage Windpower Project (12 MW) and Medicine Bow Wind Project (6 MW), both in Wyoming.

- Solar generation includes 30 MW provided under a long-term power purchase agreement from the Rawhide Flats Solar facility located at Rawhide Energy Station. In addition, Platte River purchases solar capacity of approximately 4 MW and 0.5 MW from Fort Collins and Loveland, respectively.

- Spot market purchases provide energy to satisfy loads, replacement power during outages, and reserve requirements.

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

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

Financial Summary

Platte River reported income before contributions of $18.0 million in 2016; approximately $11.2 million higher than 2015. The year ended with an increase in operating revenues of $5.9 million, a decrease in operating expenses of $3.0 million, and a decrease in nonoperating expenses, net, of $2.3 million.

Condensed Financial Statements

The following condensed statements of net position and condensed statements of revenues, expenses and changes in net position summarize Platte River's financial position and changes in financial position for 2016, 2015, and 2014.

Condensed Financial Statements (continued)

Condensed Statements of Net Position

	December 31,		
	2016	**2015**	**2014**
		(In thousands)	
Assets			
Electric utility plant	**$ 579,134**	$ 574,453	$ 571,240
Special funds and investments	**122,411**	79,967	95,085
Other current and noncurrent assets	**98,587**	83,949	91,763
Total assets	**800,132**	738,369	758,088
Deferred outflows of resources	**24,150**	6,174	1,908
Liabilities			
Noncurrent liabilities	**263,808**	203,163	217,236
Current liabilities	**38,836**	41,098	39,072
Total liabilities	**302,644**	244,261	256,308
Deferred inflows of resources	**5,201**	1,619	8,780
Net position			
Net investment in capital assets	**369,729**	366,412	339,567
Restricted	**25,616**	21,421	24,559
Unrestricted	**121,092**	110,830	130,782
Total net position	**$ 516,437**	$ 498,663	$ 494,908

Net Position

Total net position at December 31, 2016 was $516.4 million, an increase of $17.7 million over 2015. Total net position at December 31, 2015 was $498.7 million, an increase of $3.8 million over 2014. As a result of implementing GASB 68 in 2015, Platte River recognized the effect of a change in accounting principle in the amount of a $2.9 million decrease to net position as of January 1, 2015.

Net Position (continued)

Electric utility plant increased $4.7 million during 2016, primarily the result of a $13.1 million increase in construction work in progress, an $11.3 million increase in plant and equipment in service, and a $2.5 million increase in land and land rights. Partially offsetting the overall increase was an increase in accumulated depreciation of $22.2 million. In 2015, electric utility plant increased $3.2 million, primarily the result of a $24.3 million increase in construction work in progress and a $5.3 million increase in plant and equipment in service. Accumulated depreciation also increased $26.4 million, which partially offset the overall increase.

Special funds and investments during 2016 increased $42.4 million from 2015. The increase in funds is primarily due to the Series JJ Bond financing that occurred in 2016 to fund capital expenditures.

In 2015 the funds decreased $15.1 million from 2014. The decrease is due to expenses associated with the Rawhide Unit 1 and the Craig Unit 2 scheduled maintenance outages and continued capital investments.

Current and other assets increased $14.6 million during 2016 due to increases in other long-term assets, regulatory assets, cash and cash equivalents, materials and supplies, and fuel inventory. The largest increase in other long-term assets is a result of recording estimated closure costs of impoundments at the Rawhide Energy Station that will be expensed over future periods. Regulatory assets increased from deferring additional pension expense that will also be amortized over future periods. The increase in cash equivalents is primarily due to the Series JJ Bond financing to fund capital expenses in 2016 and to reimburse capital expenses that occurred in 2015. However, there were also more liquid funds in anticipation of large payments in early 2017. Materials and supplies increased mainly for stocking parts necessary for the new digital control system installed in 2015. Craig Station fuel inventory levels have been higher than normal as a result of lower generation due to scheduled and unplanned maintenance outages and surplus sales market conditions. These increases were partially offset by decreases in other temporary investments and accounts receivable. In 2015, current and other assets decreased $7.8 million primarily due to a decrease in cash and cash equivalents. Cash decreased as a result of increased expenses related to the scheduled maintenance outages along with continued capital investments. Regulatory assets and other long-term assets also decreased. These decreases were partially offset by increases in fuel inventory, other temporary investments, accounts receivable, material and supplies and prepayments. Fuel inventory was the largest increase. The inventory balance at the Rawhide Energy Station was lower than normal at the beginning of 2015 but inventory was built back to normal levels over the course of the year. Craig Station inventory

Net Position (continued)

levels were higher than normal as a result of lower generation due to scheduled and unplanned maintenance outages and surplus sales market conditions.

Deferred outflows of resources increased $18.0 million in 2016. This amount includes 2016 pension contributions, differences between the pension plan's expected and actual experience, changes in actuarial assumptions, and differences in actual and expected earnings of the pension investments that will be amortized over future periods. In addition, the Series JJ Bond financing that occurred in 2016 refinanced a partial amount of Series HH Bonds resulting in an unamortized deferred loss on debt refunding. In 2015, deferred outflows of resources increased $4.3 million due to implementing GASB 68. This amount includes 2015 pension contributions and differences in actual and expected earnings of the pension investments that will be amortized over future periods. Partially offsetting this increase is the amortization of the deferred losses on debt refunding.

Noncurrent liabilities increased $60.6 million in 2016 mainly due to increased long-term debt, net pension liability, and other liabilities. The Series JJ Bonds were issued in 2016 increasing long-term debt. The net pension liability increased as a result of below target market returns, and plan assumption changes. Other liabilities increased as a result of recording the estimated future closure costs for impoundments at the Rawhide Energy Station. These increases were partially offset by principal retirements of debt and decreases in the capitalized lease obligation, and the Trapper Mine Reclamation liability. The capitalized lease obligation was fulfilled as the final debt payment associated with the Windy Gap Project was made in 2016. The Trapper Mine Reclamation liability decreased as portions of the mine were reclaimed earlier than anticipated. Noncurrent liabilities decreased $14.1 million in 2015. The decrease was mainly the result of the principal retirements of debt and a decrease in the capitalized lease obligation. In 2015, the net pension liability of $6.7 million was recorded as required by GASB 68. Additional details about long-term debt can be found in Note 7 and the defined benefit pension liability in Note 11 to the financial statements.

Current liabilities reflect a $2.3 million decrease in 2016 due to decreases in accounts payable and the current portion of the capitalized lease obligation partially offset by increases in the current portion of long-term debt, accrued interest, and other liabilities. As mentioned previously, the capitalized lease obligation was relieved as the final debt payment associated with the Windy Gap Project was completed. In 2015, current liabilities reflected a $2.0 million increase due to increases in accounts payable and the current portion of the capitalized lease obligation partially offset by decreases in the current portion of long-term debt, accrued interest,

Net Position (continued)

and other liabilities. Accounts payable increased due to accrued but unpaid expenses for the Rawhide Unit 1 scheduled maintenance outage that occurred at the end of 2015.

