Platte River Power Authority

Estes Park • Fort Collins • Longmont • Loveland

# Board of directors regular meeting

2000 E. Horsetooth Road, Fort Collins, CO 80525
Thursday, May 28, 2020, 9:00 a.m.
*VIRTUAL MEETING ONLY*

## Call to order

1) Consent agenda *Motion to approve*
   a. Minutes of the regular meeting of Apr. 30, 2020

## Public comment

## Board action items

2) Revision to wholesale transmission service (Tariff WT-21) *Resolution 07-20*

## Management presentations – postponed until further notice

## Management reports

3) Statewide carbon reduction goal
4) Financial update – COVID-19 stress test, rate projections and 2021 budget
5) Debt financing plan
6) Platte River's return to work planning

## Monthly informational reports – for informational purposes only

7) Legal, environmental and compliance report
8) April 2020 operating report
9) April 2020 financial report
10) April 2020 general management report

## Strategic discussions

## Adjournment

Platte River Power Authority

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# 2020 BOARD MEETING PLANNING CALENDAR

| June 5-10, 2020 | APPA National Conference |
|---|---|
| CANCELLED in person event. | Cancelled in person event; replaced with virtual summit and business meeting. |

| July 30, 2020 | Board Action Items | Management Presentations | Management Reports | Monthly Informational Reports |
|---|---|---|---|---|
| | Retirement committee report | IRP recap (pending resumption of in person meetings) | Energy Efficiency programs update | Legal, environmental and compliance report |
| | Board response to state goals | | Standards of conduct | May and June 2020 operating report – mid-year review |
| | | | | May and June 2020 financial report – mid-year review |
| | | | | General management report |

| August 27, 2020 | Board Action Items | Management Presentations | Management Reports | Monthly Informational Reports |
|---|---|---|---|---|
| Retirement Committee Meeting | | Energy Efficiency programs update | 2021 Rate tariff schedules | Legal, environmental and compliance report |
| | | Standards of conduct | | July 2020 operating report |
| | | IRP recommendations (pending resumption of in person meetings) | | July 2020 financial report |
| | | Wholesale rate projections | | General management report |

Updated May 19, 2020

This calendar is for planning purposes only and is subject to change.

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| September 24, 2020 | Board Action Items | Management Presentations | Management Reports | Monthly Informational Reports |
|---|---|---|---|---|
| | Retirement committee report | 2021 Proposed strategic budget work session | Workforce update (MEMO only) | Legal, environmental and compliance report |
| | Standards of conduct | 2021 Rate tariff schedules | | August 2020 operating report |
| | IRP (pending resumption of in person meetings) | | | August 2020 financial report |
| | | | | General management report |

| October 29, 2020 | Board Action Items | Management Presentations | Management Reports | Monthly Informational Reports |
|---|---|---|---|---|
| | 2020 BKD audit plan | 2021 Proposed strategic budget update – public hearing | Benefits updates – memo only (much like staffing update) | Legal, environmental and compliance report |
| | 2021 Rate tariff schedules | | | September 2020 operating report |
| | | | | September 2020 financial report |
| | | | | General management report |

| November, 2020<br>Retirement Committee Meeting | **No Board of Directors Meeting** |
|---|---|

Updated May 19, 2020

This calendar is for planning purposes only and is subject to change.

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| December 10, 2020 | Board Action Items | Management Presentations | Management Reports | Monthly Informational Reports |
|---|---|---|---|---|
| | Retirement committee report | 2021 Strategic budget update and review | | Legal, environmental and compliance report |
| | 2021 Strategic budget adoption | Workforce updates | | October 2020 operating report (November 2020 report, if available) |
| | 2020 Board contingency appropriation transfer – capital additions (if required) | | | October 2020 financial report (November 2020, if available) |
| | 2021 Proposed board of directors regular meeting schedule | | | General management report |

Topics to be scheduled:

- Synopsis of State Legislation of interest – this will be dependent on timing of legislature resuming and if they come back in fall – which they have signaled may happen.
- Windy Gap Firming project debt financing
- Windy Gap Firming Project update – provided by Northern Water
    - Chimney Hollow Reservoir tour
- Water resources reference document (updated version)
- Future water requirements

*** This calendar is for planning purposes only and may change at management's discretion ***

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## 2020 BOARD OF DIRECTORS

| Owner communities | Term expiration |
|---|---|
| **Town of Estes Park**<br>P.O. Box 1200, Estes Park, Colorado 80517 | |
| Mayor Wendy Koenig | April 2024 |
| Reuben Bergsten | December 2024 |
| **City of Fort Collins**<br>P.O. Box 580, Fort Collins, Colorado 80522 | |
| Mayor Wade Troxell—Chair, Board of Directors | April 2021 |
| Ross Cunniff | December 2020 |
| **City of Longmont**<br>350 Kimbark Street, Longmont, Colorado 80501 | |
| Mayor Brian Bagley | November 2021 |
| David Hornbacher—Vice Chair, Board of Directors | December 2022 |
| **City of Loveland**<br>500 East Third Street, Suite 330, Loveland, Colorado 80537 | |
| Mayor Jacki Marsh | November 2021 |
| Joseph Bernosky | December 2021 |

Platte River Power Authority

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## Our vision

To be a respected leader and responsible power provider improving the region's quality of life through a more efficient and sustainable energy future.

## Our mission

While driving utility innovation, Platte River will safely provide reliable, environmentally responsible and financially sustainable energy and services to the owner communities of Estes Park, Fort Collins, Longmont and Loveland.

## Our values

**Safety**
Without compromise, we will safeguard the public, our employees, contractors and assets we manage while fulfilling our mission.

**Integrity**
We will conduct business equitably, transparently and ethically while complying fully with all regulatory requirements.

**Service**
As a respected leader and responsible energy partner, we will empower our employees to provide energy and superior services to our owner communities.

**Respect**
We will embrace diversity and a culture of inclusion among employees, stakeholders and the public.

**Operational excellence**
We will strive for continuous improvement and superior performance in all we do.

**Sustainability**
We will help our owner communities thrive while working to protect the environment we all share.

**Innovation**

We will proactively deliver creative solutions to generate best-in-class products, services and practices.

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# Memorandum

**Date:** 5/20/2020

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer
Angela Walsh, board secretary

**Subject:** **Consent agenda**

Staff is requesting approval of the following item(s) on the consent agenda, supporting documents are included for each item. Approval of the consent agenda will approve all item(s) unless a member of the board removes an item from consent for further discussion.

a) Minutes of the regular meeting of Apr. 30, 2020

Attachment

Platte River Power Authority

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# Regular meeting minutes of the board of directors

2000 E. Horsetooth Road, Fort Collins, CO
Thursday, Apr. 30, 2020

## ATTENDANCE

**Board members via Skype**
Representing Estes Park: Mayor Wendy Koenig and Reuben Bergsten
Representing Fort Collins: Mayor Wade Troxell and Ross Cunniff
Representing Longmont: Mayor Brian Bagley and David Hornbacher
Representing Loveland: Mayor Jacki Marsh and Joe Bernosky

**Platte River staff via Skype**
Jason Frisbie (General Manager/CEO)
Sarah Leonard (General Counsel)
Dave Smalley (Chief Financial Officer and Deputy GM)
Andy Butcher (Chief Operating Officer)
Alyssa Clemsen Roberts (Chief Strategy Officer)
Angela Walsh (Executive Assistant/Board Secretary)
Shelley Nywall (Director of Finance)

**Guests**
Jodie Cates (BKD)
Tim McCollough (City of Fort Collins)
Public call in line – guests unknown

## CALL TO ORDER

Chair Troxell called the meeting to order at 9:10 a.m. A quorum of board members was present via Skype for Business. The meeting, having been duly convened, proceeded with the business on the agenda.

Chair Troxell announced that the Platte River staff decided to keep the board, staff and public safe by hosting a virtual meeting, and a call line had been opened for the public to call in on and listen to the meeting. He stated that all presentations had been postponed until in-person meetings could resume, and staff invited the public to send in public comments via email to the board secretary to be dispersed to the board in lieu of in-person comments. Chair Troxell also welcomed new board member, Wendy Koenig, from Estes Park.

## ACTION ITEMS

### (1) Consent agenda

#### a. Approval of the regular meeting minutes of Mar. 26, 2020

Director Cunniff moved to approve the consent agenda as presented. Director Bagley seconded. The motion carried 7-0 via roll call vote with Director Koenig abstaining.

**PUBLIC COMMENT**

No comments were submitted prior to the start of the meeting.

**BOARD ACTION ITEMS**

**(2) 2019 BKD audit report (presenter: Dave Smalley, BKD)**

Jodie Cates with BKD presented the results of the audit of 2019 financial statements outlined in the post-audit letter, management representation letter and the 2019 audit report included in the board packet. In reviewing the post-audit letter, Ms. Cates noted no audit adjustments were requested or proposed.

Ms. Cates outlined the audit report results relating to the financial statements and announced that Platte River received a clean, unmodified opinion. Ms. Cates outlined the emphasis of matters discussed in the section related to implementation of GASB 83; restatement comparable to the 2018 audit report.

Ms. Cates directed attention to page 15 of the audit report under total deferred outflows and resources within asset retirement obligations offsetting liability within one single year by amortizing costs for the remainder of the asset's life.

Ms. Cates highlighted the new items from 2018 listed within the notes; asset retirement obligation disclosure, accounting pronouncements adopted including GASB 83 and 89, non-current asset liabilities and an itemized list of assets related to the asset retirement obligations.

Director Bergsten moved to accept the 2019 BKD audit report as presented. Director Hornbacher seconded. Director Cunniff complimented staff for a well-run organization. The motion carried 8-0 via roll call vote.

**(3) Acceptance of 2019 annual report (presenter: Alyssa Clemsen Roberts)**

Alyssa Clemsen Roberts introduced the annual report titled *Transforming our energy future together* reflecting the strategic goals Platte River has set including power supply agreements, the continued work on the 2020 integrated resource plan, new rate structures, markets and community outreach and engagement. Ms. Clemsen Roberts noted that the 2019 report will be uploaded onto the website and will not be printed in bulk, requesting the board members to let her know if they would like any copies for their owner communities.

Directors complimented staff on the overall results and success in 2019 and the quality of the 2019 annual report.

Director Bergsten moved to accept the 2019 annual report as presented. Director Bagley seconded, and the motion carried 8-0 via roll call vote.

**(4) Retirement committee member appointment (presenter: Dave Smalley)**

Dave Smalley, chief financial officer, explained the role of the retirement committee, which oversees the defined benefit plan that was previously closed to new participants in 2010 and explained that a vacancy was left open following the retirement of Todd Jirsa. Committee Chair Bernosky opened the floor for nominations for the retirement committee member appointment.

Director Bergsten nominated Director Koenig to serve on the retirement committee on behalf of Estes Park. No other nominations were made.

Director Bergsten moved to approve Resolution 06-20: Retirement committee member appointment of Wendy Koenig as presented. Director Cunniff seconded, and the motion carried 8-0 via roll call vote.

Jason Frisbie, general manager and chief executive officer, noted that the pension plan was down 8% year-to-date.

**MANAGEMENT REPORTS**

**(5) COVID-19: financial stress test (presenter: Shelley Nywall)**

Shelley Nywall, director of finance, thanked the board for approving the BKD audit report and the 2019 annual report. Ms. Nywall outlined the financial stress testing, studying the reduction of loads during the COVID-19 pandemic and actions taken thus far to conserve cash, speaking directly from the memo provided within the board packet starting on page 215.

Staff will continue to monitor the situation throughout the year and report to the board on a monthly basis.

Director Hornbacher thanked the staffs for assisting and positioning the four owner communities to successfully navigate the current situation.

Mr. Frisbie thanked the staff for working to find various levers to pull to increase revenue, increase cash and reduce expenses.

Director Bergsten thanked staff for the individual load profiles for each owner community.

**(6) DER strategy committee update (presenter: David Hornbacher)**

Director Hornbacher provided an update and overview of the Distributed Energy Resource (DER) strategy committee.

Ms. Clemsen Roberts noted receiving information from the Department of Energy (DOE) regarding a request for information from the Office of Energy Efficiency and Renewable Energy. Platte River plans to submit information on behalf of Efficiency Works and the DER strategy committee based on the new HQ campus building features such as solar, battery, EV charging stations and integrated controls.

Chair Troxell thanked the committee for their work on the project and considering the DOE funding announcement for participation.

Director Bernosky thanked the committee and added a statement that the committee keep the three foundational pillars in mind while reviewing the options for possible DER programs.
Ms. Clemsen Roberts noted that the resource diversification policy was provided during the RFP process and discussed at length during the vendor interviews. Discussion ensued among directors and staff regarding the various considerations while developing the DER strategy.

**(7) IRP revised timeline (presenter: Andy Butcher)**

Andy Butcher, chief operating officer, outlined the revised timeline to submitting the integrated resource plan to Western Area Power Administration due to the inability to conduct in-person meetings.

Director Cunniff supported waiting for in-person meetings and submitting the IRP before the end of the year. Discussion ensued among directors and staff regarding the continuation of modeling and integrating the DER strategy project into the next IRP process.

**MONTHLY INFORMATIONAL REPORTS (were for informational purposes only)**

**(8) Legal, environmental and compliance report (presenter: Sarah Leonard)**

No questions received from the board.

**(9) February operating report (presenter: Andy Butcher)**

No questions received from the board.

**(10) February financial report (presenter: Dave Smalley)**

No questions received from the board.

**(11) General management report (presenter: Jason Frisbie)**

Mr. Frisbie highlighted a few updates from the general management report including the Roundhouse wind and Rawhide Solar projects, demolition of old buildings at the headquarters campus and shared his weekly communications with the staff at Platte River that have focused on protecting employee health safety and continued reliability of the electric system.

No questions received from the board.

**Roundtable and strategic discussion topics**

Board members shared the latest news from the owner communities.

**ADJOURNMENT**

With no further business, the meeting adjourned at 10:42 a.m. The next regular board meeting is scheduled for Thursday, May 28, at 9:00 a.m. at the Platte River Power Authority, 2000 E. Horsetooth Road, Fort Collins, Colorado.

AS WITNESS, I have executed my name as Secretary and have affixed the corporate seal of the Platte River Power Authority this _____ day of_____, 2020.

_____
Secretary

Platte River Power Authority

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# Memorandum

**Date:** 5/20/2020

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer
Dave Smalley, chief financial officer and deputy general manager
Wade Hancock, financial planning and rates manager

**Subject:** **Revision to wholesale transmission service (Tariff WT-21)**

The board of directors is required by the amended contracts for the supply of electric power and energy between Platte River and the owner communities to review the rates for electric power and energy furnished thereunder at such intervals as it deems appropriate, but no less frequently than once each year. It has been routine practice to review and modify the Wholesale Transmission Service tariff under which Platte River offers transmission service to third parties, on an annual basis in the second quarter after the audited year-end financial results are available. This ensures that the rate reflects the most recent costs of operation and maintenance and actual transmission usage.

Accompanying this memo in the May board materials are the following documents:

- Resolution to adopt the Wholesale Transmission Service tariff (Tariff WT-21) as proposed
- Wholesale Transmission Service tariff (Tariff WT-21)
- Redline version of the Wholesale Transmission Service tariff (Tariff WT-21)

The Wholesale Transmission Service tariff includes multiple rates for transmission services charged to other utilities (such as Xcel Energy and Tri-State) that use Platte River's transmission system. The Wholesale Transmission Service tariff is also charged to Platte River for merchant sales. Although Platte River is not subject to Federal Energy Regulatory Commission (FERC) jurisdiction, Platte River uses the FERC pro-forma open access transmission tariff. The following proposed wholesale transmission service components and rates were calculated using the 2019 year-end financial and operational information.

Platte River's owner communities are not charged this tariff but instead pay for transmission use through the firm power service tariff transmission demand charge. The transmission

demand charge and the wholesale transmission service tariffs are not the same. The Wholesale Transmission Service tariff adjustments have been made to exclude transmission costs associated with the use of third-party transmission resources; only Platte River's transmission system costs are recovered through this tariff.

Effective Jan. 1, 2020, Platte River implemented a rate structure to improve transparency, flexibility and system benefits. The rate structure is a philosophical change to revenue collection that is in line with Platte River's rate setting policy adopted by the board in 2018. The rate structure resulted from a multi-year collaborative rate strategy and design study between Platte River and the owner communities' staffs. As part of the study, Platte River also implemented a new cost of service model developed in conjunction with NewGen Strategies and Solutions, LLC (NewGen), Platte River's rate consultant. The new cost of service model includes modifications to prior allocation methodologies for a portion of Platte River's costs. Additionally, for the purpose of the Wholesale Transmission Service tariff, Platte River is changing from a utility basis to a modified cash basis of cost collection. The cost allocation methodologies and rates are in accordance with best practices and FERC rate guidelines that wholesale transmission rates must be just and reasonable and not unduly discriminatory or preferential.

### Real power loss factor

Based on the 2019 actual loss analysis, the real power loss factor is decreasing from 1.95% to 1.94% relative to 2018.

### Reactive supply and voltage control from generation sources service (RSVC)

Platte River charges this rate to network transmission customers. The RSVC charge is increasing 179.0% from $36.16 to $100.87 per megawatt of reserved capacity per month.

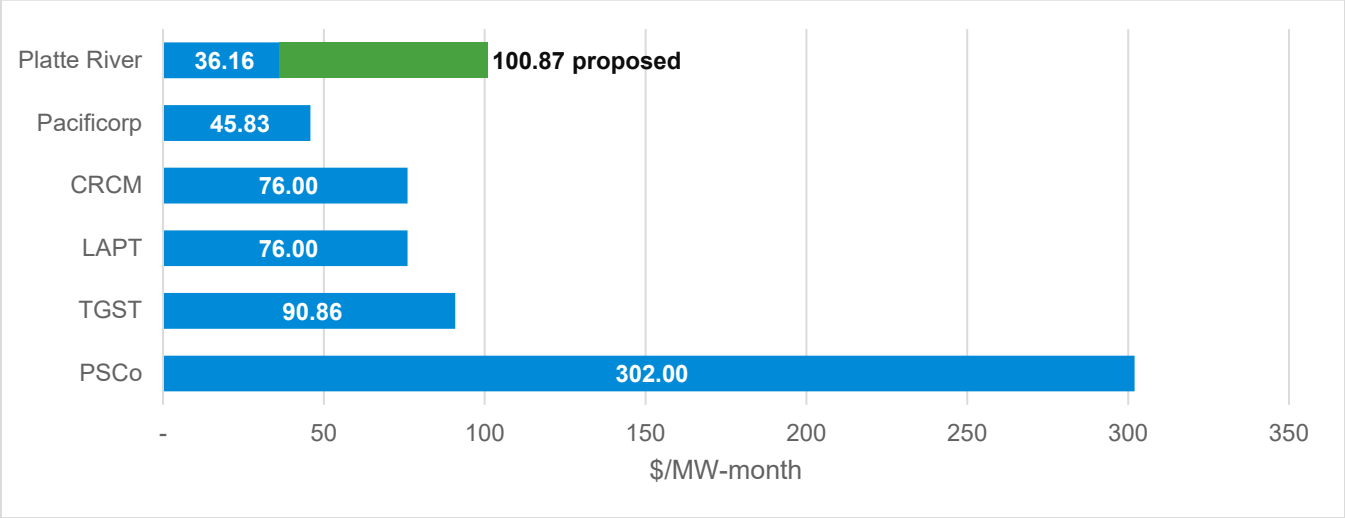
Historically, Platte River established the RSVC fixed cost revenue requirements based entirely on assets. It is considered best practice to include all production fixed costs in the revenue requirement, which includes operations and maintenance and an allocation of administrative and general expenses.

Additionally, the net value of assets used to supply RSVC service increased due to asset replacements and identifying additional existing assets that are critical to supplying this service. As a result, the RSVC revenue requirement (numerator) increased 174.2%.

The transmission usage (denominator) decreased 1.7% due to lower owner community loads, creating additional upward rate pressure.

While the charge for RSVC service is increasing considerably, the new rate will be more in line with other benchmarked regional providers.

**FIGURE 1: Reactive supply and voltage control from generation sources service**




*Source data from open access transmission tariffs as of Apr. 21, 2020

## Point-to-point transmission service

Long-term and short-term firm point-to-point transmission service and non-firm point-to-point transmission service are proposed to increase 4.2% from $6,448.73 to $6,716.72 per megawatt of reserved capacity per month. The net 4.2% increase is the result of a 2.4% increase in the adjusted transmission revenue requirement (numerator) and a 1.7% decrease in transmission usage (denominator) due to lower owner community loads.

The revenue requirement is increasing from $43,688,135 to $44,735,297, due to the following:

- Operations and maintenance transmission expense increase primarily due to personnel expenses.
- Administrative and general expense increase due to personnel expenses and contracted services paired with a modification to the cost of service allocation methodology.

As part of the methodology change to a modified cash basis to establish the revenue requirement, Platte River uses debt service (principal and interest) for capital costs associated with building, maintaining, and operating its transmission system and a debt service coverage margin to allow it to prudently invest in capital to meet the transmission needs of its owner communities and third-party wholesale transmission service customers.

Mitigating the revenue requirement upward drivers is an increase in the credit for Platte River transmission reservations for surplus sales and a credit resulting from an allocation of other

revenue, including interest income, to transmission due to the modification of the cost of service allocation methodology.

## Recommendation

Platte River staff recommends adoption of the Wholesale Transmission Service tariff as proposed. Platte River continues to reserve the right to offer discounted transmission rates for specific transmission paths.

If approved, this tariff will become effective on Jun. 1, 2020.

Attached to this memorandum is a copy of the proposed tariff, a redlined tariff and a resolution that authorizes amendment of the Wholesale Transmission Service tariff.

Attachments

## Wholesale Transmission Service (Tariff WT-21)

Platte River Power Authority (Platte River) offers transmission service through this Wholesale Transmission Service Tariff (WT-21). Tariff WT-21 does not apply to any entity taking service under Platte River's Firm Power Service Tariff; Standard Offer Energy Purchase Tariff; or Large Customer Service Tariff. Tariff WT-21 may or may not be equivalent to Platte River's open access transmission service tariff (OATT), posted on Platte River's Open Access Same-Time Information System (OASIS) web site.

A summary of the charges follows.

The Real Power Loss factor is 1.94%.

(1) Scheduling, System Control, and Dispatch Service

No charge in addition to that for Transmission Service (items 7 and 8 below).

(2) Reactive Supply and Voltage Control from Generation Sources Service

$100.87 per megawatt (MW) of Reserved Capacity per month.

(3) Regulation and Frequency Response Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(4) Energy Imbalance Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(5) Operating Reserve—Spinning Reserve Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(6) Operating Reserve—Supplemental Reserve Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(7) Long-Term and Short-Term Firm Point-to-Point Transmission Service

The charges can be up to the following limits:

| | |
|---|---|
| Yearly Delivery | $80,600.67 per MW of Reserved Capacity per year |
| Monthly Delivery | $6,716.72 per MW of Reserved Capacity per month |
| Weekly Delivery | $1,550.01 per MW of Reserved Capacity per week |

| | |
|---|---|
| Daily Delivery | $310.00 per MW of Reserved Capacity per day |
| Hourly Delivery | $19.38 per MW of Reserved Capacity per hour |

(8) Non-Firm Point-to-Point Transmission Service

The charges can be up to the following limits:

| | |
|---|---|
| Monthly Delivery | $6,716.72 per MW of Reserved Capacity per month |
| Weekly Delivery | $1,550.01 per MW of Reserved Capacity per week |
| Daily Delivery | $310.00 per MW of Reserved Capacity per day |
| Hourly Delivery | $19.38 per MW of Reserved Capacity per hour |

Transmission Revenue Requirement

The charge for Network Integration Transmission Service is calculated pursuant to the Federal Energy Regulatory Commission (FERC) Pro Forma Open Access Transmission Tariff Attachment H based on Platte River's annual transmission revenue requirement of $44,735,297. This transmission revenue requirement is calculated in accordance with the FERC pro-forma Network Service Rate calculation requirement.

Joint Dispatch Transmission Service

Joint Dispatch Transmission Service is applicable only to load serving entities in the Public Service Company of Colorado (PSCo) Balancing Authority Area that are signatories to a Joint Dispatch Agreement (JDA) under which: (1) participating generating resources of the parties are dispatched as a pool on a least-cost basis respecting transmission limitations; and (2) the Joint Dispatch Transmission Service Customers' respective transmission service providers have provided within their OATT a transmission service schedule for energy dispatched pursuant to the JDA at a rate equal to zero dollars on a non-firm, as-available basis with the lowest curtailment priority.

| | |
|---|---|
| Hourly delivery: | $0.00 per MW of Reserved Capacity per hour |

## Wholesale Transmission Service (~~Tariff WT-20~~Tariff WT-21)

Platte River Power Authority (Platte River) offers transmission service through this Wholesale Transmission Service Tariff (WT-~~20~~21). Tariff WT-~~20~~ 21 does not apply to any entity taking service under Platte River's Firm Power Service Tariff; Standard Offer Energy Purchase Tariff; or Large Customer Service Tariff. Tariff WT-~~20~~ 21 may or may not be equivalent to Platte River's open access transmission service tariff (OATT), posted on Platte River's Open Access Same-Time Information System (OASIS) web site.

A summary of the charges ~~within the WT-20 Schedules~~ follows.

The Real Power Loss factor is ~~1.95%~~1.94%.

(1) Scheduling, System Control, and Dispatch Service

No charge in addition to that for Transmission Service (items 7 and 8 below).

(2) Reactive Supply and Voltage Control from Generation Sources Service

~~$36.16~~$100.87 per megawatt (MW) of Reserved Capacity per month.

(3) Regulation and Frequency Response Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(4) Energy Imbalance Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(5) Operating Reserve—Spinning Reserve Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(6) Operating Reserve—Supplemental Reserve Service

Platte River is not a balancing authority and does not offer this service. Upon written request, Platte River will assist in arranging for the local balancing authority operator to provide this service; however, Platte River makes no representation that the local balancing authority operator can or will provide the service.

(7) Long-Term and Short-Term Firm Point-to-Point Transmission Service

The charges can be up to the following limits:

| | |
|---|---|
| Yearly Delivery | $80,600.67 per MW of Reserved Capacity per year |
| Monthly Delivery | $6,716.72 per MW of Reserved Capacity per month |
| Weekly Delivery | $1,550.01 per MW of Reserved Capacity per week |

| | |
|---|---|
| Daily Delivery | $310.00 per MW of Reserved Capacity per day |
| Hourly Delivery | $19.38 per MW of Reserved Capacity per hour |
| | |
| ~~Yearly Delivery~~ | ~~$77,384.76 per MW of Reserved Capacity per year~~ |
| ~~Monthly Delivery~~ | ~~$6,448.73 per MW of Reserved Capacity per month~~ |
| ~~Weekly Delivery~~ | ~~$1,488.17 per MW of Reserved Capacity per week~~ |
| ~~Daily Delivery~~ | ~~$297.63 per MW of Reserved Capacity per day~~ |
| ~~Hourly Delivery~~ | ~~$18.60 per MW of Reserved Capacity per hour~~ |

~~(14)~~(8) Non-Firm Point-to-Point Transmission Service

The charges can be up to the following limits:

| | |
|---|---|
| Monthly Delivery | $6,716.72 per MW of Reserved Capacity per month |
| Weekly Delivery | $1,550.01 per MW of Reserved Capacity per week |
| Daily Delivery | $310.00 per MW of Reserved Capacity per day |
| Hourly Delivery | $19.38 per MW of Reserved Capacity per hour |
| | |
| ~~Monthly Delivery~~ | ~~$6,448.73 per MW of Reserved Capacity per month~~ |
| ~~Weekly Delivery~~ | ~~$1,488.17 per MW of Reserved Capacity per week~~ |
| ~~Daily Delivery~~ | ~~$297.63 per MW of Reserved Capacity per day~~ |
| ~~Hourly Delivery~~ | ~~$18.60 per MW of Reserved Capacity per hour~~ |

Transmission Revenue Requirement

The charge for Network Integration Transmission Service is calculated pursuant to the Federal Energy Regulatory Commission (FERC) Pro Forma Open Access Transmission Tariff Attachment H based on Platte River's annual transmission revenue requirement of ~~$43,688,135~~$44,735,297. This transmission revenue requirement is calculated in accordance with the FERC pro-forma Network Service Rate calculation requirement.

Joint Dispatch Transmission Service

Joint Dispatch Transmission Service is applicable only to load serving entities in the Public Service Company of Colorado (PSCo) Balancing Authority Area that are signatories to a Joint Dispatch Agreement (JDA) under which: (1) participating generating resources of the parties are dispatched as a pool on a least-cost basis respecting transmission limitations; and (2) the Joint Dispatch Transmission Service Customers' respective transmission service providers have provided within their OATT a transmission service schedule for energy dispatched pursuant to the JDA at a rate equal to zero dollars on a non-firm, as-available basis with the lowest curtailment priority.

| | |
|---|---|
| Hourly delivery: | $0.00 per MW of Reserved Capacity per hour |

# RESOLUTION NO. __-20

WHEREAS, Platte River Power Authority's "Wholesale Transmission Service Tariff" (Tariff WT-21) sets forth the terms and conditions for unbundled transmission service to entities other than Platte River's owner communities; and

WHEREAS, Platte River's board typically reviews Platte River's wholesale transmission service tariff offering annually during May, using audited financial results for the prior year; and

WHEREAS, Platte River's staff has explained that, in calculating its wholesale transmission service revenue requirement, Platte River uses: (1) its previous year actual operations and maintenance costs, and other applicable income and expenses, such as administrative and general costs, to account for Platte River's costs for its transmission system; (2) debt service (principal and interest) for capital costs associated with building, maintaining, and operating its transmission system; and (3) a debt service coverage margin to allow it to prudently invest in capital to meet the transmission needs of its owner communities and third-party wholesale transmission service customers; and

WHEREAS, Platte River's staff recommends in a memorandum dated May 20, 2020, that Tariff WT-21, which supersedes Platte River's existing wholesale transmission service tariff (Tariff WT-20), be adopted to reflect audited and updated year-end financial results.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Platte River Power Authority that Tariff WT-21, in the form recommended by staff, is adopted to become effective as of June 1, 2020.

AS WITNESS, I have executed my name as Secretary and have affixed the corporate seal of the Platte River Power Authority this _____ day of _____, 2020.

_____
Secretary

Platte River Power Authority

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# Memorandum

**Date:** 5/20/2020

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer
Alyssa Clemsen Roberts, chief strategy officer
Trista Fugate, director of community and government affairs

**Subject:** **Statewide carbon reduction goal**

The first regular session of the seventy-second Colorado General Assembly, which adjourned sine die May 3, 2019, passed several significant pieces of legislation that aim to shape how the state addresses greenhouse gas (GHG) emissions from Colorado's electric utilities.

Key to this effort are HB19-1261 and SB19-236.

Platte River staff prepared the attached whitepaper to provide an overview of this legislation and related matters.

Attachment

# Statewide goals for carbon reduction

**White Paper by Platte River Power Authority**

## Overview

The first regular session of the seventy-second Colorado General Assembly, which adjourned sine die May 3, 2019, passed several significant pieces of legislation that aim to shape how the state addresses greenhouse gas (GHG) emissions from Colorado's electric utilities.

Key to this effort are HB19-1261 and SB19-236.

## HB19-1261: Climate action plan to reduce pollution

HB19-1261 establishes *statewide goals* to reduce 2025 GHG emissions by at least 26%, 2030 GHG emissions by at least 50%, and 2050 GHG emissions by at least 90% compared to a 2005 baseline. It also specifies what the air quality control commission (AQCC) must consider when implementing policies and promulgating rules to reduce GHG pollution, including the benefits of compliance and the equitable distribution of those benefits, the costs of compliance, opportunities to incentivize clean energy in transitioning communities, and the potential to enhance the resilience of Colorado's communities and natural resources to climate impacts.

Further, HB19-1261 states that the AQCC shall not mandate an electric public utility to reduce its emissions by 2030 more than is required by a clean energy plan (CEP) filed with the public utilities commission (PUC) if the plan demonstrates an 80% reduction from 2005 statewide GHG emission levels by 2030 (safe harbor provision). A CEP voluntarily filed with the PUC is deemed approved if the plan demonstrates an 80% reduction by 2030. NOTE: the voluntary submission of a CEP by a cooperative or municipal utility does not alter the entity's regulatory status with respect to the PUC.

## SB19-236: Sunset Public Utilities Commission

SB19-236 was originally intended to reauthorize the PUC and implement the recommendations of the sunset review committee. As passed by the General Assembly, it reauthorizes the PUC and implements most of the recommendations of the sunset review committee; however, it also requires a qualifying retail utility to submit a CEP, and allows any other electric utility to voluntarily submit a plan to the commission as part of its ongoing resource acquisition planning process to seek approval from the commission on how the qualifying retail utility plans to address clean energy targets established in the act. As previously stated, a CEP *voluntarily* filed with the PUC is deemed approved if the plan demonstrates an 80% reduction from 2005 statewide GHG emission levels by 2030.

As defined in SB19-236, a CEP is one that reduces the utility's carbon dioxide emissions associated with electricity sales by 80% from 2005 levels by 2030, and that seeks to provide its customers with energy generated from 100% clean energy resources by 2050.

## Clean energy plan

Platte River's integrated resource plan (IRP) models four energy mix options. Portfolios 1 and 4 are unlikely to achieve 80% or greater emissions reductions by 2030 as required by the CEP. Portfolios 2 and 3 both exceed the minimum level of emissions reductions that utilities will need to achieve for the state to meet its goals.

Should Platte River file a CEP with 80% GHG reductions and achieve emissions reductions of at least 75% by 2030, we would be exempt through 2030 from any additional AQCC regulation or fees associated with GHG emissions.

Currently, the format of the CEP is undetermined. Platte River staff participated in a CEP working group meeting on April 17 coordinated by the air pollution control division in the Colorado Department of Public Health and Environment (CDPHE) to begin developing the content of the CEP guidance document.  A second meeting is being scheduled for late May to allow time to review the guidance document outline and development process and then discuss the details of the guidance document.

The CEP filing deadline is expected to be in early 2021.

## Related matters

AQCC Regulation 22 is proposed to implement a statewide GHG reporting and reduction policy to align with directives from several bills (HB19-1261, SB19-096, SB19-181 and SB19-236) during the 2019 legislative session. Specifically, electric generating units will report GHG emissions data associated with fossil fuel combustion, substation operation ($SF_6$ gas) and emissions associated with energy sales and purchases from the grid. Platte River will be subject to these new requirements and is a party to the rulemaking hearing planned for May 21.

The federal Regional Haze program aims to reduce visibility impairment in protected lands such as national parks and forests. Rawhide Energy Station (Rawhide) is subject to the program due to proximity to Rocky Mountain National Park and the quantity of certain emissions from the site. Every 10 years CDPHE does an evaluation using four factors (cost of additional control, timeframe to install controls, energy and non-air quality impacts and emission source remaining useful life) to determine if additional emission reductions are needed to achieve reasonable progress toward meeting the program's goals. CDPHE is currently evaluating if any additional controls are needed for Rawhide; the decision will be made at a hearing in November 2020 when an updated state implementation plan is proposed and considered for approval by the AQCC.

## Next steps

Staff will remain engaged with the state via the CEP working group, Regulation 22 rulemaking process and Regional Haze state implementation plan development to ensure Platte River's views regarding each issue are expressed and align with our Resource Diversification Policy.

Before the impacts of COVID-19 began, it was staff's belief that the board's approval of the IRP would allow us to begin discussing how we could support and meet the state's carbon reduction goals as well as the federal government's regional haze goals. While the IRP is on pause until we can resume in-person meetings, we need to continue working toward compliance with state legislation and regulatory requirements. Staff intends to bring a resolution to the board in July that would empower staff to begin discussions in how to support the state's energy and environmental legislation and regulation.

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# Memorandum

**Date:** 5/20/2020

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer
Dave Smalley, chief financial officer and deputy general manager
Shelley Nywall, director of finance

**Subject:** **Financial update - 2020 COVID-19 stress test, rate projections and 2021 budget**

The economic impacts of the coronavirus pandemic (COVID-19) are causing significant revenue uncertainty due to a potential for lower owner community loads and lower surplus sales. The purpose of this memo is to provide an update on the financial stress tests for 2020, the status of long-term financial and rate projections, and 2021 budget considerations.

## Financial stress test update

As discussed at the April board meeting, Platte River has completed financial stress tests for 2020 due to COVID-19. Three different owner community loads and surplus sales reduction scenarios were prepared to assess the potential financial impact.

The following table outlines the assumptions made for the impact of COVID-19 on owner community loads and surplus sales volumes and prices. The net revenues represent the results of reduced revenues offset by lower fuel costs for these assumptions. Net income projections also include other projected changes to revenues and expenses. Platte River's strategic financial plan metrics are met in all cases. Since April 1, after normalizing for weather, owner community loads have decreased approximately 8% due to COVID-19 but it is still too early to determine the overall financial impact for 2020 and beyond. The results below have been updated to reflect actual financial results through April and have been adjusted for other known items.

| Financial stress test | Owner community load | Surplus sales volume and price | COVID-19 net revenue (May-Dec) | Other revised estimates (May-Dec) | YTD results 4/30/2020 | Total impact | Net income | Variance from budget * |
|---|---|---|---|---|---|---|---|---|
| Case 1 | -15.0% | -7.5% | $ (11.1) | $ 3.1 | $ 6.0 | $ (2.0) | $ 15.2 | -12% |
| Case 2 | -10.0% | -5.0% | $ (7.7) | $ 3.4 | $ 6.0 | $ 1.7 | $ 18.9 | 10% |
| Case 3 | -5.0% | -2.5% | $ (4.0) | $ 3.6 | $ 6.0 | $ 7.1 | $ 22.9 | 33% |

*Net income budget = $17.2 million

## Long-term financial and rate projections

Typically at the May board meeting, the board of directors is presented with financial projections and the preliminary rate change for the next budget year. Staff would also provide a whitepaper on long-term rate projections. However, due to the uncertainty of the financial impact of COVID-19, more time is necessary to determine the financial impact and rate requirements. After impacts are assessed through June, the 2021 budget and projections will be revised in July and rate projections will be presented to the board of directors in August.

As an interim step, long-term financial projections for 2021 to 2030 have been updated with new market assumptions from a third-party consultant, although these market assumptions do not reflect impacts from COVID-19. The most significant changes are:

- *Surplus sales revenue* – The average surplus sales price dropped approximately 23% in the period of 2021 to 2025, which results in a $49 million reduction in revenues. It is important to recognize the significant reliance and risk of surplus sales revenues. Volatility in prices and revenues causes fluctuations in rate projections. A $1 per megawatt hour price change can cause a change in revenues of $1 million to $1.5 million in 2021 to 2025, depending on volumes. During this time period, the average surplus sales price decreased an average $7.15 per megawatt hour resulting in a reduction in revenues ranging from $3 million to $14 million per year.
- *Interest Income* – Lower interest rates and less cash reserves result in an $8 million reduction in interest earnings.
- *Owner community rates* – The projected rate increase in the period 2021 to 2026 would increase from 2.2% shown in the IRP case P1 (continuity) to 2.8%. Due to impacts of COVID-19 on ratepayers, staff is analyzing the potential to have no rate increase for 2021, although that would result in higher rate projections for 2022 to 2026. Owner community load reductions due to COVID-19 and potentially further reductions to average surplus sale prices have not been factored in at this point. Given the likelihood this will negatively impact financial results and increase rate pressure, a recommendation cannot be made at this time.

Staff recommends eliminating the premium intermittent charge, which results in different rate impacts to each owner community. Considering the situation, alternatives will be evaluated to potentially phase out this charge, if necessary.

## 2021 budget

The 2021 budget will continue to be developed as more information is available. Preliminary departmental budget results have been submitted. Meetings will take place over the next few weeks to analyze the results. The uncertainty and likelihood of lower revenues is the most significant issue to analyze in preparing the budget. Staff is also exploring opportunities for additional contract sales and reviewing expenses to minimize the rate impact. An assessment

will be made that balances rate increases and the pace of additional expenses required to continue Platte River's goals and strategic initiatives that are in process and critical to its long-term success. A few of the strategic initiatives currently in process are described below.