Deferred inflows of resources increased $3.6 million in 2016 due to recording the accrual for the 2018 scheduled maintenance outage expenses for Rawhide Unit 1. Pension deferrals reflect a small decrease for the amortization of differences in the pension plan's expected and actual experience and assumption changes. Deferred inflows of resources decreased $7.2 million in 2015 due to reversing the accrual for the 2015 scheduled maintenance outage expenses for Rawhide Unit 1. Additional pension deferrals to reflect differences in the pension plan's expected and actual experience and assumption changes were recorded as a result of implementing GASB 68, which will be amortized over future periods.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31,		
	2016	**2015**	**2014***
	(In thousands)		
Operating revenues	**$ 205,293**	$ 199,433	$ 199,867
Operating expenses	**181,698**	184,741	174,985
Operating income	**23,595**	14,692	24,882
Nonoperating expenses, net	**(5,630)**	(7,905)	(8,276)
Income before contributions	**17,965**	6,787	16,606
Contributions of assets to municipalities	**(191)**	(155)	(155)
Change in net position	**17,774**	6,632	16,451
Beginning net position	**498,663**	492,031	478,457
Ending net position	**$ 516,437**	$ 498,663	$ 494,908

*Information in this table regarding December 31, 2014 has not been restated for the prior year implementation of GASB 68.

Changes in Net Position

Net position increased $17.7 million in 2016, $13.9 million higher than 2015. There was an increase in operating revenues and a decrease in both operating expenses and nonoperating expenses, net. Net position increased $3.8 million in 2015, $12.6 million lower than 2014. An increase in operating expenses and a decrease in operating revenues more than offset a decrease in nonoperating expenses, net. The $2.9 million adjustment for a change in accounting principle with the implementation of GASB 68 also impacted the change in net position.

Operating revenues in 2016 increased $5.9 million from 2015.

- Municipal sales revenue increased $9.2 million over 2015 primarily as the result of a 4.5% increase in wholesale rates. Municipal energy deliveries increased 0.5% and billing demand decreased 0.1% from 2015.

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

Operating revenues in 2015 decreased $0.4 million from 2014.

- Municipal sales revenue increased $6.2 million over 2014 as the result of a 2.5% increase in wholesale rates and an increase in municipal energy deliveries of 1.5%. Billing demand decreased 0.4% from 2014.

- Surplus sales revenue (sales for resale and other) decreased $6.7 million in 2015 compared to 2014 resulting from lower contract and short-term sales. Contract sales decreased $0.9 million as the contract ended mid-year 2015. Short-term sales decreased $5.8 million with a lower average selling price and less energy sold. The surplus market conditions were unfavorable this past year as a result of low natural gas prices and mild weather. Wheeling revenues were relatively flat from 2014.

Changes in Net Position (continued)

Operating expenses in 2016 decreased $3.0 million from 2015.

- Purchased power costs for 2016 increased $0.7 million compared to 2015. Wind purchased power increased $1.5 million as a result of favorable wind conditions. Solar purchased power contracts began in the fall of 2016 increasing expense by $0.8 million. The increase in costs was partially offset by market purchases and other purchased power costs that were $1.3 million lower mainly due to the Rawhide Unit 1 and Craig Unit 2 scheduled maintenance outages in 2015. Purchased reserves also decreased $0.3 million due to self-providing reserves.

- Fuel expense decreased $0.1 million from 2015. Fuel for the Craig units was $1.9 million below 2015 and Rawhide Unit 1 was $2.4 million above 2015. The Craig units' generation was 14% less than 2015 primarily because the Craig units were held back due to the unfavorable surplus sales market. Rawhide Unit 1's generation was 15% higher because of the 2015 planned outage. Natural gas for the combustion turbines decreased $0.6 million as the units were required less due to more favorable market prices.

- Operations and maintenance expenses were $5.4 million less than 2015. Rawhide Unit 1 had a six-week scheduled maintenance outage in 2015 resulting in the majority of the decrease in 2016.

- Administrative and general expenses increased $1.5 million over 2015 primarily due to increased demand side management program funding, and personnel expenses.

Operating expenses in 2015 increased $9.8 million over 2014.

- Purchased power costs for 2015 increased $5.6 million compared to 2014. Wind purchased power contracts were in place for a full year in 2015 resulting in $4.8 million more in expense. Market purchases were $5.6 million higher for the Rawhide Unit 1 and Craig Unit 2 scheduled maintenance outages and to meet loads during peak periods but were offset by the $5.0 million replacement power outage accrual. Purchased reserves also increased $0.7 million due to reserves required for the additional wind on Platte River's system. The increase in costs was partially offset by $0.3 million received from Tri-State under the forced outage exchange agreement and $0.2 million in other expenses.

Changes in Net Position (continued)

- Fuel expense decreased $3.5 million from 2014. The majority of the decrease relates to fuel for the Craig units and Rawhide Unit 1, $2.9 million and $1.5 million, respectively. The Craig units' generation was 11.7% less than 2014 as Craig Unit 2 had a six-week scheduled maintenance outage. In addition, Craig units were held back due to the unfavorable surplus sales market. Rawhide Unit 1's generation was 10.8% less than 2014 mainly due to a six-week scheduled maintenance outage. Natural gas for the combustion turbines increased $0.9 million to meet load requirements and sales.

- Operations and maintenance expenses were $7.5 million more than 2014. Rawhide Unit 1 had a six-week scheduled maintenance outage creating the majority of the increase over 2014. The outage was one of the most extensive outages performed since 2005. Major activities included a complete inspection of the turbine and generator, and extensive inspections of the boiler, burners, and air heater system to address areas of concern identified in the 2014 minor outage. Craig Unit 2 also performed a six-week scheduled maintenance outage. This outage was necessary for the construction of the SCR project that is scheduled to go commercial in the spring of 2017. The overall outage expenses were offset by amounts previously accrued. The increase in 2015 is also partially due to an increase of $2.3 million in wheeling expenses, which were required for the transmission of the additional wind purchases.

- Administrative and general expenses increased $1.5 million over 2014 mainly due to increased personnel expenses, demand side management program funding, professional services, and facilities planning and maintenance.

- Depreciation expense decreased $1.4 million from 2014 as the original Rawhide Energy Station and Craig Station assets reached the end of their depreciable lives.

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

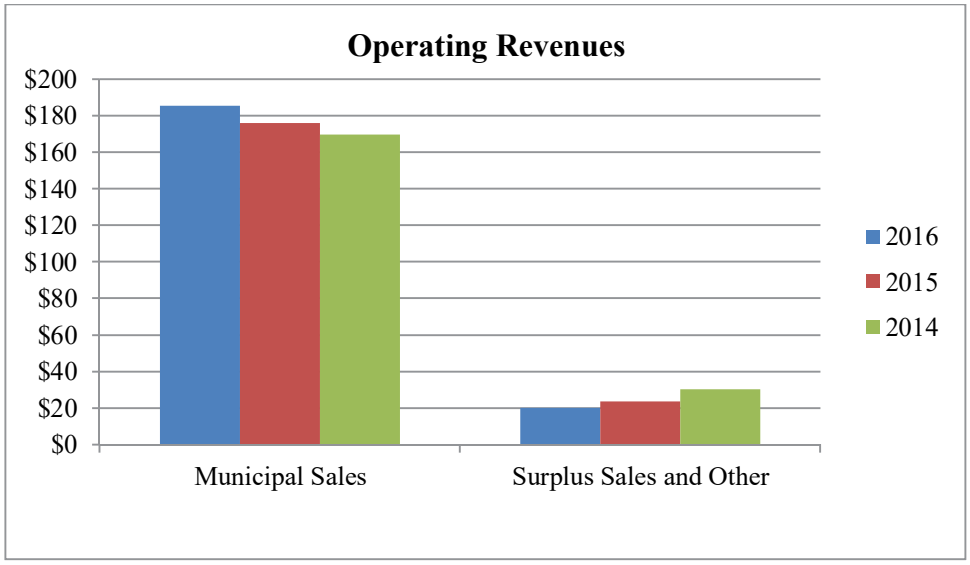
Nonoperating expenses, net, decreased $0.4 million in 2015 compared to 2014. The main contributor is lower interest expense of $1.0 million. Other income decreased $0.5 million as there was a one-time water lease of surplus effluent in 2014. Higher interest income of $0.1 million and a decrease in fair value of investments of $0.2 million were also recorded in 2015.