- *Energy imbalance market* – As Platte River prepares to enter the Western Energy Imbalance Market in April 2022 to optimize integration of renewable resources, a new software system and additional staff will be required to manage market activities.
- *DER strategy* – The DER strategy team, consisting of Platte River and the four owner communities' staff, is working collaboratively on programs and long-term strategies for energy efficiency and an integrated system. To continue these activities, additional resources and consulting services may be required.
- *Enterprise resource planning software* – This is a significant multi-year project that will allow staff to gain efficiencies, automate routine manual processes and view actionable data in real time. The solution will replace existing human resources, finance and asset management solutions. The project will be a significant investment and require existing resources and additional staff to implement.
- *Information technology and communication strategic initiatives* – These two areas have been integral to Platte River's success and continued investment is recommended. A long-term strategy was developed for information technology related to cybersecurity and modernizing disparate and aging systems. Further, internal and external communications at Platte River are integral to the organization's overall success.

## Summary

Platte River is committed to making decisions that are in the best interest of the owner communities for the long-term sustainability of the organization. Opportunities for increased revenues and reductions in expenses will be explored to help mitigate potential revenue loss and minimize the rate impact. At the August board meeting, staff will provide a rate recommendation for 2021, as well as discuss long-term financial and rate projections. The proposed 2021 budget will be presented at the September board meeting. Staff will be available at the May board meeting to discuss the schedule and answer questions.

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# Memorandum

**Date:** 5/20/2020

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer
Dave Smalley, chief financial officer and deputy general manager
Julie Depperman, director of treasury services

**Subject:** **Debt Financing update**

Included in the May board packet is a briefing document which presents some of the key considerations and criteria that shape Platte River's financing strategy. The briefing document also addresses the financing plan for the Windy Gap Firming Project.

Construction of the Windy Gap Firming Project is tentatively scheduled to begin in October 2020 with financing scheduled for September 2020. Assuming the schedule does not change, staff intends to begin drafting financing documents during summer 2020.

The purpose of this report is to provide background information on Platte River's financing strategy in order to keep the board informed as staff prepares for the preliminary stages of the planned debt financing.

Staff will be available during the board meeting to answer any questions the board may have.

Attachment

# Debt financing plan

### White paper to Platte River board of directors

## Overview

In 2020, Platte River intends to issue approximately $100 million in bonds to fund the Windy Gap Firming Project. After issuing the series KK debt, Platte River will continue to meet its strategic financial plan (SFP) debt related targets of minimum 200 unrestricted days cash on hand, minimum fixed obligation charge coverage of 1.5 times, and debt ratio of less than 50 percent.

## Financing Strategy

Platte River's debt financing strategy preserves financial flexibility while maintaining adequate liquidity. Financial flexibility enables Platte River to respond and adapt to changing financial conditions as well as minimize the frequency of debt issuance, which lowers overall borrowing costs. This strategy is accomplished by analyzing long-term capital requirements, cash flow projections, market conditions, legal restrictions, and potential impacts on SFP targets to strategically determine the appropriate timing, amount, and duration of debt issuance. The following list provides explanations of specific metrics, internal controls, and restrictions thoroughly evaluated in the debt issuance process.

- ***Legal restrictions*:** Adherence to legal restrictions imposed by Colorado statutes, general power bond resolution, and supplemental power bond resolutions. With the issuance of the series KK bonds, Platte River will work with bond and tax counsel to update documents, however we are not anticipating any substantive changes to the provisions in the power bond resolutions.

- ***SFP targets*:** Preparation and refinement of long-term financial projections focused on meeting SFP targets. Specifically, generating enough cash from operations and debt financings to meet a minimum 200 days unrestricted cash on hand while maintaining

fixed obligation charge coverage of at least 1.5 times, and a debt ratio of less than 50 percent. The targets are designed to maintain a strong AA credit rating.

- ***Project definition***: Capital planning to determine the projects to debt finance. Bond documents require specific details about the projects being financed, including project costs and schedules. Platte River will consider funding infrastructure projects with long-term debt to shift and spread the initial cost to benefit the system over the same period as the debt remains outstanding.

- ***Type of financing***: Development of detailed project descriptions to determine the type of financing to employ. Platte River may consider using cash reserves or may issue taxable debt for projects that subject Platte River to private activity restrictions. With the assistance of a financial advisor, Platte River analyzes alternative funding methods, including variable rate debt, competitive or negotiated fixed rate debt, direct bank loans, etc., to determine the most appropriate financing method.

- ***Financing amount***: Analysis of long-term capital plans to determine how much to finance. Generally, Platte River anticipates funding 50 percent of its capital plan using cash from operations and 50 percent from debt financing.

- ***Timing***: Creation of detailed project schedules to determine timing of financing. Issuing bonds is expensive; for the last three bond issues, the average cost of issuance is over $318,000, excluding underwriting fees and expenses related to staff time. Platte River will often pay preliminary project expenses from cash reserves then reimburses itself from bond proceeds once projects are fully defined and capital expenses are sizable enough to support a bond issue.

- ***Market conditions***: With the assistance of a financial advisor and investment bankers, the historical and future projection of interest rates are analyzed along with municipal bond supply and demand to determine the appropriate timing for issuing bonds and the economics of including a refunding for Platte River's outstanding debt.

## Financing plan

Platte River projects capital investment over the next five years of $222 million, which includes the Windy Gap Firming Project and a generator outlet line for a wind project. Bond financing will be necessary to fund a portion of the capital projects and maintain adequate reserves.

### Financial results and projections

| Debt coverage *(in 000s)* | Actual 2015 | 2016 | 2017 | 2018 | 2019 | Budget 2020 | Projected 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital additions | $33,130 | $38,384 | $38,299 | $64,419 | $48,628 | $72,774 | $55,674 | $37,168 | $32,533 | $30,040 |
| Total net revenues | $43,351 | $52,736 | $47,207 | $61,293 | $60,126 | $50,197 | $52,828 | $60,594 | $57,696 | $61,107 |
| Net revenue bond service | 28,637 | 29,589 | 26,997 | 20,012 | 18,450 | 23,110 | 24,659 | 24,662 | 24,663 | 24,668 |
| Bond service coverage | 1.51 | 1.78 | 1.75 | 3.06 | 3.26 | 2.17 | 2.14 | 2.46 | 2.34 | 2.48 |
| Total power revenue bonds | $192,715 | $217,890 | $194,340 | $179,760 | $169,425 | $249,770 | $238,955 | $225,700 | $211,790 | $197,190 |
| Total funds | $110,804 | $155,458 | $174,382 | $182,664 | $180,966 | $233,013 | $190,040 | $197,107 | $206,571 | $208,250 |
| Days cash on hand | 205 | 221 | 298 | 362 | 340 | 256 | 216 | 262 | 298 | 305 |

Currently, financing is planned for 2020; however, the timing of financing depends on pending litigation on the Windy Gap Firming Project and project schedules, which are subject to change. As discussed in the “financing authority” section of this whitepaper, when issuing tax-exempt bonds, the projects being financed must be very well defined and described in offering documents. Prior to issuing bonds, Platte River utilizes its financial flexibility by drawing down cash reserves to pay for project preliminary expenses which may be reimbursed from future bond proceeds.

## Professional service support

In 2015, Platte River retained the consulting services of Public Financial Management (“PFM”) to act as Platte River’s independent municipal advisor. PFM assists in developing the financing plan and strategy and provides expert advice on the timing and structure of bond financings. The consultants analyze refunding opportunities of existing debt for potential interest expense savings. PFM is considered a member of Platte River’s financing team during the issuance process and works very closely with staff in all aspects of the financing to help ensure that Platte River obtains the lowest financing costs with the appropriate debt service schedule for Platte River’s debt portfolio.

## Financing authority

When Platte River needs to finance large capital projects, tax-exempt municipal bonds are typically issued. For bondholders, the interest on the bonds is excluded from gross income for federal tax purposes pursuant to section 103 of the internal revenue code of 1986 (tax code). The tax code imposes several requirements on issuers which must be met for the interest

earned by bondholders to be exempt from taxation. These requirements must be met for as long as the bonds remain outstanding. The requirements include, but are not limited to, information filing and other requirements related to issuance, the proper and timely use of bond-financed property, limitations as to the use of bond proceeds, and limitations on the extent to which the bond proceeds may be invested.

One of the limitations as to the use of proceeds is related to the private activity bond tests (section 141 of the tax code). These tests identify arrangements that actually, or are reasonably expected to, transfer benefits of tax-exempt financing to a nongovernmental person. A failed test means the issuer may not issue tax-exempt financing for the project.

When determining which projects to fund by bond proceeds, staff works with bond counsel to determine whether financing the project would subject Platte River to private activity restrictions. If the project does not meet the private activity bond tests, an alternative method of financing would need to be used (*i.e.,* direct bank loan, taxable debt, etc.). In 2017, staff, in conjunction with bond counsel, requested a private letter ruling from the internal revenue service (IRS) on potential private activity involving the Windy Gap Firming Project. In 2018, the IRS issued a favorable ruling confirming that Platte River can use tax-exempt financing for the Windy Gap Firming Project.

When issuing tax-exempt bonds, Platte River is required to issue an official statement related to each bond issue. The official statement includes specific details regarding the issuer and the owner communities, tax status of the bonds, security for the bonds, prior bonds outstanding, sources and uses of funds, and description of the projects to be funded with bond proceeds. The projects need to be very well defined (i.e. detailed description, timing, total cost, cash flows, etc.) in order to be included in the official statement and be financed with bond proceeds.

## 2020 financing project

### *Windy Gap Firming Project*

Platte River has been working with the Municipal Subdistrict, Northern Colorado Water Conservancy District (the subdistrict) on the Windy Gap Firming Project for almost two decades. During those years, Platte River has incurred preliminary costs of $11.7 million related to permitting, design, and engineering. Platte River paid cash for these expenses and has since reimbursed $1.9 million of the costs with proceeds from the series HH bonds. The

total cost of the project has been increasing over the years as the project is further defined, Platte River's participation increased, the actual construction date approaches, and professionals fine-tune cost estimates.

In 2013, the subdistrict estimated total project costs of the Windy Gap Firming Project of $286 million, with Platte River's portion totaling $40 million for 12,000 acre-feet of storage. The most recent estimate (April 2020) indicates total project costs of $655 million, with Platte River's portion totaling $116 million for 16,000 acre-feet of storage.

Construction of the project is currently on hold due to litigation pending in the judicial system. Assuming the litigation is resolved favorably, after final costs are determined Platte River intends to finance its portion through the issuance of up to 30-year tax-exempt bonds and cash reserves.

Platte River reviewed an option to join other project participants in a joint pooled financing issued through the subdistrict. One of the biggest deterrents of joining the pooled financing is the step-up provisions included in the pooled financing agreement. The step-up provisions were discussed at length during the April 2018 board meeting. To summarize, if a pooled participant defaults on a debt service payment, other participants "step-up" and make the payment. The step-up provisions included in the agreement state that if the defaulting participant does not cure, then the participant loses a portion of their storage, the participant no longer makes debt service payments and as long as operation and maintenance payments are made, the participant continues to participate in project. The board agreed that these provisions do not sufficiently protect non-defaulting parties and impose risk of additional debt service payments by Platte River. Due to Platte River's strong AA rating, Platte River is not harmed financially by issuing its own debt and not joining the pooled financing.

In order to comply with bond resolution covenants, Platte River is currently discussing the development of an agreement with the subdistrict wherein Platte River's portion of the project's construction funds will reside in a trust and be used solely for construction of the Windy Gap Firming Project. The subdistrict is concerned that Platte River's master bond resolution covenants require that, if Platte River defaults on bond payments, bondholders have a first lien on bond proceeds. The subdistrict is also concerned that bond covenants require Platte River to control the release of funds from the trust, thereby limiting the subdistrict's ability to draw on project funds directly. Platte River and the subdistrict are working on a potential resolution that the subdistrict finds acceptable while continuing to allow Platte River to meet its bond covenants.

The actual amount of Platte River's bond issue has not been determined. Platte River estimates the range of the financing between $50 million and $100 million depending upon if any additional Windy Gap units that are sold prior to the financing.

## Debt portfolio and market data

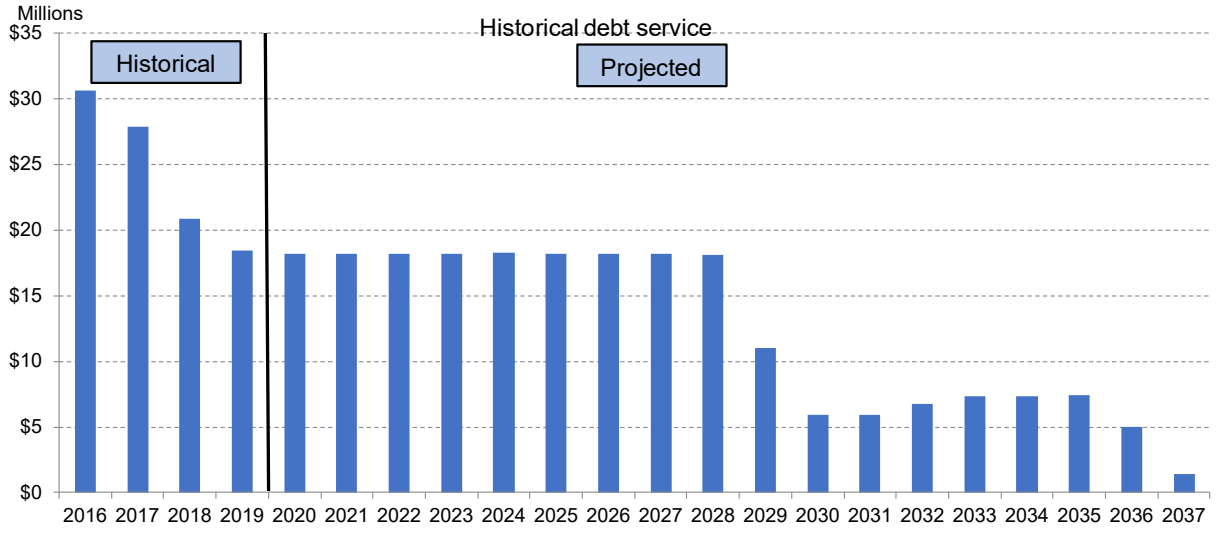
Platte River currently has $159 million of bonds outstanding.

### Platte River bonds outstanding

| Bond issue | Issue date | Final maturity | Amount of bonds issued | Bonds outstanding | TIC at issuance |
|---|---|---|---|---|---|
| Series II | 02/27/2012 | 06/01/2037 | $65,475,000 | $24,865,000 | 3.2% |
| Series JJ | 04/12/2016 | 06/01/2036 | $147,230,000 | $134,250,000 | 2.2% |

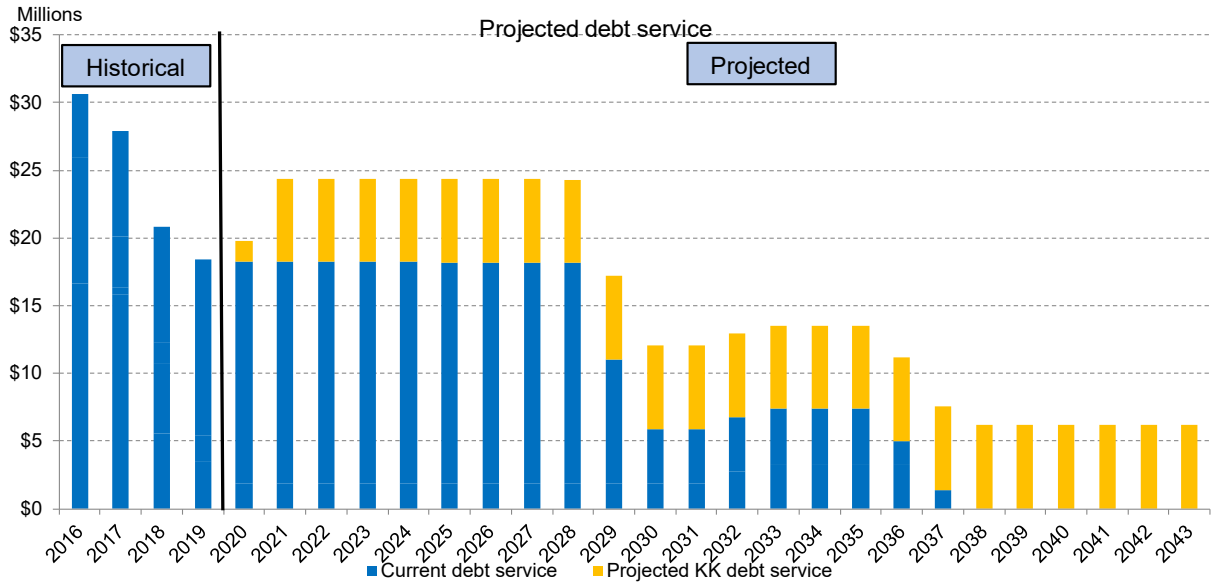
The series II and JJ bonds are callable in 2022 and 2026, respectively. Staff will work with PFM to determine if the bonds should be called with a future bond issue. If a refunding is financially beneficial, staff will determine whether to combine a new money transaction for capital projects in the financing.

## Platte River historical and projected debt service




Platte River's debt service payments declined 40 percent in 2019 as compared to 2016. The debt service payment structure creates substantial debt capacity to fund additional capital.

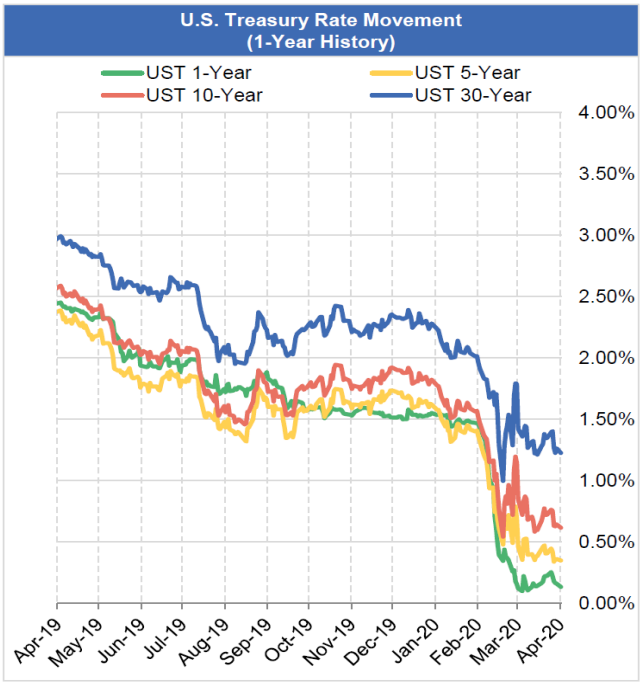
## Platte River historical and projected debt service

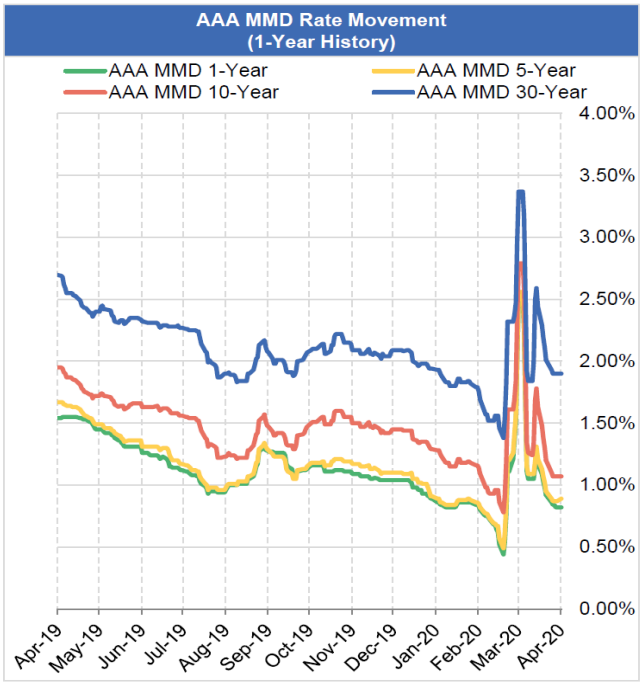


With the new financing, Platte River will continue to meet its SFP debt-related targets, while maintaining financial flexibility. In 2020, the debt ratio remains well below the 50 percent target at 34 percent, debt service exceeds the 1.5 times target at 2.2 times, and unrestricted days cash on hand is projected to be 256 days compared to a minimum target of 200 days.

## Tax-exempt bond yields (municipal market data)

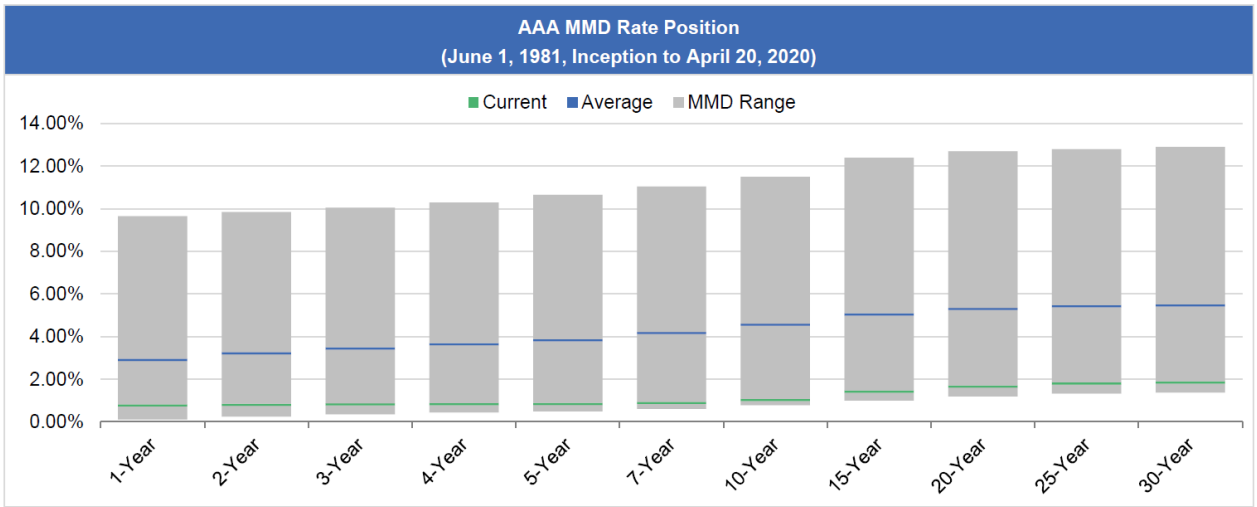
### U.S. Treasury & AAA MMD Rate Movement




*Source: Thomson Reuters*

## AAA MMD Position Since Inception




**Summary of April 20, 2020 vs. Historical (since Inception) MMD Rates**

| Statistic | 1-Year | 2-Year | 3-Year | 4-Year | 5-Year | 7-Year | 10-Year | 15-Year | 20-Year | 25-Year | 30-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|
| April 20, 2020 | 0.82% | 0.85% | 0.87% | 0.88% | 0.89% | 0.94% | 1.07% | 1.47% | 1.71% | 1.85% | 1.90% |
| Historical Average | 2.96% | 3.27% | 3.50% | 3.70% | 3.88% | 4.22% | 4.61% | 5.09% | 5.35% | 5.48% | 5.51% |
| Spread to Average | -2.14% | -2.42% | -2.63% | -2.82% | -2.99% | -3.28% | -3.54% | -3.62% | -3.64% | -3.63% | -3.61% |
| Minimum | 0.11% | 0.25% | 0.36% | 0.44% | 0.49% | 0.61% | 0.78% | 1.00% | 1.19% | 1.33% | 1.38% |
| Maximum | 9.65% | 9.85% | 10.05% | 10.30% | 10.65% | 11.05% | 11.50% | 12.40% | 12.70% | 12.80% | 12.90% |
| % of Time Lower | 20.86% | 18.82% | 14.28% | 7.98% | 4.52% | 0.38% | 0.12% | 0.38% | 0.48% | 0.49% | 0.49% |

*Source: Thomson Reuters*

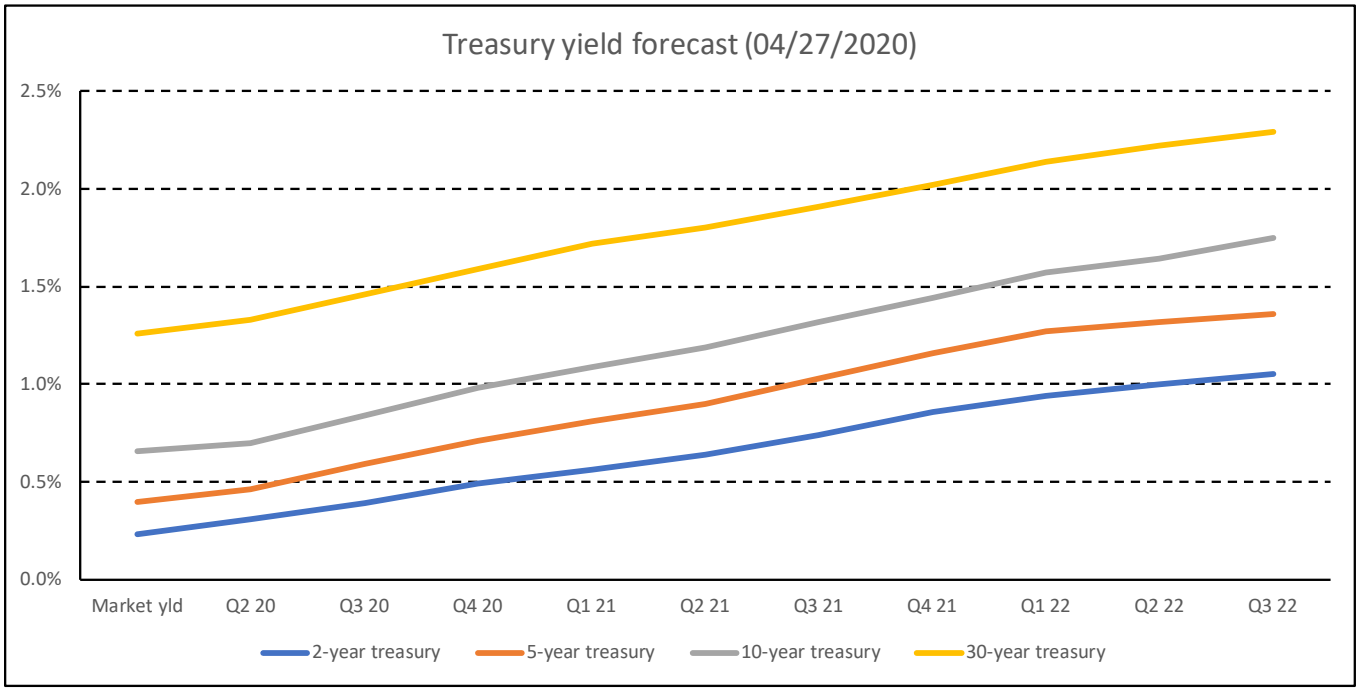


7

Market conditions continue to be favorable for issuing bonds. The amount of municipal bond supply has remained low and manageable with investor demands continuing to be strong for wholesale utilities. Although there has been significant volatility due to the pandemic, tax-exempt yields are near historical lows and credit spreads for essential services remain tight.

During April 2020, PFM provided 25-year tax-exempt debt service projections for Platte River which indicated a true interest cost (TIC) of 2.9 percent to 3.6 percent with an average life of 15 years.

### US treasury yield forecasts




Economists are projecting gradually rising rates over the next year, but are still anticipating them to remain low, which should produce decent borrowing costs for Platte River.

## Next steps

The subdistrict projects construction to begin in October 2020 with financing in September 2020. As stated earlier, this date is subject to change. Assuming a September 2020 financing, staff will begin drafting bond documents (official statement, bond resolution, etc.) during the summer and provide an update to the board in July.

Staff will continue to work closely with PFM to evaluate the most appropriate finance timing and financing method given the market conditions. Financing alternatives include traditional fixed rate bonds, variable rate debt, direct bank loans, and pooled financing.

Platte River Power Authority

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# Memorandum

**Date:** 5/20/2020

**To:** Board of directors

**From:** Jason Frisbie, general manager and chief executive officer
Alyssa Clemsen Roberts, chief strategy officer
Libby Clark, director of human resources and safety

**Subject:** **Platte River's return-to-work planning**

Platte River staff has been closely monitoring the evolving COVID-19 situation over the past several months and has taken numerous precautionary measures to ensure the safety and wellbeing of our employees, contractors and visitors.

Staff is now shifting focus to develop and implement robust return-to-work policies and procedures. Information from several sources has been used to provide a framework for implementation of the policies and procedures at Platte River. These sources include organizations such as the Centers for Disease Control and Prevention, World Health Organization, Colorado Department of Public Health and Environment, Larimer County Department of Health and Environment, American Public Power Association, Large Public Power Council and Society for Human Resource Management.

Plans are currently in development and will be finalized within the coming weeks to ensure readiness to resume operations in the workplace when it is deemed safe and beneficial for employees to return. Development of procedures in areas such as personal hygiene, physical distancing and sanitation are in progress. Modifications to existing procedures like business travel, telecommuting, paid leave and information technology are also being made to reflect new business norms.

We extend our hand and are willing to share any benchmark information we have collected or developed with our owner communities as we all navigate this evolving situation. Our main contact is Libby Clark, director of human resources and safety.

Attachment

Platte River Power Authority

## Return-to-work protocol overview

### May 28, 2020

**Communication**

- Return-to-work training – employees are required to complete a return-to-work training and will provide acknowledgement of updated procedures. Failure to comply with updated procedures may result in discipline up to and including termination.
- Signage – visible signage placed throughout campuses to communicate expectations related to employee hygiene, physical distancing and reporting protocols.

**Personal hygiene/workplace safety**

- Health screens – employees are required to answer screening questions prior to entry into the workplace
- Illness reporting/contact tracing – employees are required to report COVID-19 symptoms/illness of self or household member. Contact tracing procedures will be engaged by HR to determine potential exposure within the workplace
- Temperature checks – employees are required to complete a temperature check conducted by a third party or staff EMT prior to entry into the workplace. Employees with elevated temperatures will not be allowed into the building.
- Masks – employees are required to wear masks in all common areas. Exemptions may be made for medical reasons
- PPE – increased inventory levels of appropriate PPE in place prior to employees returning to workplace
- Contractor/visitor screening – require all visitors/contractors to complete a health screening questionnaire and follow all Platte River COVID-19 protocols including temperature checks and use of face masks

**Physical distancing**

- Building access – access entry/exit will be limited to ensure all employees complete health screening and temperature checks
- Work schedules – restrict access to buildings on Fridays to allow for increased cleaning protocols
- Campus visitation – restrict access between headquarters, warehouse and Rawhide employees to minimize potential exposure
- Common areas – restrict access to conference rooms and require the use of technology to conduct meetings

**Sanitation/disinfection**

- Cleaning supplies – procure disinfecting supplies to ensure open common areas like work rooms and quiet rooms can be frequently cleaned by employees
- Deep cleaning – revise contract with cleaning vendor to ensure deep cleaning expectations are aligned with CDC guidelines for essential workplaces

**Policy/procedures**

The following policies/procedures are being updated as a result of new business operations to ensure compliance with local, state and federal guidance:

- Telecommuting
- Business travel
- Community involvement
- Paid leave

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# Memorandum

**Date:** 5/20/2020

**To:** Board of Directors

**From:** Sarah Leonard, general counsel

**Subject:** **Legal, Environmental and Compliance Report – May board meeting**

## LEGAL ISSUES:

### CURRENT DEVELOPMENTS OF INTEREST

***President Trump Signs Executive Order on Securing the Bulk-Power System***

On May 1, 2020, President Trump signed an executive order authorizing the U.S. Secretary of Energy to work with the Cabinet and energy industry to secure America's bulk-power system.

The order states, "The bulk-power system is a target of those seeking to commit malicious acts against the United States and its people, including malicious cyber activities, because a successful attack on our bulk-power system would present significant risks to our economy, human health and safety, and would render the United States less capable of acting in defense of itself and its allies." Section 1 of the order prohibits the "acquisition, importation, transfer, or installation of any bulk-power system electric equipment by any person, or with respect to any property" through a transaction in which the Secretary of Energy has determined that a "foreign adversary" is involved, if the transaction poses an undue risk of sabotage to or subversion of the bulk-power system or otherwise poses an unacceptable risk to national security. The prohibition applies to transactions initiated after the date of the executive order.

Section 3 of the order establishes a task force headed by the Secretary of the Department of Energy to develop procurement policies and procedures for agencies, evaluate the methods and criteria used to incorporate national security considerations, consult with the Electricity Subsector Coordinating Council and the Oil and Natural Gas Subsector Coordinating Council in developing the recommendations and evaluations, conduct any other studies, and submit studies and recommendations to the President.

Information related to this executive order continues to develop. Platte River staff, along with American Public Power and Large Public Power Council, will monitor developments closely and we will update the board as needed. The Department of Energy has published a two-page set of "frequently asked questions," which we would be happy to share, along with a copy of the executive order or any other information board members may find helpful.

## CURRENT OR THREATENED LITIGATION INVOLVING PLATTE RIVER

### *T-Mobile Cellular Equipment Litigation*

Background:

Beginning in the early 2000s, Platte River entered into a series of leases to permit VoiceStream to place cellular telephone antennas and related equipment on certain transmission towers in the Fort Collins area. These leases, which were for an initial term of five years with two five-year extension options, were later assumed by T-Mobile. In 2016, at the direction of the owner communities' utilities directors, Platte River conducted a risk assessment of the transmission tower attachments. This study concluded that the pole attachments presented an unacceptable risk to the reliability of Platte River's system because, among other things, transmission lines would need to be taken out of service whenever maintenance was performed on the cellular antennas. Accordingly, Platte River informed T-Mobile that it would not extend the leases beyond their then-current terms. T-Mobile later requested additional time to find alternative locations for its cellular antenna facilities, and Platte River agreed to brief extensions of these leases. However, it soon became apparent that T-Mobile was not taking reasonable steps to relocate its facilities.

In December 2018, Platte River entered into final lease extensions with T-Mobile, on the condition that no further extensions would be required. These extensions, for leases DN03028D, DN03077B and DN03292D, expired on Sept. 30, Oct. 31 and Nov. 30, 2019, respectively. As the expiration of the leases approached, T-Mobile informed Platte River that it would not be removing its equipment by the expiration of the leases, as relocation was taking "longer than we had hoped." Platte River requested documentation of T-Mobile's efforts to relocate the facilities, but no further information has been provided. Accordingly, on Oct. 11, 2019, Platte River filed for breach of contract and declaratory relief in the Larimer County District Court seeking, among other things, money damages for T-Mobile's breach of the leases and a declaration of Platte River's rights to remove the cellular antenna facilities at T-Mobile's expense.

T-Mobile answered the complaint on Nov. 14, 2019, and the case is now "at issue." Among other things, T-Mobile has asserted "necessity" and "impossibility of performance" as defenses to Platte River's claims for breach of contract. This matter is subject to simplified civil procedure, which means that discovery will be limited, and procedure is generally expedited. The court has not yet set a trial date.

The parties have shared initial disclosures of witnesses and documents, and Platte River served an initial set of discovery requests to obtain further information regarding T-Mobile's affirmative defenses. All discovery must be completed by May 31, 2020. Counsel for T-Mobile has reiterated T-Mobile's interest in an early settlement, but as of the date of this report has made no settlement offer. We engaged outside counsel to assist with this matter, and we will be required to engage in mediation or another form of alternative dispute resolution by May 31, 2020.

Current Status:

Discovery and exchanges of documents are ongoing. We have an initial mediation session scheduled for June 29, and will continue to update the board as this matter progresses.

***Potential Claim***

Background

Staff sent a demand letter in connection with the potential claim against a contract vendor discussed in executive session at the July 2019 board meeting. The vendor responded on Oct. 24, 2019, generally denying any responsibility for the claim. Platte River has engaged outside counsel to represent its interests in this matter and has provided documentation to counsel for review.

Current status:

Outside counsel has interviewed potential witnesses and continues to review documentation concerning the claim. Staff is actively working with outside counsel to develop a litigation strategy, and will provide further reports in executive session as this matter develops.

## LITIGATION MATTERS OF INTEREST TO PLATTE RIVER

***Southwest Power Pool Western Energy Imbalance Service filing with the Federal Energy Regulatory Commission***

Background:

On Sept. 9, 2019, the Southwest Power Pool announced that Basin Electric Power Cooperative (Basin), Tri-State Generation and Transmission Association (Tri-State), and the Western Area Power Administration (Western) committed to join the Southwest Power Pool's western energy imbalance service, which is a regional energy imbalance market in the western interconnection anticipated to begin operations in February 2021. To implement this new market, the Southwest Power Pool will require changes to its tariff (as approved by the Federal Energy Regulatory Commission (FERC)), including details of how the market will operate and the rates that will be charged to participants in that market. To secure FERC approval, the Southwest Power Pool must demonstrate that its proposed rates are "just and reasonable."

Platte River has a significant interest in the Southwest Power Pool market because Platte River purchases hydropower from Western and shares many common transmission interests with it and with Tri-State. There are significant questions on how the Southwest Power Pool's market will affect entities in the West, as well as how it will allocate market costs. Platte River staff and its Washington, D.C. legal

counsel met with FERC Commissioners and their staff in late January (ahead of the Southwest Power Pool's anticipated filing) to raise these concerns. We understand that representatives of other Colorado utilities similarly reached out to FERC.

On Feb. 21, 2020, the Southwest Power Pool filed its proposed tariff changes with FERC, asking FERC to approve its proposal by May 21, 2020. Although Platte River, along with Joint Dispatch Agreement (JDA) participants Public Service Company of Colorado (PSCo), Black Hills Colorado Energy (Black Hills), and Colorado Springs Utilities, has announced its intent to join the Western Energy Imbalance Market operated by California Independent System Operator's (California ISO), the Southwest Power Pool's tariff filing may have significant impacts on Platte River and other utilities in the western interconnection. Among other things, there are potential issues with "seams"; that is, how rates and use of transmission facilities that overlap within the Southwest Power Pool's energy imbalance service market footprint and other adjacent market territories will be managed. For example, Western jointly owns transmission lines with Platte River and other utilities that will not be part of the Southwest Power Pool's western energy imbalance service market, and there are other parties with contractual rights on transmission paths that will be managed by the Southwest Power Pool. The Southwest Power Pool's FERC filing leaves open significant questions as to how these "seams" issues will be addressed.

In addition, there are concerns about the lack of any cost-benefit analysis demonstrating the benefits of participation in the western energy imbalance service or whether those benefits would outweigh the approximate $9 million start-up cost and $5 million annual administrative cost. There are concerns about whether the western energy imbalance service would allow one or more participants to exercise market power.

Current status:

In light of the considerations outlined above, Platte River filed to intervene and submitted a protest in the FERC proceeding on Mar. 20, and continues to coordinate with the other JDA participants. PSCo, Black Hills, and Colorado Springs Utilities intervened and raised concerns similar to those cited by Platte River (as well as several additional issues, in the case of Black Hills). Numerous other parties intervened. Basin, Tri-State, and Western intervened to support the Southwest Power Pool's proposal. The Colorado Public Utilities Commission, as well as a coalition of public interest organizations, filed comments highly critical of the proposed governance structure.

On Apr. 9, Basin, Tri-State, Western, and the Southwest Power Pool all filed answers to comments and protests that criticized various aspects of the Southwest Power Pool proposal. Answers are prohibited under FERC's procedural rules, but FERC chooses from time to time to waive this restriction if it finds additional filings aid in its decision-making process.

On Apr. 20, FERC's Office of Market Regulation issued a notice to the Southwest Power Pool, identifying a range of areas in which FERC staff found the filings to be deficient. Many overlapped with the concerns Platte River raised in its protest. To respond to the deficiency notice, the Southwest Power Pool must submit additional information on cost recovery, use of transmission service, market

power mitigation, determination of locational marginal prices, remedies for resource insufficiency, and governance, among other areas.

We will update the board about any further developments in this proceeding as it progresses.