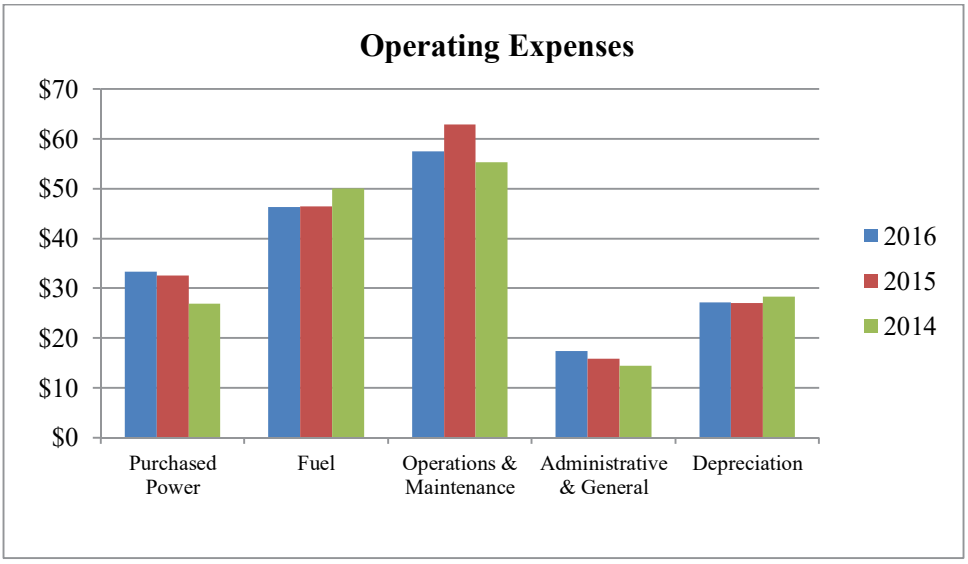
Platte River Power Authority

Management's Discussion and Analysis (continued)
(Unaudited)

December 31, 2016 and 2015

Operating Revenues and Expenses
(*In millions*)





Debt Ratings

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

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

Budgetary Highlights

Platte River's Board of Directors approved the 2016 Annual Budget with total revenues of $217.5 million, operating expenses of $169.9 million, debt service expenditures of $31.0 million and capital additions of $47.7 million. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Total operating revenues of $205.3 million ended the year $10.5 million below budget. Municipal sales of $185.2 million were $0.4 million below budget due to below-budget variance in billing demand. Energy deliveries were just slightly below budget. Surplus sales and wheeling totaled $20.1 million and were $10.1 million below budget, negatively impacted by a weak surplus sales market. Low natural gas prices, mild weather, and additional renewable resources on the market impacted the average sales price, which excluding combustion turbine sales was 18% below budget. As a result of the market, approximately 29% less energy was sold as the Craig units were held back. Wheeling revenues were close to budget.

Operating expenses totaled $154.4 million and were $15.5 million below budget. Fuel expense was the largest variance, $8.6 million below budget, primarily due to 19.2% lower generation from the Craig units as a result of surplus sales market conditions and the extension of the scheduled outage of Craig Unit 1. Rawhide Unit 1's generation was also 4.3% below budget mainly due to the screen maintenance outage. Lower coal prices than budget were experienced for both Rawhide Unit 1 and the Craig units. Above-budget natural gas expense partially offsets the below-budget coal expense. Natural gas expense was above budget due to operating the combustion turbines to meet load requirements and surplus sales.

Budgetary Highlights (continued)

Production expenses ended the year $3.4 million below budget with lower-than-budgeted operations and maintenance costs for the Rawhide Unit 1, Craig units, the combustion turbines, and power operations. Water related expenses at the Rawhide Energy Station were less than planned primarily due to the final debt payment associated with the Windy Gap Project made in 2016. Further, personnel expenses were lower due to vacant positions and other operations and maintenance projects were canceled, delayed, or completed under budget. As mentioned previously, Craig Unit 1 underwent a scheduled maintenance outage that was completed successfully and under budget.

Administrative and general expenses were $1.5 million below budget mainly due to personnel expenses from vacant positions, planning expenses, consulting services, and a delay in the implementation of the demand response program.

Purchased power expenses were $1.0 million below budget. Energy was provided to Tri-State under the forced outage assistance agreement creating a credit to purchased power. There were also fewer reserve purchases mainly due to holding reserves on the generating units, taking advantage of lower cost options by purchasing reserves from other sources, and lower loads. These below-budget expenses were partially offset by above-budget supplemental purchases, which were required due to the scheduled maintenance outages. Market purchases were also made to take advantage of the favorable pricing. Lastly, favorable wind conditions resulted in higher generation from purchased power contracts for wind energy.

Transmission expenses were below budget $0.9 million from lower personnel expenses, joint facility expenses, substation projects, and wheeling expenses.

Debt service expenditures totaled $29.6 million, which were $1.4 million below budget due to favorable results from the Series JJ Bond financing and capitalizing more interest expense than budgeted. Capital additions of $38.4 million were $9.3 million below budget. This variance was due to construction schedule changes, scope changes, contract delays, internal resource constraints, canceled projects, and favorable pricing. Production additions, transmission additions and general additions were below budget $6.9 million, $2.3 million and $0.1 million, respectively. The majority of the variance will be carried over to the 2017 Annual Budget in order to complete the projects. (See Budgetary Comparison Schedule presented as Other Information as listed in the table of contents.)

Platte River Power Authority

Statements of Net Position

December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
	(In thousands)	
Assets		
Electric utility plant, at original cost *(Notes 3 and 4)*:		
Land and land rights	**$ 16,997**	$ 14,515
Plant and equipment in service	**1,287,246**	1,275,987
Less: accumulated depreciation	**(782,145)**	(759,951)
Plant in service, net	**522,098**	530,551
Construction work in progress	**57,036**	43,902
Total electric utility plant	**579,134**	574,453
Special funds and investments *(Note 5)*:		
Restricted funds and investments	**61,624**	22,201
Dedicated funds and investments	**60,787**	57,766
Total special funds and investments	**122,411**	79,967
Current assets:		
Cash and cash equivalents *(Notes 3 and 5)*	**14,159**	10,126
Other temporary investments *(Note 5)*	**18,888**	20,711
Accounts receivable—municipalities	**15,410**	14,503
Accounts receivable—other	**6,457**	7,501
Fuel inventory, at last-in, first-out cost	**14,607**	13,590
Materials and supplies inventory, at average cost	**13,470**	12,362
Prepayments and other assets	**1,358**	1,364
Total current assets	**84,349**	80,157
Noncurrent assets:		
Regulatory assets *(Note 9)*	**6,507**	2,437
Other long-term assets	**7,731**	1,355
Total noncurrent assets	**14,238**	3,792
Total assets	**800,132**	738,369
Deferred Outflows of Resources		
Deferred loss on debt refundings *(Note 7)*	**9,916**	1,033
Pension deferrals *(Note 11)*	**14,234**	5,141
Total deferred outflows of resources	**24,150**	6,174

See accompanying notes.