***FERC Order for PJM Interconnection, LLC to Expand Minimum Offer Price Rule***

Background:

On Dec. 19, 2019, FERC issued an order (December 19 Order) on capacity auctions in the PJM Interconnection (PJM), which is a FERC-regulated regional transmission organization in the eastern United States. The December 19 Order does not apply outside of PJM, but it has raised alarm bells throughout the public power community because of the reasoning FERC used to reach its decision.

In simple terms, since organized energy markets began to mature in the United States, market participants and regulators have struggled with the risk that generating units needed infrequently (but indispensable during periods of highest power demand) will not remain financially viable if their income depends on energy sales over a small number of hours each year. Mandatory capacity auctions (where all load-serving entities must buy at auction enough offered capacity to meet their assigned portions of system peak) have been one tool through which market operators and regulators have attempted to solve this problem.

In the context of PJM, FERC concluded that capacity resources (primarily renewable power projects) that benefit from state-provided incentives (subsidies, in FERC's view) were undermining capacity auctions by unfairly depressing auction prices (especially harmful to traditional thermal resources such as coal and gas units). Before the December 19 Order, FERC had already instituted rules that set a floor on new generator bids into the PJM capacity auction. The previous rules included some exceptions to accommodate public power entities' self-supply choices.

Not only did the December 19 Order extinguish these exceptions, but FERC adopted a very broad definition of "state subsidy." Under this definition, FERC would find a state subsidy if action by a state or local government has conferred any "financial benefit" on a new resource. The view of many in public power (and of the one FERC Commissioner who dissented from the decision of FERC's other two sitting Commissioners) is that if it stands, it sets a destructive precedent for public power entities in PJM (and for others in public power if FERC applies this principle to other regions and markets).

The principle on which the December 19 Order is based applies to mandatory capacity auctions in organized markets. Capacity auctions are not part of the California ISO Western Energy Imbalance Market and do not currently exist in Colorado. Also, FERC's composition changes over time as presidential administrations change (because FERC Commissioners are nominated by the President), which means that a future slate of FERC Commissioners could view this issue differently.

Current Status:

After FERC issued the December 19 Order, the American Public Power Association, as well as many states within the PJM market footprint, filed with FERC urging it to rehear its December 19 Order. On Apr. 16, 2020, FERC denied the rehearing requests. This cleared the way for appeals in federal court, and on Apr. 20, the American Public Power Association and American Municipal Power, Inc. filed notices of appeal in the United States Court of Appeals for the District of Columbia Circuit.

We will update the board about further developments as the appeals process unfolds.

***Save the Colorado v. Bureau of Reclamation* (D. Ariz. No. 3:19-cv-08285 MTL)**

Background:

On Oct. 1, 2019, Save the Colorado and other environmental groups sued in the U.S. District Court for Arizona challenging the record of decision (Decision) issued by the Bureau of Reclamation (Bureau) to approve the Long-Term Experimental and Management Plan for the Glen Canyon Dam. The Glen Canyon Dam is a large hydropower dam that is part of the Colorado River Storage Project. Platte River is one of the largest offtakers of hydropower from that project, accounting for almost 13% of the Colorado River Storage Project's output.

By way of background, the Glen Canyon Dam was constructed in 1963 under the Colorado River Storage Project Act of 1956, which provided a comprehensive water resource development plan for the upper Colorado River Basin. The plan included the construction of a series of dams on the Colorado River to provide water for agricultural, domestic, and hydropower purposes. In 1992, Congress adopted the Grand Canyon Protection Act to increase protection for the fish, wildlife, and environmental resources in the Grand Canyon. The Grand Canyon Protection Act and the Endangered Species Act (which protects several endangered fish species in the Colorado River) required the Glen Canyon Dam to modify its operations.

In 2009, the United States Department of Interior and the Bureau proposed to implement adaptive management programs for the Glen Canyon Dam to protect environmental resources. Under the National Environmental Protection Act (NEPA), this kind of action requires an environmental impact statement. In 2012, the Bureau studied potential adaptive management options and, in December 2016, issued its Decision on the environmental impact statement, which identified several alternatives for managing the Glen Canyon Dam, including a "no action" alternative. The Bureau's Decision evaluated the impacts of each of the alternatives, including the impacts on hydropower production. The alternative the Bureau selected was determined to have a marginal impact on hydropower production, increasing costs by an estimated 0.17%.

During the NEPA process, Save the Colorado and the other plaintiffs claim to have given the Bureau data regarding climate impacts from the proposed adaptive management program. In their lawsuit, the

plaintiffs assert that the Bureau failed to consider this climate data in issuing its Decision, and that the "statement of purpose and need" in the environmental impact statement failed to include climate change considerations (although climate change was not an issue at the time Congress adopted the Colorado River Storage Project Act). The plaintiffs further claim the Bureau failed to consider alternatives, including filling Lake Mead first (Lake Meade is downstream from Lake Powell, the reservoir created by the Glen Canyon Dam), taking a "run of the river" management approach, and removing Glen Canyon Dam altogether. Of particular concern is the plaintiffs' focus on the Bureau's consideration of hydropower interests. They assert that hydropower is "subservient" to the other purposes of the Colorado River Storage Project and should not be given weight in the NEPA process. If the plaintiffs' litigation succeeds, it would halt the adaptive management program and could force the Bureau to reopen the NEPA process, potentially leading to a program even less favorable for hydropower interests. It may also set a precedent that could endanger other hydropower projects that did not take climate change into consideration.

The Bureau answered the complaint on Dec. 5, 2019. Several entities, including the state of California, the state of Nevada and the Colorado River Energy Distributors Association (of which Platte River is a member) moved to intervene.

Current Status:

This case is in the early phases of litigation, as the parties focus on preparing the administrative record for review. We will provide further updates as additional information becomes available.

***Save the Colorado, et al. v. United States Bureau of Reclamation* (D. Colo. No. 17-cv-2563-REB)**

Background:

As a member of the Municipal Subdistrict of the Northern Colorado Water Conservancy District, Platte River is a participant in the Windy Gap Firming Project (the "Firming Project"), which seeks to secure delivery of water from the Western Slope to the Front Range. The centerpiece of the Firming Project is Chimney Hollow Reservoir, a 90,000-acre-foot reservoir adjacent to Carter Lake, which will store water delivered from the Colorado River and certain tributaries for future use by Platte River and the other project participants. The Firming Project was permitted by the U.S. Bureau of Reclamation and the Army Corps of Engineers after an extensive environmental review under NEPA. On Oct. 26, 2017, several environmental groups filed a legal action challenging the adequacy of the NEPA review for the Firming Project and seeking to invalidate the permits for the project. Unlike a typical civil lawsuit, the case will be heard by a court without pretrial discovery, and the court's review will be limited to whether there is adequate support in the administrative record to justify the agencies' actions on the permits for the project. The Bureau of Reclamation and Army Corps of Engineers filed an answer on Jan. 16, 2018, denying the allegations of the complaint. Northern Water and several other parties moved to intervene, and those motions were granted. The administrative record has been filed and the matter has been fully

briefed. The case has been assigned to U.S. District Judge William Martinez for a decision on the merits, and staff is hopeful that the court will issue its ruling in early 2020.

The District Court recently issued an order indicating that this matter has been reassigned to Judge Tim Tymkovich, who sits on the Tenth Circuit court of appeals. The District Court may assign a case to an appellate judge to help relieve backlog. We believe it is a positive sign that this case has been reassigned and may indicate that the District Court will act soon. Because this case involves the review of an administrative record and will not involve a trial with live testimony and documentary evidence, we do not believe the reassignment will cause any delay while the new judge gets up to speed.

Current Status:

There are no new developments in this matter since the last report.

***El Paso Electric Co. vs. Federal Energy Regulatory Commission,* (5th Cir. No. 18-60575)**

Background:

FERC Order 1000, issued in 2011, requires FERC-jurisdictional utilities to create regional transmission planning organizations with authority to plan transmission expansions and allocate costs to the beneficiaries of the new transmission projects. Although Platte River is not subject to FERC jurisdiction, Platte River participates in the Order 1000 planning process through WestConnect, a planning organization covering a region generally corresponding with boundaries of the states of Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming. Platte River is a party to the WestConnect Planning and Participation Agreement along with other FERC-jurisdictional and non-jurisdictional utilities in the planning region.

The current dispute concerns the cost allocation provisions of the Planning and Participation Agreement, which allow non-FERC jurisdictional utilities (referred to as “Coordinating Transmission Owners” or “CTOs”) to opt out of cost allocation for regional transmission projects. El Paso Electric Co. and several other FERC-jurisdictional utilities filed appeals challenging FERC’s approval of the WestConnect cost allocation provisions, asserting that permitting CTOs to opt out of cost allocation would result in rates to other utilities that are unjust and unreasonable. On Aug. 8, 2016, the Fifth Circuit Court of Appeals agreed with El Paso and remanded the case to FERC.

On remand, FERC reaffirmed its decision to accept the WestConnect cost allocation proposal. In so doing it reiterated the unique jurisdictional characteristics of the Western Interconnect and explained that the WestConnect proposal contained sufficient incentives for non-jurisdictional utilities to accept cost allocation responsibilities. FERC noted that it could resort to its authority under Section 211A of the Federal Power Act if non-jurisdictional utilities’ refusal to participate in cost allocation would result in rates that were not just and reasonable. On Aug. 17, 2018, El Paso Electric Company filed a review action with the Fifth Circuit Court of Appeals.

Platte River is not a party to the action but may coordinate with other affected, non-jurisdictional utilities in filing an *amicus* brief. Platte River participated in settlement negotiations between the jurisdictional and non-jurisdictional utilities on modifications to the cost allocation and governance provisions of the Planning and Participation Agreement.

The jurisdictional and non-jurisdictional utilities agreed on settlement principles. On Nov. 20, 2019, the Court granted an extension of the abeyance period to allow the utilities to incorporate the settlement principles into tariff language to be filed with FERC. The utilities are developing the tariff language.

Current Status:

There are no new developments in this matter since the last report.

***New England Ratepayers Association Petition for Declaratory Order* (FERC Docket No. EL20-42-000)**

The New England Ratepayers Association (NERA) filed a petition for a declaratory order asking FERC to (1) declare that there is exclusive federal jurisdiction over wholesale energy sales from generation sources located on the customer side of the retail meter (often referred to as net-metered facilities), and (2) order that the rates for sales from net-metered facilities be set in accordance with the Public Utility Regulatory Policies Act of 1978 (PURPA) or the Federal Power Act. NERA argued that net-metered facilities (smaller than 1 MW, and including rooftop solar) are by definition “Qualifying Facilities” under PURPA. Sales rates under PURPA are capped at utility avoided costs which, in the case of small facilities, are almost always avoided energy (and not capacity) costs.

Comments were originally due on May 14, 2020. Several entities asked FERC to grant a 90-day extension. FERC granted a 30-day extension, so comments are now due on June 15, 2020. There have been extensive filings on this matter, including many by states public utility commissions. We believe that if FERC grants NERA’s petition, it would profoundly alter state and local decision-making about net-metered facilities across the nation. A favorable FERC decision would almost certainly be appealed in federal court.

We will continue to update the board as this FERC proceeding unfolds.

## ONGOING AND CURRENT MATTERS OF SIGNIFICANCE

### *Grand Lake Clarity NEPA Process*

Background:

The water Platte River receives from the Windy Gap Project is stored in a three-lake system, including Lake Granby, Shadow Mountain Reservoir, and Grand Lake, before it is pumped to the Front Range via the Alva Adams Tunnel. The Northern Colorado Water Conservancy District operates the system. Concerns have arisen about the impact stored water from the Windy Gap Project and the larger Colorado-Big Thompson Project have on the clarity of water in Grand Lake, largely due to the deposit of nutrients in the lakes, which contributes to algal growth. The U.S. Bureau of Reclamation started a NEPA process to address this water clarity issue. Platte River is a coordinating agency in the NEPA process. The outcome of the NEPA process could affect Platte River both as a participant in the Windy Gap Project and as a power customer of the Western Area Power Administration.

At present the matter will proceed as an Environmental Assessment, but may convert to an Environmental Impact Statement, which entails a higher standard of review. A “visioning process” conducted by the Bureau yielded several capital projects that may address the clarity issue. The preliminary, alternative capital projects currently under discussion include (1) dredging and deepening Shadow Mountain Reservoir; (2) extending the Alva Adams Tunnel to tie directly into Shadow Mountain Reservoir; or (3) installing a high-pressure piping system to bypass Shadow Mountain Reservoir. Additionally, a range of smaller-scale options that could be implemented either separately or in conjunction with one of the large-scale alternatives are being evaluated. Public scoping and outreach have not been scheduled but are anticipated to begin the summer of 2020 at the earliest.

The Bureau anticipates distributing a draft report in May that evaluates the preliminary alternative capital projects. Due to COVID-19 concerns, no further cooperating agencies’ meetings are expected until July.

Current Status:

There are no new developments in this matter since the last report.

### *Western Wholesale Market Activities*

Background:

Since negotiations between the Mountain West Transmission Group and the Southwest Power Pool ended in 2018, Platte River has been focusing primarily on market operations under the JDA among Platte River, Black Hills Energy and Public Service Company of Colorado, which has been in place since June 2017.

On June 20, 2019, FERC approved changes to the JDA Tariff necessary to authorize Colorado Springs' participation in the JDA market. Colorado Springs Utilities is now fully integrated into the JDA market, after starting market operations on March 2, 2020.

Because the JDA market lacks sufficient size to balance out the significant variable resources Platte River and other Colorado utilities will need to meet their aggressive decarbonization goals, Platte River and other members of the former Mountain West Transmission Group evaluated proposals from the California Independent System Operator (California ISO) and Southwest Power Pool to provide energy imbalance market services in the West. A significant number of utilities in the West (including Salt River Project and PacifiCorp) have joined the California ISO energy imbalance market. By 2022, this market will include approximately 77% of the electric load in the western United States.

Platte River and the other participants in the JDA engaged the Brattle Group to analyze the costs and benefits of the California ISO energy imbalance market and Southwest Power Pool's western energy imbalance service (discussed above). The results of the Brattle Group study showed significantly greater benefits for the members of the JDA market to participate in the California ISO market than for the Southwest Power Pool market. Accordingly, on Dec. 17, 2019, the JDA market participants (including Platte River) issued a joint press release announcing their intention to join the California ISO market.

On Sept. 17, 2019, the Colorado Public Utilities Commission (Commission) opened a docket under the newly adopted Colorado Transmission Coordination Act (Transmission Act) to study the potential advantages and disadvantages of various market options for the West, including energy imbalance markets, regional transmission organizations, power pools, and joint tariffs. The Transmission Act directed the Commission to hold hearings for public comments on the costs and benefits of markets and to determine by Dec. 1, 2021, whether participation in a market is in the public interest. If the Commission determines that participation in a market is in the public interest, it may claim it has authority to direct jurisdictional utilities to take "appropriate actions" to pursue participation in such a market. Platte River and several other utilities, independent power producers, Southwest Power Pool, California ISO, and various non-governmental organizations have filed notices to participate and initial comments. Platte River and other interested parties filed comments on Nov. 15, 2019, and rebuttal comments were filed on Dec. 15, 2019. The Commission will likely schedule public hearings for early 2020.

<u>Current status</u>:

The Commission's investigatory docket is ongoing, although legislation has been proposed to limit its scope, given the decision of Colorado's largest utilities to join the California ISO's western energy imbalance market and the Southwest Power Pool's western energy imbalance service.

## CONTRACTUAL MATTERS:

### *Solar and Storage Power Purchase Agreement*

Background:

On Feb. 13, 2019, Platte River entered into a Solar Renewable Energy and Storage Power Purchase Agreement (Solar Purchase Agreement) for the construction of a 20 MW solar facility with a 2 MW battery at the Rawhide Energy Station. The term of the Solar Purchase Agreement is 20 years, with an option to extend the term to 40 years. At its meeting on June 10, 2019, the Larimer County Commission gave final approval for the "1041" land use permit required under state law (Colorado House Bill 1041, originally adopted in 1974) for the construction of the solar and battery storage facility. Platte River and DEPCOM, the project developer, entered into an interconnection agreement for the project on June 12, 2019.

Because of difficulties in siting the solar facilities, in order to maintain the economics of the project without an increase in the cost of energy, Platte River and the project developer agreed to increase the capacity of the project from 20 MW to 22 MW. Platte River and the project developer signed an amendment to the Solar Purchase Agreement on Aug. 29, 2019. The developer has obtained all the necessary government permits.

Current status:

Construction is ongoing. The developer and Platte River will start joint commissioning activities at the end of May. We expect project commissioning to continue through the end of August, with commercial operation expected in early September 2020.

### *Roundhouse Energy Project*

Background:

On Jan. 22, 2018, Platte River entered into a Renewable Energy Power Purchase Agreement with Roundhouse Renewable Energy, LLC. Platte River agreed to purchase 150 MW of wind energy from the Roundhouse wind energy project that is being constructed in southern Wyoming. The project developer will deliver the wind energy to Platte River using a 230-kV generation interconnect transmission line that is being constructed by the project developer. On July 10, 2019, Platte River and the project developer entered into a Fifth Amendment to the Power Purchase Agreement to increase the amount of energy purchased from 150 MW to 225 MW. In addition, Platte River entered into an asset purchase agreement to acquire the generator interconnection transmission line.

Current status:

Construction is ongoing. The developer and Platte River will start joint commissioning activities at the end of May. We expect the project may begin commercial operation as early as June 2020. We plan to purchase the generator interconnection transmission line soon after the commercial operation date. Platte River and the developer continue to work on the interconnection agreement, operating procedures, and agreements to enable local retail utilities to provide station service power to the generation site. Platte River and the developer are working to resolve Platte River's concerns with the property rights to certain parcels along the transmission path.

## ENVIRONMENTAL MATTERS:

### *EPA Affordable Clean Energy Rule/Colorado Air Quality Statute Implementation*

Background:

On June 19, 2019, the EPA issued its final Affordable Clean Energy (ACE) Rule, which establishes guidelines for states to use when developing plans to limit carbon dioxide ($CO_2$) emissions at coal-fired power plants. The ACE Rule focuses on heat rate improvements or efficiency improvements as the best system of emission reduction (best reduction systems) for $CO_2$ emissions from coal-fired power plants. The best reduction systems are determined based on technical feasibility, cost, non-air quality health and environmental impacts and energy requirements. In addition to improvements to operation and maintenance practices, the ACE Rule identifies several "candidate technologies" for best reduction systems, including neutral network/intelligent sootblowers, boiler feed pumps, air heater and leakage control, variable frequency drives, blade path upgrades, and economizer improvements. Primary responsibility for implementation of the ACE Rule is delegated to the states, and states will be expected to establish unit-specific standards of performance that reflect the emissions limitation achievable through application of the best reduction system technologies. States will have three years to submit implementation plans to EPA. At least one lawsuit has been filed challenging the ACE Rule, and staff anticipates more lawsuits will be filed in the near future.

At the same time EPA was finalizing the ACE Rule, the Colorado General Assembly adopted several aggressive air quality statutes, including the following:

- SB 19-096, which established goals for the reduction and reporting of greenhouse gas emissions,
- HB 19-1261, which granted the Colorado Air Quality Commission (Air Commission) broad rulemaking authority to implement greenhouse gas reduction goals, and
- SB 19-236, which requires investor-owned utilities to submit clean energy plans that describe their commitment to reaching 80% reductions in carbon emissions by 2030. Municipal utilities such as Platte River may submit clean energy plans voluntarily.

These measures were discussed in more detail at the May 2019 board meeting. Unlike the ACE Rule, which is focused on technology-based emissions reductions, the new Colorado statutes focus on overall emissions reductions without regard to technology.

The Air Commission has begun to hold stakeholder meetings on the new emissions reduction statutes. Although development and implementation of new rules is many months away, Air Commission staff made clear that, to meet the aggressive greenhouse gas emissions reduction goals, it will require a greater reduction of greenhouse gases from the electric utility sector than it will from other sectors over which it lacks effective regulatory control. Staff will provide further updates on these rules as more information becomes available.

Current status:

Platte River staff has been actively involved in Air Commission rulemaking activities for Regulation 22. The part of Regulation 22 that directly applies to Platte River operations sets forth new requirements for reporting greenhouse gas emissions. In general, we are advocating for clarity, consistency, and simplicity in reporting requirements. Platte River's request for party status in the rulemaking was approved on Mar. 19, 2020. All parties (including Platte River) submitted prehearing statements on Apr. 10, 2020, for the hearing scheduled for May 20, 2020.

Platte River has also been actively involved in stakeholder meetings about the process the Air Commission will follow to evaluate clean energy plans. The Air Commission is developing a "guidance document," which we anticipate will lay out specific criteria for plan review, accepted methodologies for emissions accounting, and other assumptions. We anticipate the stakeholder process will result in an initial guidance document for the Air Commission to consider in June or July 2020.

***Regional Haze Review***

Background:

Under the Federal Clean Air Act, the state of Colorado must evaluate regional haze in the front range every ten years to determine if reasonable progress is being made to improve visibility. As part of this process, the state requires emitters of nitrogen oxides (NOx) (a principal contributor to haze) and other emissions to analyze technologies that could be employed to reduce those emissions. Platte River received a letter from the Colorado Department of Public Health and Environment (Health Department) on May 14, 2019 asking Platte River to perform a four-factor analysis for all applicable emission units at Rawhide. Rawhide Unit 1 was the only emission unit for which a four-factor analysis was required. The four-factor analysis assesses the financial cost and technical logistics of control technologies on emission sources, including, for example, the addition of further emissions controls (such as selective catalytic reduction systems) and repowering the unit to fire natural gas.

Platte River engaged Burns & McDonnell to conduct the analysis. If the Health Department determines that additional control measures are economically feasible, it may require new technologies to reduce NOx and other emissions. In the past, the Health Department used a cost threshold of $5,000 per ton of NOx reduction to determine feasibility, which was less than half of the cost of adding selective catalytic reduction systems at the time. The cost threshold for feasibility applied by the state likely will increase. Going forward, the Health Department will include new requirements in state regulations to be approved by the Air Commission. The commitment for additional reductions will also be incorporated into a new State Implementation Plan, which will be reviewed by the State Legislature and then submitted to the EPA for approval.

Platte River submitted the results of its four-factor analysis to the Health Department on Oct. 14, 2019. The report addressed the technically feasible emissions controls that could be implemented at Rawhide Unit 1 to reduce NOx emissions and the associated costs. Staff is waiting for the Health Department to decide whether to require any further emissions controls.

We responded on Feb. 27, 2020 to the Health Department's request for additional information about our four-factor analysis report. The Health Department confirmed it received our response and to date has had no further questions.

Current Status:

The Air Pollution Control Division has indicated it expects to submit a request to the Air Commission in August 2020, asking it for a Regional Haze rulemaking hearing in November 2020.

***Coal Combustion Residuals Regulation***

Background:

The EPA Administrator signed the Disposal of Coal Combustion Residuals from Electric Utilities final rule (Residuals Rule) on Dec. 19, 2014, and it was published in the *Federal Register* on Apr. 17, 2015. This rule finalized national regulations to provide a comprehensive set of requirements for the safe disposal of combustion residuals, primarily coal ash, from coal-fired power plants. On Mar. 1, 2018 the EPA issued proposed revisions to the 2015 final Residuals Rule, which remains in litigation before the U.S. Court of Appeals for the D.C. Circuit. The proposed revisions address several provisions of the 2015 Residuals Rule that had been challenged in previous litigation, as well as additional provisions in response to comments received since the final rule went into effect. Many of the proposed revisions would allow state regulatory programs more flexibility to establish equivalent standards considering site-specific conditions. For now, the state of Colorado has indicated that it intends to continue to regulate coal combustion residuals under its existing solid waste regulations rather than pursuing enforcement authority under the Residuals Rule.

As previously reported, Platte River has taken steps to update its operational plan to comply with the requirements of the Residuals Rule and Colorado solid waste regulations. These steps include increased groundwater monitoring and evaluating the existing topsoil cover at the monofill where ash had previously been disposed of. Concurrently, Platte River obtained approval from the Health Department to close the reclaim pond and bottom ash ponds, which have been replaced with the installation of a concrete settling tank with two separate cells. Decommissioning activities are currently underway and are expected to be completed by mid-2020.

Additional revisions to the Residuals Rule may modify current deadlines, allowing additional time for groundwater monitoring and analysis. However, even if these modifications are adopted, they will not alter Platte River's chosen path to compliance.

Current status:

Platte River is moving forward with final plans to close the bottom ash impoundments at Rawhide. We currently expect site work to begin in July 2020. Closure activities will include removal of all waste material, liner, and other related infrastructure. We will conduct soil and groundwater sampling to confirm no residual impact. This project was delayed from May to July due to concerns about bringing contractors to Rawhide during the COVID-19 outbreak.

**COMPLIANCE MATTERS:**

FERC and the North American Electric Reliability Corporation (NERC) announced they are taking steps to ensure that operators of the bulk electric system can focus their resources on keeping people safe and the lights on during the COVID-19 pandemic.

FERC and NERC are using regulatory discretion to advise all registered entities that they will consider the impact of the coronavirus outbreak on registered entities' ability to comply with reliability standards.

Between Mar. 1, 2020 to Dec. 31, 2020, the effects of the coronavirus will be considered an acceptable basis for non-compliance with the NERC reliability standard (PER-003-2) that requires utilities to obtain and maintain system operator personnel certifications. The effects of the coronavirus will also be considered (on a case-by-case basis) a potentially acceptable reason for non-compliance with reliability standard requirements involving periodic actions registered entities are obligated to take between Mar. 1, 2020 and July 31, 2020.

To date, Platte River has not identified any reliability standards for which it cannot maintain compliance during the pandemic. Staff will continue to evaluate compliance levels and make the necessary notifications should the need arise.

The Western Electricity Coordinating Council and other regional entities have also postponed onsite audits and certifications, as well as other onsite activities, until Sept. 7, 2020.

Platte River Power Authority

# April 2020 operating report

## Executive summary

Municipal demand and energy came in below budget for the month, due to mild temperatures and the COVID-19 stay-at-home and safer-at-home orders. Demand is below budget while energy is near budget, year to date.

Rawhide ran well all month long, with no unplanned outages or curtailments. Both Craig units experienced brief forced outages which lasted only one or two days each.

Wind generation came in well below budget, due to mild weather and icing issues early in the month. Solar generation came in significantly below budget for the month, as the result of the new Rawhide Prairie Solar Project not having come online in April as budgeted. Year to date, wind remains below budget and solar is significantly below budget.

Surplus sales volume came in above budget for the month, as additional energy was available to market due to the Rawhide outage cancelation. Bilateral market pricing came in below budget, due to canceled spring outages and lower loads which resulted in excess energy in the region. Volume is near budget and pricing is below budget, year to date.

Purchase volumes were significantly above budget for the month, as baseload generation units were dispatched down in order to purchase low cost JDA energy, which resulted in below budget purchase pricing. Year to date, purchase volumes remain significantly above budget, while pricing remains well below budget.

Dispatch costs came in significantly below budget for the month, due to below budget Rawhide costs as the result of the canceled Rawhide outage. Year to date, dispatch costs remain below budget.

| Category | April variance | | YTD variance | |
|---|---|---|---|---|
| Municipal demand | (6.3%) | ■ | (7.5%) | ■ |
| Municipal energy | (5.9%) | ■ | (2.0%) | ◆ |
| Baseload generation | 5.4% | ● | (12.2%) | ■ |
| Wind generation | (13.9%) | ■ | (9.1%) | ■ |
| Solar generation | (38.1%) | ■ | (16.8%) | ■ |
| Surplus sales volume | 21.8% | ● | (0.8%) | ◆ |
| Surplus sales price | (8.8%) | ■ | (4.1%) | ■ |
| Purchase volume | 29.6% | ■ | 109.3% | ■ |
| Purchase price | (28.9%) | ● | (20.3%) | ● |
| Dispatch cost | (22.4%) | ● | (6.9%) | ● |

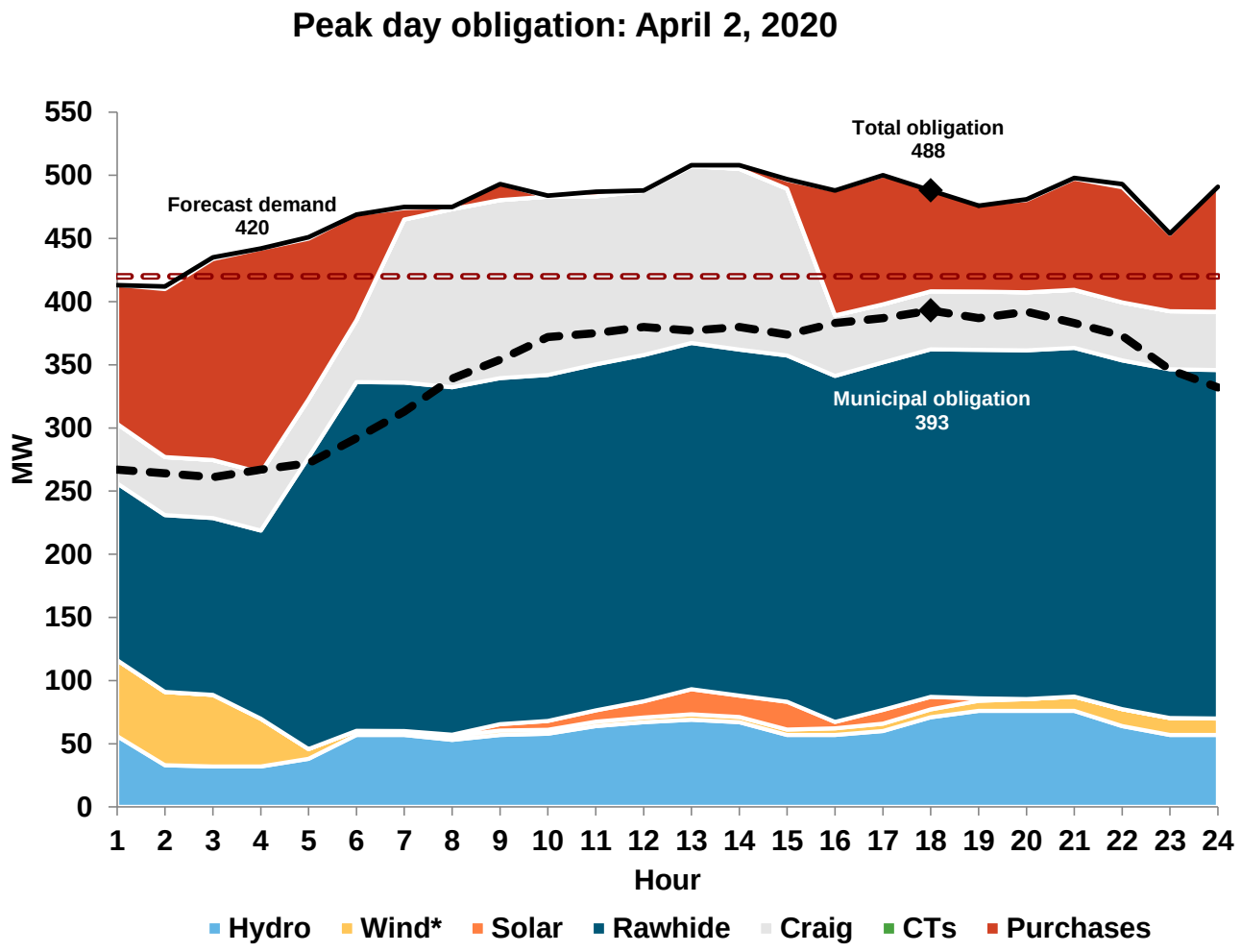
Variance key: Favorable: ● >2% | Near budget: ◆ +/- 2% | Unfavorable: ■ <-2%

## Operational overview

**System disturbances**. There were no system disturbances resulting in loss of load during the month of April.

| 2020 goal | | April actual | | YTD total | |
|---|---|---|---|---|---|
| 0 | ● | 0 | ● | 0 | ● |

**Peak day obligation**. Peak demand for the month was 393 megawatts which occurred on April 2, 2020, at hour ending 18:00 and was 27 megawatts below budget. Platte River's obligation at the time of the peak totaled 488 megawatts.




*Off-system wind RECs and associated energy have been sold to another utility and, therefore, cannot be claimed as a renewable resource by Platte River or its owner communities

## Municipal loads

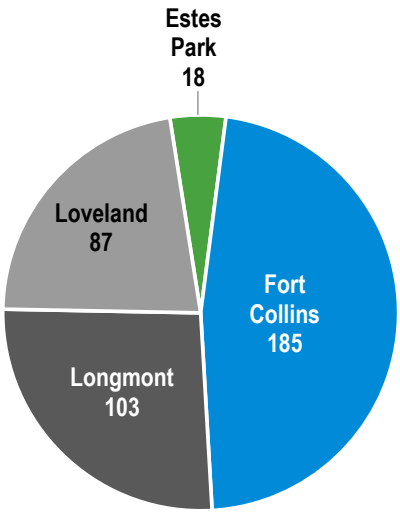
Municipal demand and energy came in below budget for the month, due to mild temperatures and the COVID-19 stay-at-home and safer-at-home orders. Demand is below budget while energy is near budget, year to date.

| | April budget | April actual | Minimum | Actual variance | |
|---|---|---|---|---|---|
| **Coincident demand (MW)** | 420 | 393 | 497 | (6.3%) | ■ |
| Estes Park | 17 | **18** | 13 | 2.4% | ● |
| Fort Collins | 199 | 185 | **234** | (7.2%) | ■ |
| Longmont | 106 | 103 | **137** | (2.4%) | ■ |
| Loveland | 97 | 87 | **114** | (10.3%) | ■ |
| **Non-coincident demand (MW)** | 424 | 397 | 503 | (6.4%) | ■ |
| Estes Park | 19 | **20** | 20 | 3.8% | ● |
| Fort Collins | 199 | 185 | **234** | (7.2%) | ■ |
| Longmont | 107 | 105 | **137** | (2.4%) | ■ |
| Loveland | 98 | 87 | **112** | (11.3%) | ■ |
| **Energy sales (MWh)** | 241,308 | 227,002 | | (5.9%) | ■ |
| Estes Park | 10,169 | 10,102 | | (0.7%) | ◆ |
| Fort Collins | 115,047 | 107,379 | | (6.7%) | ■ |
| Longmont | 60,321 | 59,936 | | (0.6%) | ◆ |
| Loveland | 55,771 | 49,585 | | (11.1%) | ■ |

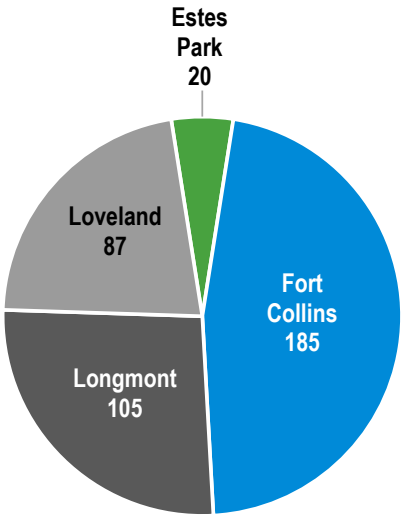
Variance key: Favorable: ● >2% | Near budget: ◆ +/- 2% | Unfavorable: ■ <-2%

**Note:** The bolded values above were those billed to the owner communities, based on the maximum of either the actual metered demand or the annual minimum rachet.

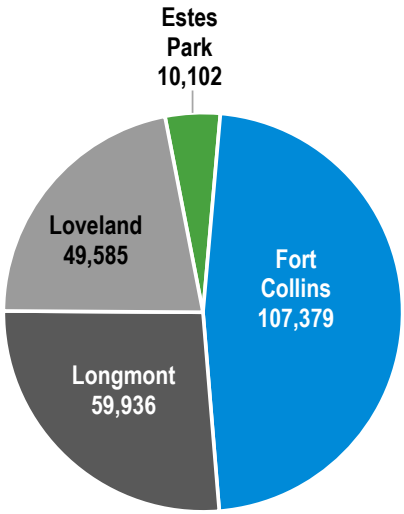
**Actual April coincident demand = 393 MW**




**Actual April non-coincident demand = 397 MW**



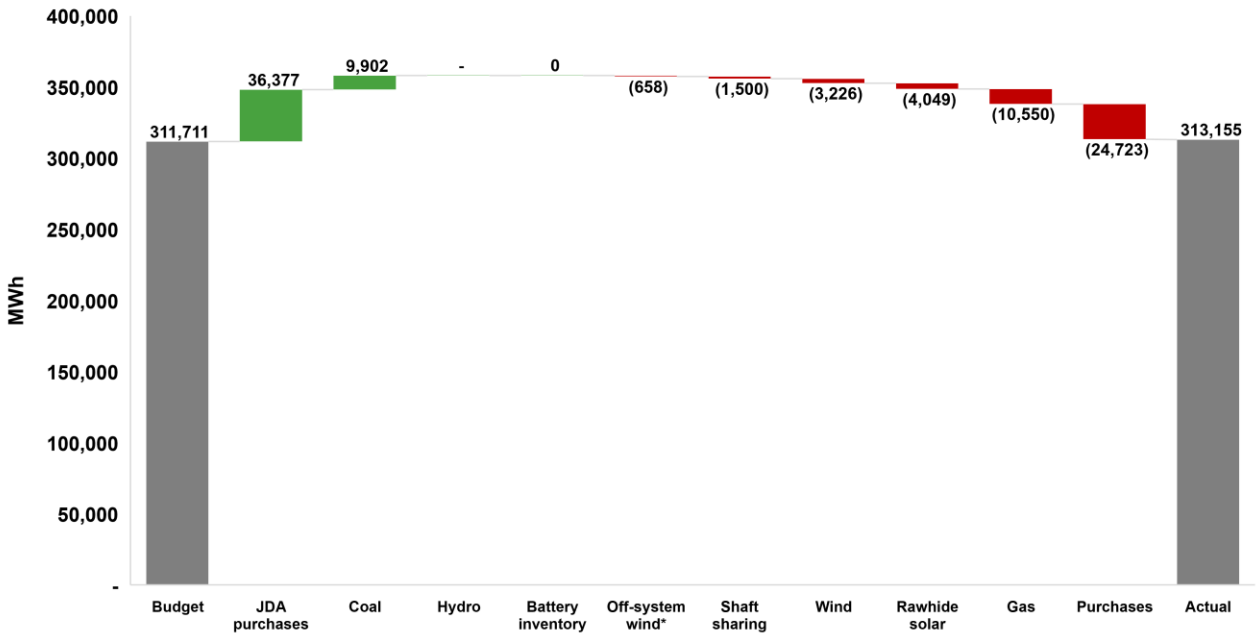

**Actual April energy sales = 227,002 MWh**



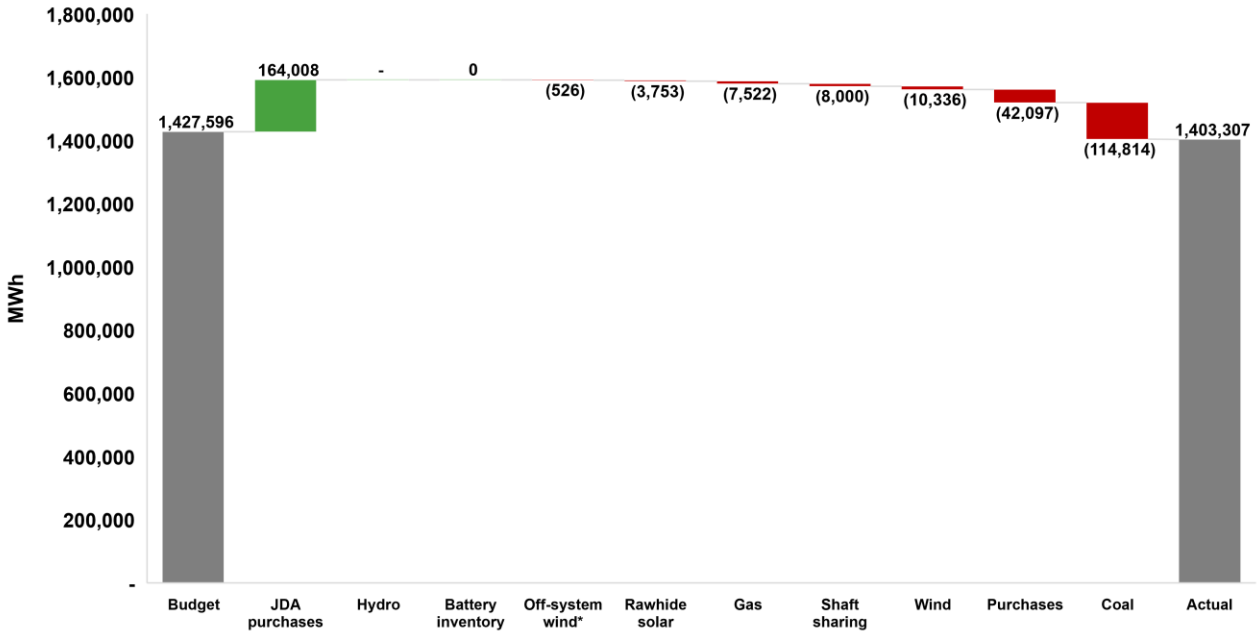
## Source of supply variance

Overall resources came in above budget for the month, primarily due to JDA purchases having come in significantly above budget. Coal resources also came in well above budget, due to the cancelation of the Rawhide outage which, in turn, resulted in below budget gas and bilateral purchases which were no longer needed. Year to date, resources are below budget.