Platte River Power Authority

Statements of Net Position (continued)

December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
	(In thousands)	
Liabilities		
Noncurrent liabilities *(Notes 3 and 6)*:		
Long-term debt, net *(Note 7)*	**$ 227,288**	$ 183,559
Capitalized lease obligation *(Note 8)*	**–**	3,229
Net pension liability *(Note 11)*	**20,508**	6,693
Other liabilities and credits	**16,012**	9,682
Total noncurrent liabilities	**263,808**	203,163
Current liabilities:		
Current maturities of long-term debt *(Note 7)*	**23,550**	16,615
Current portion of capitalized lease obligation *(Note 8)*	**–**	3,063
Accounts payable	**13,037**	19,297
Accrued interest	**849**	780
Accrued liabilities and other	**1,400**	1,343
Total current liabilities	**38,836**	41,098
Total liabilities	**302,644**	244,261
Deferred Inflows of Resources		
Regulatory credits *(Note 9)*	**4,729**	1,006
Pension deferrals *(Note 11)*	**472**	613
Total deferred inflows of resources	**5,201**	1,619
Net Position		
Net investment in capital assets *(Note 10)*	**369,729**	366,412
Restricted	**25,616**	21,421
Unrestricted	**121,092**	110,830
Total net position	**$ 516,437**	$ 498,663

See accompanying notes.

Platte River Power Authority

Statements of Revenues, Expenses, and Changes in Net Position

December 31, 2016 and 2015

	Years Ended December 31, 2016	2015
	(In thousands)	
Operating revenues *(Note 3)*:		
Sales to municipalities	**$ 185,214**	$ 175,998
Sales for resale and other	**20,079**	23,435
Total operating revenues	**205,293**	199,433
Operating expenses:		
Purchased power	**33,270**	32,548
Fuel	**46,361**	46,446
Operations and maintenance	**57,481**	62,854
Administrative and general	**17,366**	15,906
Depreciation	**27,220**	26,987
Total operating expenses	**181,698**	184,741
Operating income	**23,595**	14,692
Nonoperating revenues (expenses) *(Notes 5 and 7)* :		
Interest income	**1,084**	745
Other income	**846**	900
Interest expense	**(8,523)**	(9,438)
Allowance for funds used during construction	**1,137**	–
Net decrease in fair value of investments *(Note 5)*	**(174)**	(112)
Total nonoperating revenues (expenses)	**(5,630)**	(7,905)
Income before contributions	**17,965**	6,787
Contributions of assets to municipalities *(Note 13)*	**(191)**	(155)
Change in net position	**17,774**	6,632
Net position at beginning of year	**498,663**	492,031
Net position at end of year	**$ 516,437**	$ 498,663

See accompanying notes.

Platte River Power Authority

Statements of Cash Flows

December 31, 2016 and 2015

	Years Ended December 31, 2016	2015
	(In thousands)	
Cash flows from operating activities		
Receipts from customers	**$ 205,190**	$ 199,008
Payments for operating goods and services	**(132,698)**	(136,175)
Payments for employee services	**(32,985)**	(32,472)
Net cash provided by operating activities	**39,507**	30,361
Cash flows from capital and related financing activities		
Additions to electric utility plant	**(27,313)**	(27,747)
Payments from accounts payable incurred for electric utility plant additions	**(2,608)**	(962)
Deposits into escrow for bond defeasance	**(119,164)**	–
Proceeds from issuance of long-term debt	**179,170**	–
Principal payments on long-term debt	**(16,615)**	(21,980)
Interest payments on long-term debt	**(9,996)**	(9,874)
Net cash provided by (used in) capital and related financing activities	**3,474**	(60,563)
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	**(40,786)**	14,505
Interest and other income, including realized gains and losses	**1,838**	1,589
Net cash (used in) provided by investing activities	**(38,948)**	16,094
Increase (decrease) in cash and cash equivalents	**4,033**	(14,108)
Balance at beginning of year in cash and cash equivalents	**10,126**	24,234
Balance at end of year in cash and cash equivalents	**$ 14,159**	$ 10,126

See accompanying notes.

Platte River Power Authority

Statements of Cash Flows (continued)

December 31, 2016 and 2015

	Years Ended December 31, 2016	2015
	(In thousands)	
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 23,595**	$ 14,692
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**27,220**	26,987
Changes in assets and liabilities which provided (used) cash:		
Accounts receivable	**138**	(514)
Fuel and materials and supplies inventories	**(2,126)**	(6,062)
Prepayments and other assets	**(10,507)**	582
Deferred outflows of resources	**(9,094)**	(1,236)
Accounts payable	**(7,295)**	5,965
Net pension liability	**13,815**	(89)
Other liabilities	**179**	(2,803)
Deferred inflows of resources	**3,582**	(7,161)
Net cash provided by operating activities	**$ 39,507**	$ 30,361
Noncash capital and related financing activities		
Additions of electric utility plant through incurrence of accounts payable	**$ 3,643**	$ 2,608
Amortization of bond premiums and deferred loss on refundings	**(1,696)**	(522)
Amortization of regulatory asset (debt issuance costs)	**153**	173

See accompanying notes.

Platte River Power Authority

Notes to Financial Statements

December 31, 2016 and 2015

1. Organization

Platte River Power Authority (Platte River) was organized in accordance with Colorado law as a separate governmental entity by the four municipalities of Estes Park, Fort Collins, Longmont, and Loveland. Platte River contracted to supply the wholesale electric power and energy requirements of each of these municipalities (except for energy produced by each municipality's hydro facilities in service at September 1974). These contracts currently extend through December 31, 2050. Each of the four member municipalities has a residual interest in Platte River's assets and liabilities upon dissolution, which is proportional to the total revenue received from each municipality since Platte River was organized, less any contributions of assets previously distributed. Based upon electric revenues billed from inception through December 31, 2016, these residual interests are approximately as follows:

	Residual Interest
City of Fort Collins	48%
City of Longmont	26%
City of Loveland	21%
Town of Estes Park	5%
	100%

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

2. Operations

Rawhide Energy Station

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

2. Operations (continued)

Yampa Project

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

3. Summary of Significant Accounting Policies

Reporting Entity

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

3. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

As a Board-regulated entity, Platte River is subject to the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Regulated Operations, paragraphs 476–500, which requires the effects of the rate-making process to be recorded in the financial statements. Accordingly, certain expenses and revenues normally reflected in the statements of revenues, expenses and changes in net position as incurred are recognized when they are included in Platte River's wholesale rates. Platte River has recorded various regulatory assets and credits to reflect the rate-making process (Note 9).

Budgetary Process

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

Use of Estimates

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

3. Summary of Significant Accounting Policies (continued)

Electric Utility Plant and Depreciation

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

Depreciation is recorded using the straight-line method over the estimated useful lives of the various classes of plant in service, which range from five to fifty years. Depreciation expense was approximately 2.1% of depreciable property for the years 2016 and 2015. The original cost of property replaced or retired, and removal costs less salvage, are charged to accumulated depreciation.

Cash and Cash Equivalents

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

Closure and Postclosure Care Costs of Disposal Facility

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

Closure Costs for Impoundments

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

3. Summary of Significant Accounting Policies (continued)

Closure Costs for Impoundments (continued)

At December 31, 2016, Platte River accrued a liability of $7,557,000 for the estimated clean closure costs of these impoundments. A corresponding amount was recognized in other long-term assets. Beginning in 2017, Platte River will amortize these costs over 30 years, the estimated remaining useful life of the facility. Platte River is in compliance with the financial assurances required by the state.