### April variance in production from energy resources




### Year-to-date variance in production from energy resources (MWh)

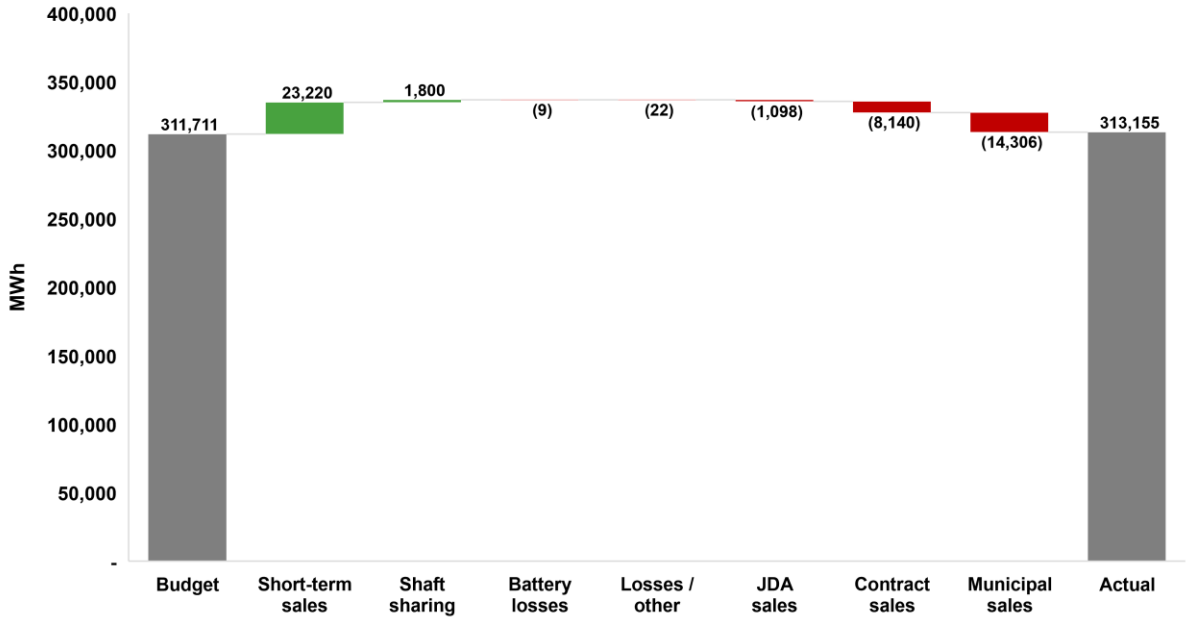



*Off-system wind RECs and associated energy have been sold to another utility and, therefore, cannot be claimed as a renewable resource by Platte River or its owner communities

## Source of delivery variance

Loads and obligations came in slightly above budget for the month, mainly due to above budget short-term sales, despite having been partially offset by below budget municipal and contract sales. Year to date, loads and obligations are near budget.

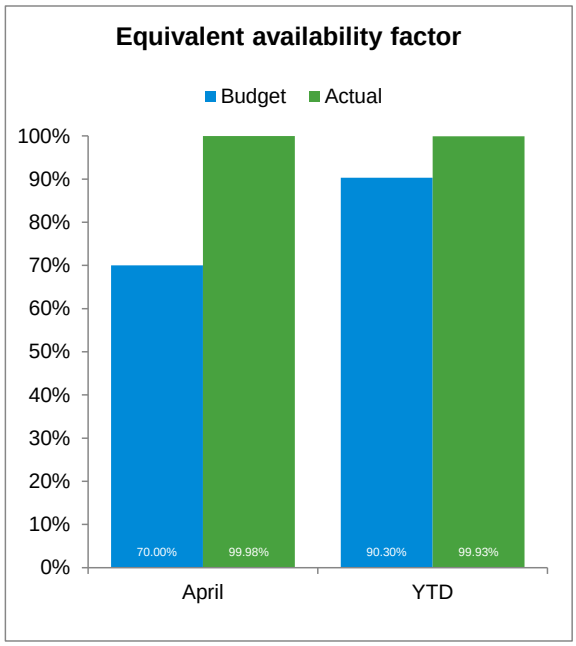
### April variance in deliveries for loads and obligations

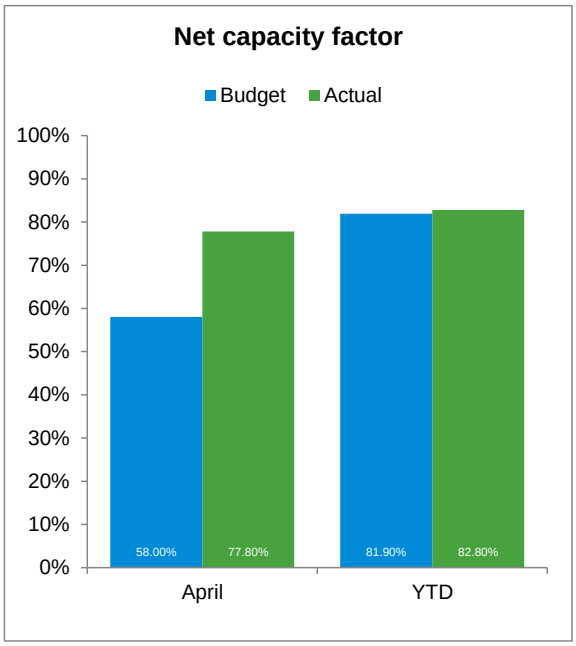



### Year-to-date variance in deliveries for loads and obligations

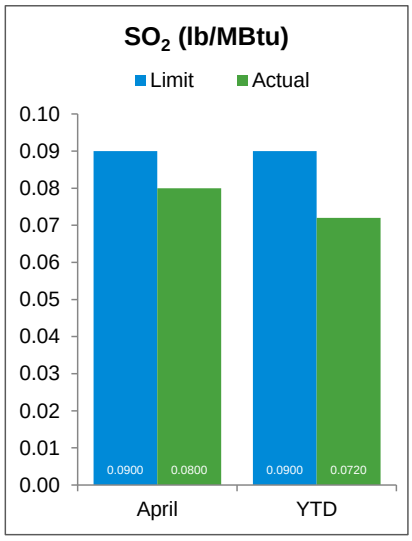
## Power generation - Rawhide

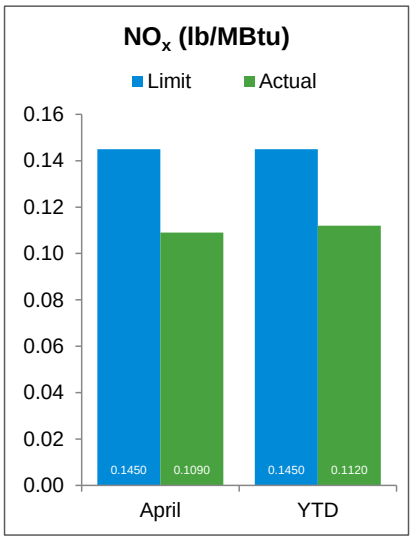
Rawhide ran well all month long, with no unplanned outages or curtailments. The ten-day Rawhide minor outage which was scheduled for April was canceled and will be rescheduled for the fall. Equivalent availability and net capacity factors both came in well above budget for the month, as the result of the canceled outage. Year to date, equivalent availability factor remains above budget while net capacity factor is slightly above budget.

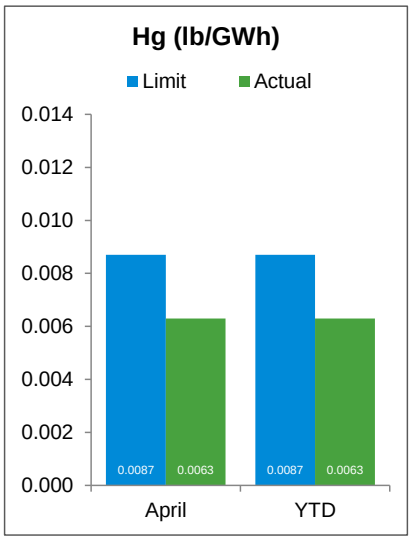



Rawhide emission levels were below compliance limits for the month of April.

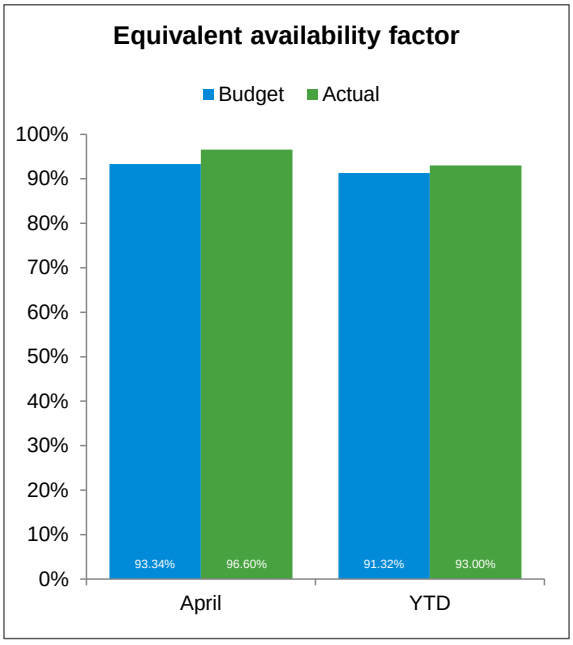


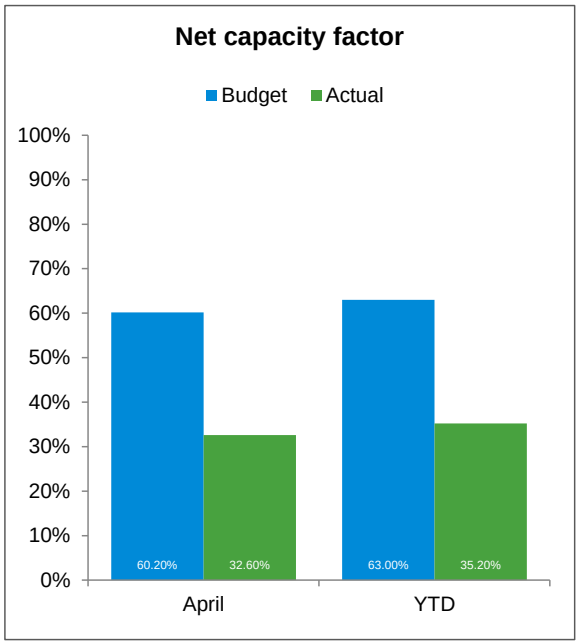



## Power generation - Craig

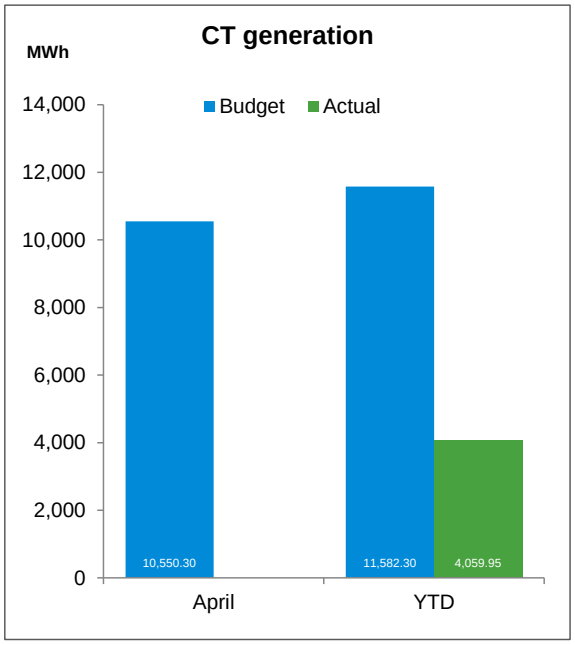
Both Craig units experienced brief forced outages which lasted only one or two days each. Craig 1's outage was needed to repair a boiler feed pump. Craig 2's first outage was needed to repair a condensate leak, while its second outage was the result of a loss of power to the cooling tower fans and building. Craig equivalent availability factor came in above budget for the month, while net capacity factor came in well below budget for the month due to having been dispatched lower through JDA and soft market prices. Year to date, equivalent availability factor remains slightly above budget while net capacity factor remains well below budget.

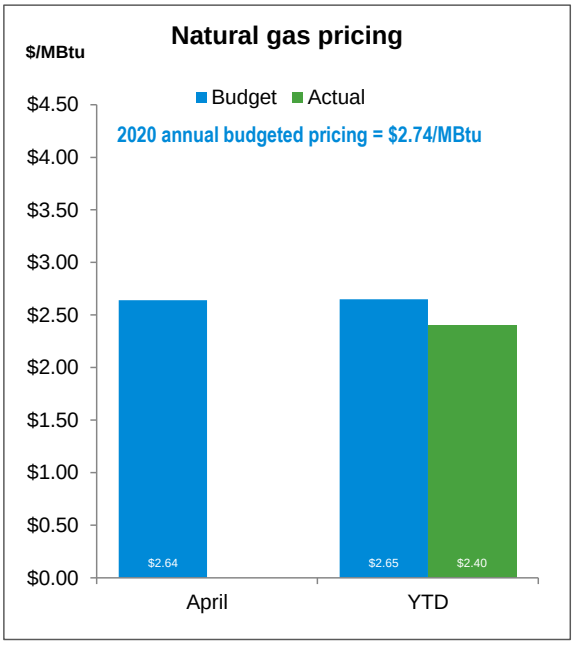


## Power generation - CTs

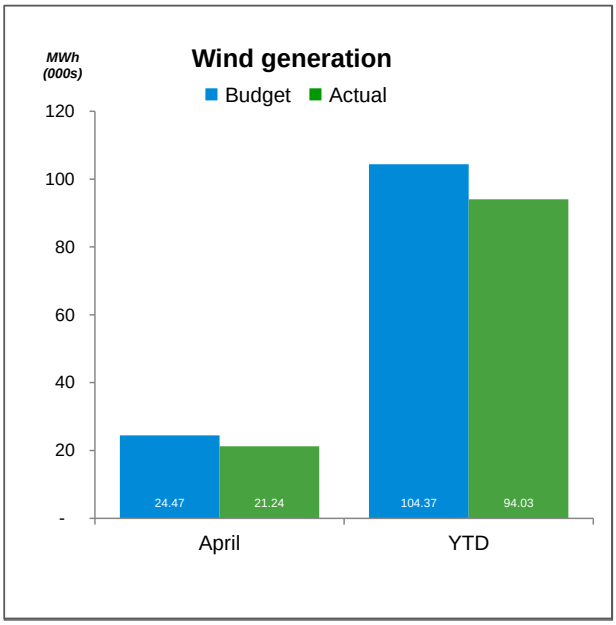
The combustion turbines did not run during the month of April. Year to date CT generation is well below budget, as the result of the canceled Rawhide outage. Natural gas pricing remains below budget, year to date.

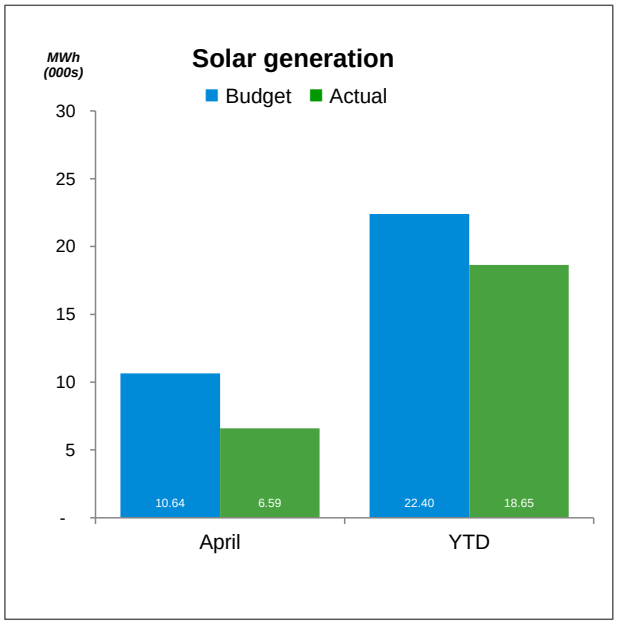


## Power generation - renewables serving load

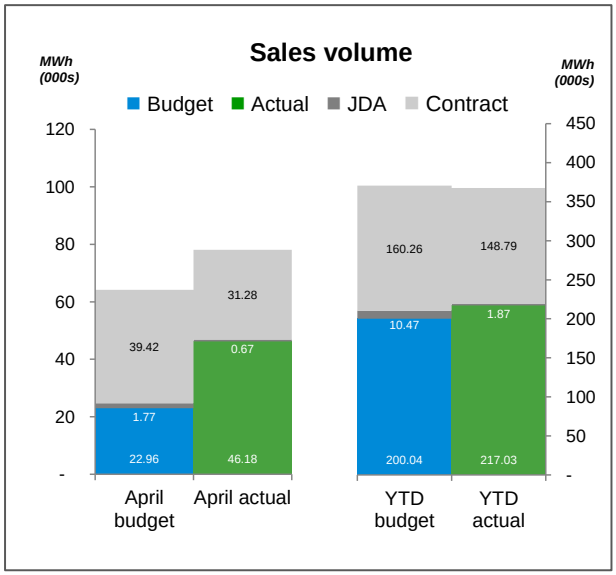
Wind generation came in well below budget, due to mild weather and icing issues early in the month. Solar generation came in significantly below budget for the month, as the result of the new Rawhide Prairie Solar Project and battery storage not having come online in April as budgeted. Year to date, wind remains below budget while solar is significantly below budget.

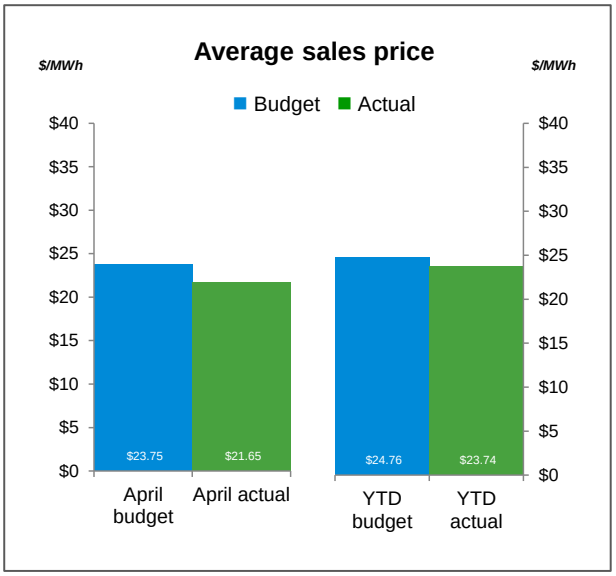


## Market sales

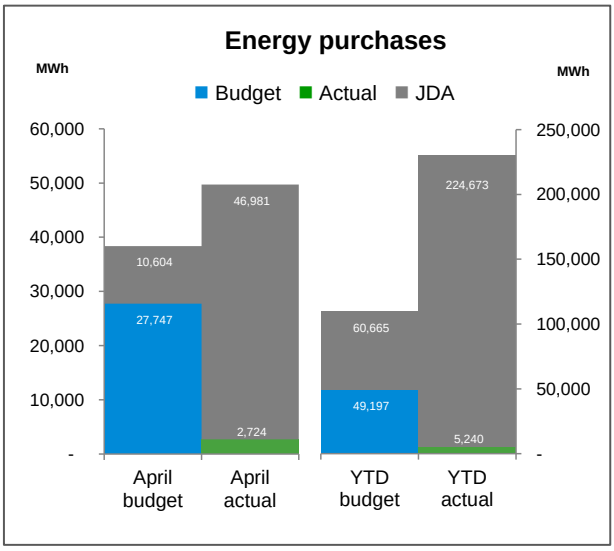
Surplus sales volume came in above budget for the month, as additional energy was available to market due to the Rawhide outage cancelation. Bilateral market pricing came in below budget, due to canceled spring outages and lower loads which resulted in excess energy in the region. Volume is near budget and pricing is below budget, year to date.