Long-term Debt

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

Energy Risk Management

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

There were no natural gas swap contracts entered into during 2016 and no swap contracts were outstanding at December 31, 2016 and 2015. During 2015, Platte River entered into natural gas swap contracts to fix prices for the purpose of hedging against natural gas price fluctuations. The contracts were based on the Colorado Interstate Gas Co. (CIG) index published in *Gas Daily.* Swap contracts for 40,000 mmBtu at an average fixed price of $2.96 per mmBtu expired in July and August 2015. As a result of these hedging contracts, there was an increase in fuel expense of $15,000 for the year ended December 31, 2015. No cash was paid or received by Platte River when the contracts were initiated. Platte River is the fixed price payer. The natural gas swap contracts are considered normal purchase contracts because Platte River takes delivery of the natural gas. Thus, the contracts are not included in the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*

3. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

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

Defined Benefit Pension Plan

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Use of Restricted and Unrestricted Resources

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

3. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

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

In 2015, Platte River implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* In implementing GASB 68 and 71, Platte River recognized the effect of a change in accounting principle in the amount of $6,782,000 for the net pension liability and $3,905,000 to deferred outflows of resources for the 2014 pension contribution made subsequent to the measurement date for a net adjustment to net position of $2,877,000 as of January 1, 2015. There was no impact to deferred inflows of resources for prior years.

4. Electric Utility Plant

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

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

4. Electric Utility Plant (continued)

Electric utility plant asset activity for the year ended December 31, 2015, was as follows:

	December 31 2014	Increases	Decreases	December 31 2015
		(In thousands)		
Nondepreciable assets:				
Land and land rights	$ 14,515	$ –	$ –	$ 14,515
Construction work in progress	19,603	33,219	(8,920)	43,902
	34,118	33,219	(8,920)	58,417
Depreciable assets:				
Production plant	891,344	4,240	(2,273)	893,311
Transmission plant	343,649	3,019	(1,162)	345,506
General plant	35,717	2,032	(579)	37,170
	1,270,710	9,291	(4,014)	1,275,987
Less accumulated depreciation	(733,588)	(26,987)	624	(759,951)
Total electric utility plant	$ 571,240	$ 15,523	$ (12,310)	$ 574,453

5. Cash and Investments

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

The fair value of investments is presented on the statements of net position as special funds and investments, cash and cash equivalents, and other temporary investments. Special funds and investments are either internally dedicated by Board Resolution (dedicated funds and investments) or restricted as to use by Platte River's General Power Bond Resolution (restricted funds and investments). The fair value of investments, exclusive of accrued interest of $233,000 and $140,000 as of December 31, 2016 and 2015, respectively, are shown in the following tables.

5. Cash and Investments (continued)

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

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

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

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

5. Cash and Investments (continued)

As of December 31, 2015, Platte River had the following cash and investments and related maturities:

Cash and Investment Type	Fair Value	Investment Maturities (in years)				
		Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
		(In thousands)				
U.S. Treasuries	$ 48,955	$ 21,004	$ 23,936	$ 4,015	$ –	$ –
U.S. Agencies:						
FFCB	11,007	–	9,020	1,987	–	–
FHLB	15,012	3,864	5,096	6,052	–	–
FHLMC	11,098	11,098	–	–	–	–
FNMA	3,000	3,000	–	–	–	–
Total securities	89,072	38,966	38,052	12,054	–	–
Certificates of deposit	11,099	3,012	8,087	–	–	–
Cash and money market funds	9,873	9,873	–	–	–	–
Local government investment pools	620	620	–	–	–	–
Total cash and investments	$110,664	$ 52,471	$ 46,139	$ 12,054	$ –	$ –

Statement of net position presentation of cash, cash equivalents and investments is as follows as of December 31, 2015:

	Fair Value	Accrued Interest	Total
	(In thousands)		
Restricted funds and investments	$ 22,190	$ 11	$ 22,201
Dedicated funds and investments	57,665	101	57,766
Cash and cash equivalents	10,126	–	10,126
Other temporary investments	20,683	28	20,711
Total cash and investments	$ 110,664	$ 140	$ 110,804

5. Cash and Investments (continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Platte River's investment policy and Colorado state statutes limit the investment portfolio to maturities of five years or less. Platte River uses a laddered approach to investing funds based on projected cash flows. The assumed maturity date for callable securities is based on market conditions as of December 31, 2016. If the price of the security is at or above its call price, the security is assumed to be redeemed on its next call date.

Credit Risk

Platte River's investment policy allows investments in local government investment pools and money market funds. As of December 31, 2016, Platte River maintained investments in funds managed by the local government investment pool Colorado Local Government Liquid Asset Trust (COLOTRUST), and the Colorado Statewide Investment Program (CSIP). Both of these funds are rated AAAm by Standard and Poor's Ratings Services (S&P). Platte River's investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) were rated Aaa by Moody's Investors Service and AA+ by S&P.

Concentration of Credit Risk

Platte River's investment policy states that assets held in Platte River's funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of December 31, 2016, more than 5% of Platte River's investments were concentrated in FFCB, FHLB and FNMA. These investments are 10%, 8% and 6%, respectively, of Platte River's total investments (including outside investment pools and certificates of deposit).

5. Cash and Investments (continued)

Fair Value

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

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

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

- U.S. Agency securities of $40,075,000 and Local Government Investment Pools of $63,337,000 are valued using Level 2 inputs

Platte River had the following recurring fair value measurements as of December 31, 2015:

- U.S. Treasury securities of $48,955,000 are valued using quoted market prices (Level 1 inputs)

- U.S. Agency securities of $40,117,000 and Local Government Investment Pools of $620,000 are valued using Level 2 inputs

6. Noncurrent Liabilities

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

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

Noncurrent liability activity for the year ended December 31, 2015 was as follows:

	December 31 2014	Additions	Reductions	December 31 2015	Due within one year
			(In thousands)		
Long-term debt, net	$ 223,552	$ –	$ (23,378)	$ 200,174	$ 16,615
Capitalized lease obligation	9,067	–	(2,775)	6,292	3,063
Net pension liability	–	6,693	–	6,693	–
Reclamation liability	4,250	3	–	4,253	–
Disposal facility closure costs	190	2	–	192	–
Compensated absences	3,997	802	(357)	4,442	305
Lease advances	906	–	(83)	823	83
Yampa employee obligation	353	7	–	360	–
Total noncurrent liabilities	$ 242,315	$ 7,507	$ (26,593)	$ 223,229	$ 20,066

7. Long-term Debt

Long-term debt outstanding as of December 31, 2016 and 2015 consists of the following:

	Interest Rate	December 31 2016	December 31 2015
		(In thousands)	
Power Revenue Bonds—			
Series GG:			
Serial Bonds—			
Maturing 6/1/2018	4.50%–5.00%	**$ 30,520**	$ 41,560
Series HH:			
Serial Bonds—			
Maturing 6/1/2019	3.00%–5.00%	**8,185**	113,725
Series II:			
Serial Bonds—			
Maturing 6/1/2037	4.00%–5.00%	**31,955**	37,430
Series JJ:			
Serial Bonds—			
Maturing 6/1/2036	3.50%–5.00%	**147,230**	–
		217,890	192,715
Unamortized bond premium		**32,948**	7,459
Total revenue bonds outstanding		**250,838**	200,174
Less: due within one year		**(23,550)**	(16,615)
Total long-term debt, net		**$ 227,288**	$ 183,559

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

Interest expense for the years ended December 31, 2016 and 2015 is comprised of the following:

	2016	2015
	(In thousands)	
Interest	**$ 10,066**	$ 9,787
Amortization of bond related costs	**(1,543)**	(349)
Total interest expense	**$ 8,523**	$ 9,438

7. Long-term Debt (continued)

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

Year ending December 31	Principal	Interest	Total
		(In thousands)	
Deposits in 2016 for 2017 payment	$ 13,738	$ 904	$ 14,642
2017	18,318	9,582	27,900
2018	12,104	8,729	20,833
2019	10,321	8,129	18,450
2020	10,604	7,620	18,224
2021	11,130	7,096	18,226
2022–2026	64,352	26,751	91,103
2027–2031	46,763	12,375	59,138
2032–2036	29,237	4,697	33,934
2037	1,323	66	1,389
	$ 217,890	$ 85,949	$ 303,839

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

The proceeds from the Series JJ Bonds along with the proceeds and available cash from prior year's refunded bonds have been placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Platte River's financial statements. As of December 31, 2016, $105,440,000 of the defeased Series HH Bonds and $16,975,000 of the defeased Series I Bonds remains outstanding.

7. Long-term Debt (continued)

Bond Service Coverage

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

Under the General Power Bond Resolution, Platte River is required to charge wholesale electric energy rates to the municipalities that are reasonably expected to yield net revenues for the forthcoming 12-month period that are at least equal to 1.10 times total power bond service requirements. Under the General Power Bond Resolution, Platte River has established a Rate Stabilization Reserve Account. Deposits to this account are a reduction to current net revenues for purposes of computing bond service coverage. Future withdrawals will increase net revenues for purposes of computing bond service coverage and could assist Platte River, at such time, in meeting its wholesale rate covenant. The balances in the Rate Stabilization Reserve Account at December 31, 2016 and 2015 were $20,166,000 and $20,216,000, respectively, excluding accrued interest. The Rate Stabilization Reserve Account is included in dedicated funds and investments in the statements of net position.

7. Long-term Debt (continued)

The following table is a calculation of the power revenue bond coverage ratios for the years ended December 31, 2016 and 2015:

	2016	2015
	(In thousands)	
Net revenues:		
Operating revenues	**$ 205,293**	$ 199,433
Operating expenses, excluding depreciation	**154,478**	157,754
Net operating revenues	**50,815**	41,679
Plus interest and other income[1]	**1,921**	1,672
Net revenues before rate stabilization	**52,736**	43,351
Rate stabilization:		
Deposits	**–**	–
Withdrawals	**–**	–
Total net revenues	**$ 52,736**	$ 43,351
Bond service:		
Power revenue bonds	**$ 30,726**	$ 28,637
Allowance for funds used during construction	**(1,137)**	–
Net revenue bond service	**$ 29,589**	$ 28,637
Power revenue bond coverage ratio	**1.78**	1.51

[1] Excludes unrealized holding gains and losses on investments.

7. Long-term Debt (continued)

Arbitrage Rebate

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. Interest income on bond proceeds that exceeds the cost of borrowing is payable to the federal government on every fifth anniversary of each bond issue. No arbitrage liability was outstanding as of December 31, 2016 and 2015.

Deferred Outflows of Resources Related to Debt

As of December 31, 2016 and 2015, deferred outflows related to debt consisted of the unamortized deferred loss on debt refundings of $9,916,000 and $1,033,000, respectively.

8. Capitalized Lease Obligation

Under an agreement with the Municipal Subdistrict of the Northern Colorado Water Conservancy District, Platte River is entitled to an allocation of one-third of the available water from the Windy Gap Project, a water diversion facility completed May 1, 1985. Under the agreement, Platte River is obligated to pay each year one-third of the debt service and approximately one-third of the actual operating and maintenance costs of the Windy Gap Project. These payments, which totaled $4,918,000 and $4,605,000 in 2016 and 2015, respectively, have been included in operations and maintenance expenses in the accompanying statements of revenues, expenses and changes in net position, as allowed under GASB 62, paragraphs 476–500.

In April 2016, the Municipal Subdistrict defeased all outstanding maturities of the Series H Water Revenue Bonds with Subdistrict project reserve funds. As a result of the defeasance, Platte River wrote off its remaining share of the principal amounts of the defeased bonds in the amount of $3,229,000. As of December 31, 2016, the capitalized lease of $41,590,000 for Platte River's water allotment has been fully amortized.

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

Additional Pension Expense

Platte River funds its defined benefit pension plan (Note 11) based on cost estimates developed on an actuarial basis. In addition to the base contribution, Platte River has an additional funding charge if the market value of the assets is less than 100% of the actuarial present value of accumulated plan benefits. Effective January 1, 2010, the Board of Directors approved a policy under GASB 62, paragraphs 476–500, that provides for the expense recognition of any additional pension funding charge to be spread over a ten-year period. Each subsequent year's additional funding charge, if any, will be added to the regulatory prepaid asset and amortized over an additional ten-year period. There was no additional pension funding charge for 2016 and 2015. The regulatory prepaid asset for additional pension expense was $1,542,000 and $1,985,000 as of December 31, 2016 and 2015, respectively. The current portion of these amounts, $443,000 as of December 31, 2016 and 2015, is included as a component of prepayments and other assets in the statements of net position.

Debt Issuance Costs

Under GASB 65, debt issuance costs are required to be expensed in the period incurred rather than amortized over the life of the related debt. In order to provide recovery for debt issuance costs through rates, the Board of Directors approved the use of GASB 62, paragraphs 476–500, to recognize debt issuance costs as a regulatory asset and to amortize these costs over the life of the associated debt. Unamortized debt issuance costs included in regulatory assets were $828,000 and $895,000 as of December 31, 2016 and 2015, respectively.

Accrued Maintenance Outage Costs

As allowed under GASB 62, paragraphs 476–500, an accrual for the estimated incremental expenses of future scheduled major maintenance outages is recorded each year. Prior to the major maintenance outage at Rawhide Unit 1 in the fall of 2015, a portion of the estimated maintenance expenses was accrued. After the 2015 outage was completed, a portion of the estimated maintenance and replacement power costs for the next major maintenance outage, planned for the fall of 2018, was accrued. During 2016, the accrual estimate was expanded to include 100% of the total estimated outage costs. As of December 31, 2016 and 2015, $4,089,000 and $295,000, respectively, was accrued as a deferred inflow of resources for the 2018 scheduled maintenance outage planned for Rawhide Unit 1.

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

Pension Contribution Expense Recognition

Effective for the year ending December 31, 2015, Platte River's Board of Directors approved recording pension contributions as pension expense under GASB 62, paragraphs 476–500, since the pension contribution amount is known at the time of budget preparation and rate setting. Any difference between pension contribution and pension expense, as calculated by the actuary under GASB 68, will be amortized over a ten-year period beginning the following year. The amortization amount will be included in pension expense along with the pension contribution for each year calculated. At December 31, 2016, a regulatory asset of $4,580,000 was recorded as a result of the difference between the 2016 contribution amount of $2,912,000 and pension expense of $7,492,000 as calculated under GASB 68. The regulatory credit for unamortized pension expense was $640,000 and $711,000, respectively, as of December 31, 2016 and 2015 and was accrued as a deferred inflow of resources.

10. Net Investment in Capital Assets

Net investment in capital assets is comprised of the following as of December 31, 2016 and 2015:

	2016	**2015**
	(In thousands)	
Electric utility plant	**$ 579,134**	$ 574,453
Unspent Series JJ bond proceeds	**35,160**	–
Deferred loss on debt refundings	**9,916**	1,033
Long-term debt, net	**(250,838)**	(200,174)
Capitalized lease obligation	**–**	(6,292)
Accounts payable incurred for capital assets	**(3,643)**	(2,608)
	$ 369,729	$ 366,412

11. Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

Benefits paid by the Plan are adjusted annually by the change in the consumer price index, subject to a maximum increase of 6% for employees who retired prior to December 6, 1991. Those employees who retired on or after December 6, 1991, receive two-thirds of the change in the consumer price index, up to a maximum of 4.0%.

At December 31, 2015, the measurement date, the participants in the Plan are:

	Number of Participants
Retirees and beneficiaries currently receiving benefits	128
Terminated vested employees not yet receiving benefits	53
Active plan participants	155
Total participants	336

11. Defined Benefit Pension Plan (continued)

Contributions

All contributions to the Plan are authorized by the Board of Directors and made by Platte River. The Plan's funding policy is intended to fund current service costs as they accrue, plus an additional funding charge if the market value of the assets is less than 100% of the actuarial present value of accumulated plan benefits. Platte River's contributions to the Plan for the years ended December 31, 2016 and 2015 of $2,912,000 and $3,302,000, respectively, equaled the actuarially determined requirements.

Net Pension Liability

The net pension liability of $20,508,000 reported as of December 31, 2016 was measured as of December 31, 2015, and the net pension liability of $6,693,000 reported as of December 31, 2015 was measured as of December 31, 2014. The total pension liability used to calculate the net pension liability at the December 31, 2015 and 2014 measurement dates was determined by actuarial valuations as of January 1, 2016 and 2015, respectively.

The actuarial valuations for the December 31, 2015 and December 31, 2014 measurement dates used the following actuarial assumptions.

	2015	2014
Salary increases	3.0%	3.0% in 2015, 4.5% in 2016+
Investment rate of return	7.5%	8.0%
Cost of living	1.5%	2.0%

Mortality rates for the measurement period ended December 31, 2015 were based on the RP-2014 table for males and females combined with the MP-2014 projection scale. For the measurement period ended December 31, 2014, mortality rates were based on the RP-2000 mortality table for males and females without projection and without collar or amount adjustments.

11. Defined Benefit Pension Plan (continued)

The long-term expected rate of return on Plan investments was based on a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The estimates for each major asset class that is included in the Plan's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equities – Large cap	18.00%	7.50%
Domestic equities – Mid/small cap	7.00%	8.00%
International equities	10.00%	8.75%
Emerging market equities	4.00%	10.50%
Core fixed income	8.00%	2.25%
High yield	3.00%	3.75%
Floating rate corporate loans	9.00%	5.25%
Commodities	6.00%	5.25%
Real estate	15.00%	7.75%
Liquid low correlated hedge	15.00%	6.50%
Master limited partnerships	5.00%	7.25%

The discount rate used to measure the total pension liability was 7.5% and 8.0% for the years ended December 31, 2015 and 2014, respectively. To determine the projection of cash flows, the following assumptions were made: employer contributions are made throughout the year and, on average, at mid-year; benefit payments are assumed to be made uniformly throughout the year and, on average, at mid-year; annuity payments are payable monthly at the beginning of the month and lump sum payments are payable on the date of decrement. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

11. Defined Benefit Pension Plan (continued)

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

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

The changes of assumptions were due to updating the mortality table from the RP-2000 to the RP-2014 table combined with the modified MP-2014 projection scale, reducing the cost of living assumption from 2.0% to 1.5%, reducing the Plan stated interest rate assumption from 8.0% to 7.5%, and reducing the salary increase assumption from 4.5% to 3.0%.

11. Defined Benefit Pension Plan (continued)

Changes in the net pension liability for the year ended December 31, 2015, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
		(In thousands)	
Balances at December 31, 2014	$ 93,937	$ 87,155	$ 6,782
Changes for the year:			
Service cost	1,885	–	1,885
Interest	7,343	–	7,343
Differences between expected and actual experience	(180)	–	(180)
Employer contributions	–	3,905	(3,905)
Net investment income	–	4,658	(4,658)
Benefit payments	(4,287)	(4,287)	–
Change of assumptions	(574)	–	(574)
Net changes	4,187	4,276	(89)
Balances at December 31, 2015	$ 98,124	$ 91,431	$ 6,693

The change of assumptions was due to a revision of the salary increase assumption from 4.5% to 3.0% due to employer experience.

11. Defined Benefit Pension Plan (continued)

The net pension liability (asset) of Platte River at December 31, 2016 and 2015, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2016		2015	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
	(Dollars in thousands)			
1% Decrease	6.5%	$ 31,083	7.0%	$ 15,650
Current discount rate	7.5%	20,508	8.0%	6,693
1% Increase	8.5%	11,413	9.0%	(1,099)

Pension Expense

The Board of Directors approved policies under GASB 62, paragraphs 476–500, that allow Platte River to recognize pension expense when recovered through rates rather than recording the amount calculated under GASB 68. For the year ended December 31, 2016, Platte River recognized pension expense of $3,284,000. Pension expense for 2016 consists of the $2,912,000 employer contribution plus $443,000 amortization of the additional funding charge and ($71,000) amortization of the difference between the 2015 contribution and pension expense as calculated by GASB 68. For the year ended December 31, 2015, Platte River recognized pension expense of $3,745,000. Pension expense for 2015 consists of the $3,302,000 employer contribution plus $443,000 amortization of the additional pension funding charge. Additional details about regulatory accounting for pension expense can be found in Note 9.

11. Defined Benefit Pension Plan (continued)

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

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

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

At December 31, 2015, Platte River reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands)	
Differences between expected and actual experience	$ –	$ 146
Changes of assumptions	–	467
Net difference between projected and actual earnings on pension plan investments	1,839	–
Contributions subsequent to the measurement date	3,302	–
Total	$ 5,141	$ 613

11. Defined Benefit Pension Plan (continued)

Contributions of $2,912,000 made subsequent to the measurement date and reported as deferred outflows of resources, as of December 31, 2016, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. The $3,302,000 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date, as of December 31, 2015, was recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2016 will be recognized in pension expense as follows:

Year ending December 31	*(In thousands)*
2017	2,853
2018	2,852
2019	2,852
2020	2,293

12. Defined Contribution Pension Plan

Effective September 1, 2010, the Board of Directors established the Platte River Power Authority Defined Contribution Plan (in accordance with the Internal Revenue Code Section 401(a)) for all regular employees hired on or after that date. As of December 31, 2016, there were 102 plan participants. The plan's assets are held in an external trust account. The General Manager of Platte River is the Plan Administrator and benefit provisions and contribution requirements are authorized and may be amended by the Board of Directors.

Platte River contributed the required contribution of 5% of earnings for plan participants with fewer than five years of service and 7% for those with five or more years of service. Platte River will also contribute to the 401(a) an amount equal to 50% of the participant's contributions to a separate 457(b) plan, taking into account only such participant contributions up to 6% of the participant's earnings. For the years ended December 31, 2016 and 2015, contributions to the 401(a) plan by Platte River, which were recognized as expenses, were $662,000 and $459,000, respectively. The employer contributions to the 401(a) plan vest 100% after three years. The plan's records are kept on the accrual basis.

13. Contribution of Fiber Optic Network to Municipalities

During 1998, Platte River constructed a fiber optic network between and around the four municipalities to which it provides electric service. The surplus capacity in the network built around the City of Longmont was contributed to the City of Longmont in 1998 and was recorded as a return of capital. Platte River retained ownership of the remaining fiber optic network, and in 1999, began leasing surplus portions of the dark fiber for the benefit of each of the remaining three municipalities to independent telecommunication service providers. The contributions of the fiber assets to the municipalities of $191,000 and $155,000 for the years ended December 31, 2016 and 2015, respectively, is considered a return of capital on the original asset. As of December 31, 2016 and 2015, lease advances of $740,000 and $823,000, respectively, have been recorded as a liability in the statements of net position. The municipalities' portion of the lease payments received is flowed through to the municipalities, net of Platte River's costs.

14. Insurance Programs

Platte River has purchased insurance policies to cover the risk of loss related to various general liability and property loss exposures. The amount of insurance settlements has not exceeded insurance coverage in the past three years. Platte River also provides a self-insured medical and dental plan to its employees. Medical stop-loss insurance has been purchased, which covers losses in excess of $175,000 per person per incident. A liability was recorded for estimated medical and dental claims that have been incurred but not reported of $446,000 at December 31, 2016 and $499,000 at December 31, 2015. A third party administrator is used to account for the health insurance claims and provides the estimated medical claims liability based on prior claims payment experience. The medical claims liability is included as a component of accounts payable in the statements of net position.

Changes in the balance of the medical claims liability during 2016 and 2015 were as follows:

	2016	**2015**
	(In thousands)	
Medical claims liability, beginning of year	**$ 499**	$ 505
Current year claims and changes in estimates	**3,155**	2,934
Claim payments	**(3,208)**	(2,940)
Medical claims liability, end of year	**$ 446**	$ 499

15. Commitments

Platte River has two long-term purchase power contracts with the Western Area Power Administration. The contract with the Colorado River Storage Project continues through September 30, 2024. In March 2015, the Loveland Area Projects contract was extended through June 30, 2054. The federal hydroelectric power received in 2016 provided approximately 19% of the resources needed by Platte River to serve the loads of the four owner municipal systems. The contract rates and the amount of energy available are subject to change. During 2016, Platte River purchased $17,928,000 under these contracts.

Platte River and three of the other four participants in the Yampa Project own Trapper Mine, the primary source of coal for the Yampa Project. The contract provides for delivery of specified amounts of coal to each Yampa owner through 2020. Supplemental coal will be supplied through the year 2017 under a contract with ColoWyo Coal Company. These contracts are subject to price adjustments. During 2016, coal purchases totaled $12,607,000 from Trapper Mine and $5,044,000 from ColoWyo Coal Company.

The Rawhide Energy Station's coal purchase and transportation agreements are under multiple-year contracts. Base prices for these contracts are subject to future price adjustments. During 2016, Platte River paid $28,518,000 for coal delivered under these agreements.

Platte River has committed to purchase Renewable Energy Certificates (RECs) for the years 2017 through 2024 with future payments of $4,300,000. During 2016, Platte River purchased $550,000 under these REC agreements.

In addition, Platte River has entered into agreements to purchase renewable wind energy output of 12 megawatts from Silver Sage Windpower Project through 2027, 60 megawatts from Spring Canyon Expansion Wind Energy Center through 2039, and approximately 6 megawatts from Medicine Bow Wind Project through 2033. During 2016, Platte River purchased $9,925,000 under these renewable wind energy agreements.

In October 2016, a 30 megawatt solar photovoltaic power plant, located at the Rawhide Energy Station, began commercial operation. Platte River executed an agreement with Bison Solar LLC, the owner of the facility, to purchase all the output through 2041. During 2016, Platte River purchased $604,000 under this agreement.

15. Commitments (continued)

Platte River and the other Yampa Project participants, in order to comply with recent environmental regulations, have agreed to upgrade the NOx emissions control equipment at Craig Unit 2 beginning in 2012. Platte River's share of the capital costs of these upgrades, expected to be completed in 2017, is estimated to be approximately $32,921,000 of which $26,107,000 has been expended through December 31, 2016.

16. Risks and Contingencies

The owners of the Craig Station power plant, acting through Tri-State as operating agent, reached an agreement with the Colorado Department of Public Health and Environment, U.S. Environmental Protection Agency, WildEarth Guardians and the National Parks Conservation Association to revise the Colorado Visibility and Regional Haze State Implementation Plan. Under this agreement, Craig Station Unit 1 will have more stringent limits on annual emissions beginning in 2020 and will be retired by December 31, 2025. As of December 31, 2016 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.

Platte River obtains the majority of its power from coal generating facilities. Changes in environmental regulations could affect the cost of generation for these facilities or could require significant capital expenditures. The impacts of the recently issued Clean Power Plan are being analyzed by Platte River in order to prepare for potential CO_2 related expenses. Such costs could materially affect the rates Platte River charges its customers.

Platte River Power Authority

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios – GASB 68
Last 3 Calendar Years

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

Note to Schedule

Historical information is not available for the years 2007 through 2013; additional years will be displayed as they become available until 10 years of historical data are presented.

Platte River Power Authority

Required Supplementary Information

Schedule of Employer Contributions – GASB 68
Last 10 Calendar Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
					(In thousands)					
Actuarially determined contribution	$ 2,912	$ 3,302	$ 3,905	$ 4,544	$ 3,561	$ 4,390	$ 7,736	$ 2,867	$ 2,673	$ 2,737
Contribution in relation to the actuarially determined contribution	2,912	3,302	3,905	4,544	3,561	4,390	7,736	2,866	2,673	2,737
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 1	$ –	$ –
Estimated covered employee payroll	$ 16,874	$ 17,305	$ 17,951	$ 18,614	$ 18,766	$ 18,728	$ 17,714	$ 18,521	$ 16,320	$ 15,290
Contributions as a percentage of estimated covered employee payroll	17.26%	19.08%	21.75%	24.41%	18.98%	23.44%	43.67%	15.47%	16.38%	17.90%

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	3.2%, average
Cost of living adjustments	For participants in pay status prior to 1/1/92 – 3.00%, for all other participants – 2.00%
Investment rate of return	7.5% for 2016; 8.0% for 2015 – 2007

Platte River Power Authority

Other Information

Budgetary Comparison Schedule
(Unaudited)

	Year Ended December 31, 2016		
	Budget	**Actual**	**Variance**
		(In thousands)	
Revenues			
Operating revenues:			
Municipal sales	$ 185,598	**$ 185,214**	$ (384)
Short-term surplus sales	30,200	**20,079**	(10,121)
Total operating revenues	215,798	**205,293**	(10,505)
Nonoperating revenues:			
Interest income[1]	1,027	**1,075**	48
Other income	654	**846**	192
Total nonoperating revenues	1,681	**1,921**	240
Total revenues	$ 217,479	**$ 207,214**	$ (10,265)
Expenditures			
Operating expenses[2]:			
Purchased power	$ 34,263	**$ 33,270**	$ 993
Fuel expense	54,987	**46,361**	8,626
Production expenses	48,018	**44,632**	3,386
Transmission expenses	13,736	**12,798**	938
Administrative and general	18,910	**17,366**	1,544
Total operating expenses	169,914	**154,427**	15,487
Debt service expenditures[3]:			
Interest expense	10,534	**10,066**	468
Principal	20,719	**20,660**	59
Allowance for funds used during construction	(263)	**(1,137)**	874
Total debt service expenditures	30,990	**29,589**	1,401
Capital additions:			
Production	26,813	**19,963**	6,850
Transmission	15,330	**13,031**	2,299
General	5,512	**5,390**	122
Total capital additions	47,655	**38,384**	9,271
Total expenditures	$ 248,559	**$ 222,400**	$ 26,159
Revenues less expenditures	$ (31,080)	**$ (15,186)**	$ 15,894

(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.