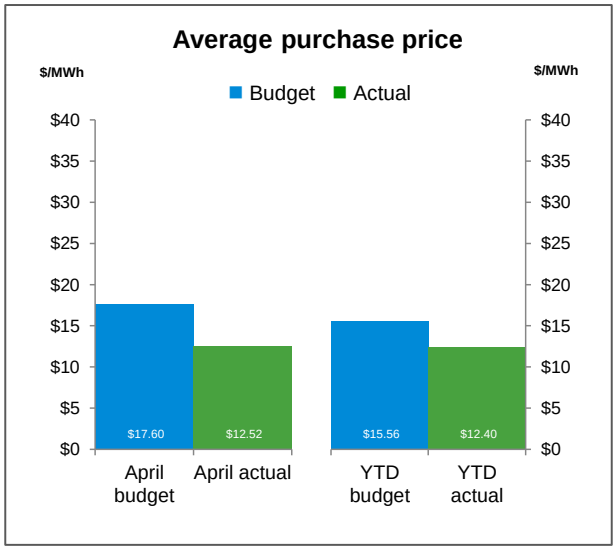



## Market purchases

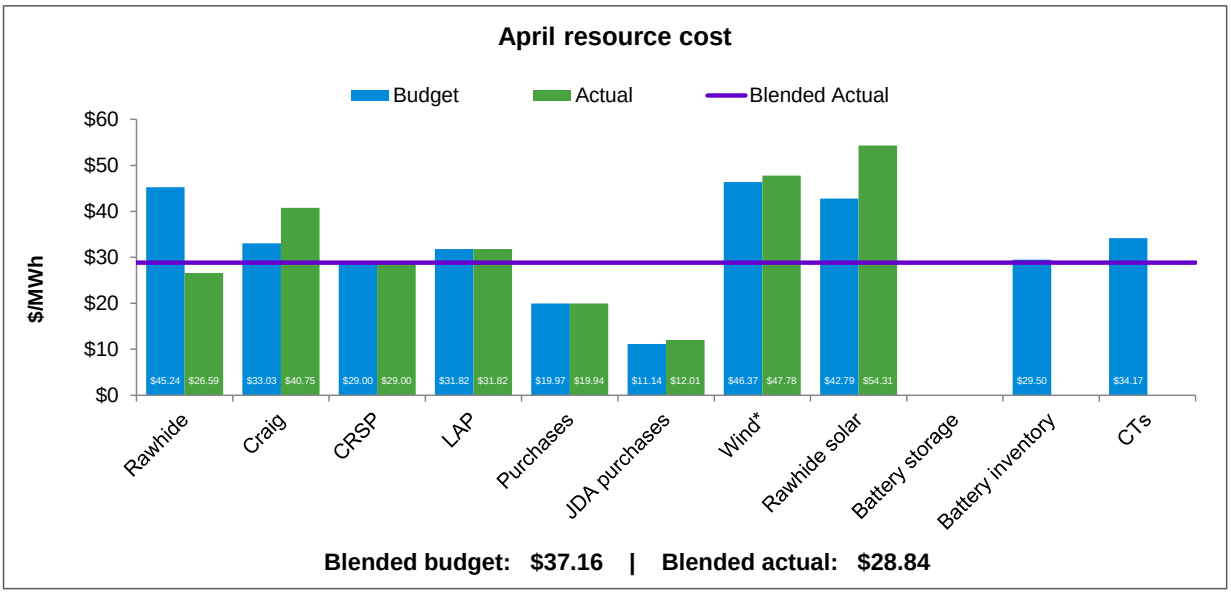
Purchase volumes were significantly above budget for the month, as baseload generation units were dispatched down in order to purchase low cost JDA energy, which resulted in below budget purchase pricing. Also, the Rawhide outage cancelation significantly reduced the actual bilateral purchases, as they were no longer needed to cover load. Pricing for both JDA and bilateral purchases, however, were favorable with the softer market. Year to date, purchase volumes remain significantly above budget, while pricing remains well below budget.

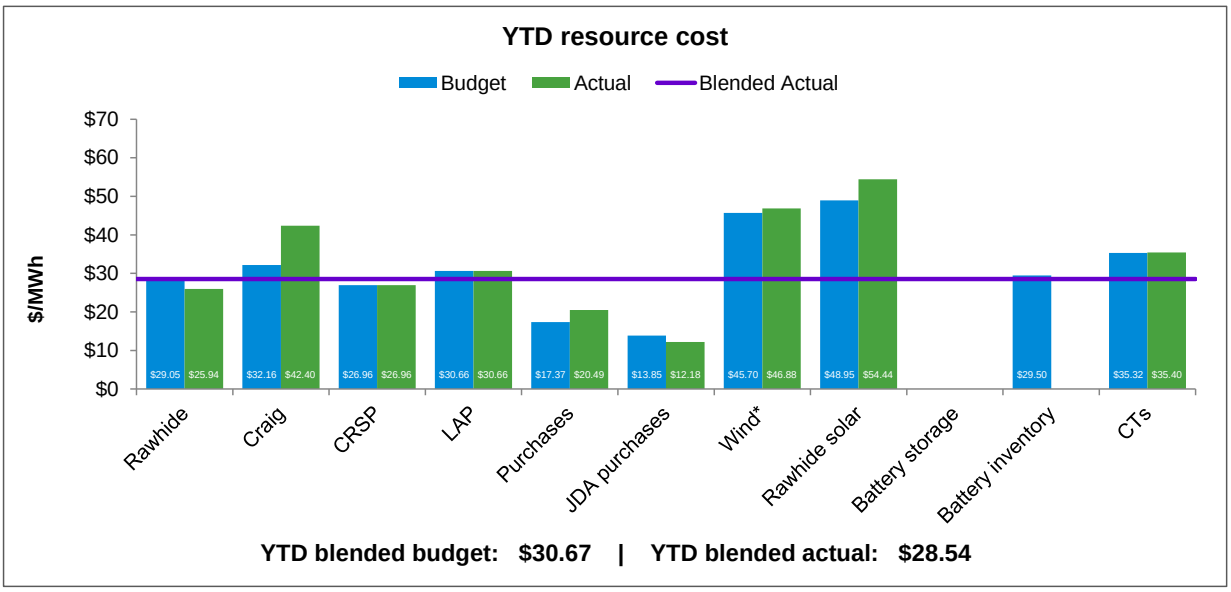


## Dispatch cost

Dispatch costs came in significantly below budget for the month, due to below budget Rawhide costs as the result of the canceled Rawhide outage. Year to date, dispatch costs remain below budget.

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## Power delivery

**Major system operations projects benefitting the municipalities:**

| Location | Estimated finish date | Status | Description |
|---|---|---|---|
| Fort Collins | March 2021 | 98% complete | Harmony circuit breaker replacements and circuit switcher additions, T1 and T3 |
| Longmont | December 2020 | 50% complete | County Line Substation, T3 transformer addition for Longmont |
| Rawhide | June 2020 | 70% complete | Roundhouse 230kV wind bay addition |
| Rawhide | June 2020 | 70% complete | 22 MW Rawhide Prairie Solar 34 kV feeder breaker 302 addition |

## Events of significance

- The Rawhide west bus outage was completed safely and without incident.
- Inspections and repairs were completed after a nearby structure fire caused damage to the bus insulators at the Terry Substation.
- Between April 1 and May 4, Platte River experienced an overall six to seven percent load reduction, as the result of the stay-at-home and safer-at-home orders.
- The executions of two 65 MW capacity sales were completed in April. The first runs from June through August 2020, while the second begins in July and ends May 31, 2022.
- Rawhide Unit 1 has been in continuous operation for 316 days, from June 20, 2019, through the end of April 2020. The unit is currently performing its second longest run in its history. The longest run on record, thus far, was for 393 days, in 2014 and 2015, with the third longest run having been recorded as 292 days, in 2010 and 2011.

Platte River Power Authority

Estes Park • Fort Collins • Longmont • Loveland

# Financial report

**April 2020**

Platte River Power Authority

## Financial highlights year-to-date

Platte River reported favorable results year-to-date. Net income of $7.2 million was favorable by $6 million compared to budget due to below-budget expenses partially offset by below-budget revenues. Of the favorable variance, $1.6 million was due to unrealized gains on investments as interest rates have moved significantly lower and $1 million due to re-scheduling the Rawhide Unit 1 minor outage from April to November.

Projecting net income is difficult at this time as the impact of COVID-19 continues to unfold. As a result, staff has performed financial stress tests with three different load and surplus sales reduction scenarios to assess the potential financial impact. The stress tests will be revisited monthly as operational and financial trends are established and as new information arises. Additionally, staff has identified immediate opportunities to offset potential financial impacts of COVID-19 with new contract sales as well as operating and capital expenditure reductions. Staff will continue to monitor results and seek out additional opportunities. Please refer to the financial update memo included with the May board materials for the range of potential financial projections.

Details of the financial results year-to-date are described below.

| Key financial results ($ millions) | April Budget | April Actual | | Favorable (unfavorable) | | Year to date Budget | Year to date Actual | | Favorable (unfavorable) | | Annual budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Net income/(loss)** | $ (1.3) | $ 0.9 | ● | $ 2.2 | 169.2% | $ 1.2 | $ 7.2 | ● | $ 6.0 | 500.0% | $ 17.2 |
| **Fixed obligation charge coverage** | .76x | 2.18x | ● | 1.42x | 186.8% | 1.69x | 2.55x | ● | .86x | 50.9% | 2.17x |
| **Budget results** | | | | | | | | | | | |
| **Total revenues** | $ 17.3 | $ 16.8 | ■ | $ (0.5) | (2.9%) | $ 74.0 | $ 72.7 | ◆ | $ (1.3) | (1.8%) | $ 240.5 |
| Sales to owner communities | 14.9 | 14.3 | ■ | (0.6) | (4.0%) | 61.7 | 60.8 | ◆ | (0.9) | (1.5%) | 198.7 |
| Sales for resale - contract | 1.0 | 0.9 | ■ | (0.1) | (10.0%) | 4.1 | 3.9 | ■ | (0.2) | (4.9%) | 14.4 |
| Sales for resale - short-term | 0.5 | 0.8 | ● | 0.3 | 60.0% | 5.1 | 4.8 | ■ | (0.3) | (5.9%) | 17.6 |
| Wheeling | 0.5 | 0.5 | ◆ | 0.0 | 0.0% | 1.9 | 1.9 | ◆ | 0.0 | 0.0% | 5.9 |
| Interest and other income | 0.4 | 0.3 | ■ | (0.1) | (25.0%) | 1.2 | 1.3 | ● | 0.1 | 8.3% | 3.9 |
| **Total operating expenses** | $ 15.9 | $ 13.4 | ● | $ 2.5 | 15.7% | $ 62.5 | $ 56.9 | ● | $ 5.6 | 9.0% | $ 190.3 |
| Purchased power | 3.5 | 3.1 | ● | 0.4 | 11.4% | 13.7 | 14.2 | ■ | (0.5) | (3.6%) | 44.6 |
| Fuel | 3.3 | 2.9 | ● | 0.4 | 12.1% | 15.0 | 12.6 | ● | 2.4 | 16.0% | 45.9 |
| Production | 5.0 | 3.2 | ● | 1.8 | 36.0% | 16.7 | 14.9 | ● | 1.8 | 10.8% | 47.9 |
| Transmission | 1.4 | 1.2 | ● | 0.2 | 14.3% | 6.0 | 5.6 | ● | 0.4 | 6.7% | 17.3 |
| Administrative and general | 1.8 | 1.9 | ■ | (0.1) | (5.6%) | 7.8 | 6.8 | ● | 1.0 | 12.8% | 22.4 |
| Distributed energy resources | 0.9 | 1.1 | ■ | (0.2) | (22.2%) | 3.3 | 2.8 | ● | 0.5 | 15.2% | 12.2 |
| **Capital additions** | $ 2.5 | $ 1.8 | ● | $ 0.7 | 28.0% | $ 13.3 | $ 7.3 | ● | $ 6.0 | 45.1% | $ 72.8 |

>2% ● Favorable | 2% to -2% ◆ At or near budget | <-2% ■ Unfavorable

## Key budget variances year-to-date

### Total revenues

- **Sales for resale - short-term** were below budget $0.3 million due to 9.2% below-budget average price or $0.5 million of the variance, partially offset by 4.0% above-budget energy or $0.2 million of the variance.
- **Sales for resale - contract** were below budget $0.2 million primarily due to entities booking out power and not taking the energy. The price is reduced by Platte River's avoided generation cost.

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- **Interest and other income** was above budget $0.1 million due to unbudgeted tower and fiber leases.

## Total operating expenses

- **Fuel expenses** were $2.4 million below budget.
  ***Craig units*** 90% of the overall variance, $2.2 million below budget. Generation was below budget due to operating at lower loads to take advantage of lower cost energy under the joint dispatch agreement and forced outages, partially offset by the cancellation of the planned outage of Craig Unit 2.
  ***Natural gas*** 10% of the overall variance, $0.2 million below budget: Generation was budgeted to replace power during the Rawhide Unit 1 scheduled minor outage.
  ***Rawhide Unit 1*** is at budget as the unit was run at a higher capacity factor in April since the minor outage was delayed, which offset the prior year-to-date below-budget variance.
- **Several expenses** were below budget due to timing of expenses or expenses not being required at this time. The net impact was approximately $2.4 million below budget. The below-budget expenses include: 1) various contracted services and materials for the Rawhide Unit 1 minor outage, 2) software and hardware equipment and maintenance, 3) information technology outsourcing and consulting, 4) integrated resource plan studies, 5) monofill and impoundments compliance, 6) Craig units, 7) non-routine projects, 8) general consulting and 9) other smaller projects. Expenses above budget due to timing of expenses include annual membership fees and completion of the Rawhide haulage gearbox rebuild. The combustion turbine Unit F inspection project also was completed above budget.
- **Personnel expenses** were below budget $0.9 million due to lower than anticipated medical and dental claims and lower wages primarily as a result of vacant positions.
- **Distributed energy resources program expenses** were $0.4 million below budget due to cancellation or delay of marketing, research, and strategy development, as well as the unpredictability of the completion of customers' energy efficiency projects.
- **Purchased power expenses** were $0.5 million above budget. Above-budget purchases were made under the joint dispatch agreement because of favorable pricing, which replaced base load generation. Partially offsetting the above-budget variance were below-budget replacement purchases primarily for the delayed Rawhide Unit 1 scheduled minor outage. Wind generation, solar generation, and reserves were also below budget and energy was provided to Tri-State under the forced outage assistance agreement.

## Other financial information

- **Amortization expense** - The closure of two ash ponds at the Rawhide Energy Station is a compliance requirement for the CCR Rule (Federal) and Section 9 Waste Regulations (State of Colorado) and is also an asset retirement obligation under GASB 83 *Certain Asset Retirement Obligations.* The project is expected to be completed by November 2020. As a result of unforeseen events, additional funds of approximately $0.7 million are required to complete the project. This additional expense will be reflected in depreciation and amortization as part of recognizing expense related to asset retirement obligations.

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- **Debt** - The table below shows current debt outstanding. The remaining outstanding principal for Series II and JJ represents debt associated with the Rawhide Energy Station ($25.6 million) and transmission assets ($143.8 million). Principal and interest payments are made June 1 and interest only payments are made Dec. 1. The Series KK bond issuance scheduled for March to fund the Windy Gap Firming Project has been delayed and is currently planned to be issued in September. The delay results in a reduction of interest expense and interest income relative to budget.

| Series | Debt outstanding $/thousands | Par issued $/thousands | True interest cost | Maturity date | Callable date | Purpose |
|---|---|---|---|---|---|---|
| Series II - February 2012 | $ 25,530 | $ 65,475 | 3.2% | 6/1/2037 | 6/1/2022 | $30M new money for transmission projects & refund remaining of Series EE ($4.6M NPV/10.9%) |
| Series JJ - April 2016 | 143,895 | $ 147,230 | 2.2% | 6/1/2036 | 6/1/2026 | $60M new money for Rawhide & transmission projects & refund portion of Series HH ($13.7M NPV/12.9%) |
| Total par outstanding | 169,425 | | | | | |
| Unamortized bond premium | 21,251 | | | | | |
| Total revenue bonds outstanding | 190,676 | | | | | |
| Less: due within one year | (10,310) | | | | | |
| Total long-term debt, net | $ 180,366 | | | | | |

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

## Capital additions (year-end estimates as of April 2020)

The projects listed below are projected to end the year with a budget variance of more than $100,000. In addition, the amounts below are costs for 2020 and may not represent the total cost of the project. As a result of COVID-19, capital projects of approximately $9.5 million have been delayed or canceled. Further changes to capital projections are anticipated and staff will continue to monitor spending estimates to ensure capital projects are appropriately managed and funded.

| Project ($ in thousands) | Budget | Estimate | Favorable (unfavorable) | Carryover request |
|---|---|---|---|---|
| **Below budget projects** | | | | |
| **Monofill upgrades - Rawhide** - This project will be below budget due to a delay of the design approval by the Colorado Department of Public Health & Environment. The project is expected to be complete in spring 2021. *The below-budget funds will be requested to be carried over into 2021.* | $ 6,556 | $ 560 | $ 5,996 | $ 5,996 |
| **Energy Engagement Center** - This project is delayed and will be below budget as a result of COVID-19. *The below-budget funds will be requested to be carried over into 2021.* | $ 5,186 | $ 637 | $ 4,549 | $ 4,549 |

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| | Project ($ in thousands) | Budget | Estimate | Favorable (unfavorable) | Carryover request |
|---|---|---|---|---|---|
| | **Headquarters campus** - This project will be below budget due to timing of costs. A portion of construction costs occurred in 2019 rather than 2020 as originally budgeted. The increased spending in 2019 reduced the estimated costs for 2020 keeping the total project cost estimate the same. | $ 3,419 | $ 2,765 | $ 654 | $ - |
| ** | **Grading and drainage improvements - Rawhide -** This project is delayed and will be below budget as a result of COVID-19.*The below-budget funds will be requested to be carried over into 2021.* | $ 644 | $ 15 | $ 629 | $ 629 |
| ** | **Circuit switcher (T1,T2) addition - Linden Tech Substation -** This project is delayed and will be below budget as a result of COVID-19.*The below-budget funds will be requested to be carried over into 2021.* | $ 597 | $ 78 | $ 519 | $ 519 |
| ** | **Fire protection system upgrade - Combustion turbine Unit A -** This project is delayed and will be below budget as a result of COVID-19.*The below-budget funds will be requested to be carried over into 2021.* | $ 419 | $ 2 | $ 417 | $ 417 |
| | **Craig units 1 and 2 projects** - These projects will be below budget due to modifications to the budget after Platte River's budget was finalized. | $ 989 | $ 842 | $ 147 | $ - |
| | **Out-of-budget projects** | | | | |
| ** | **480V switchgear replacement - Combustion turbine units A-D -** Funds will be used for procurement and design needs to ensure 2021 installation. This project will upgrade the 480V switchgears for combustion turbine units A-D to incorporate normal and alternative source breakers with racking capability, which will allow for better and more routine maintenance, additional safety and higher unit availability. | $ - | $ 264 | $ (264) | $ - |
| | **Delayed projects** | | | | |
| | **Oil breaker (2082) replacement - Longs Peak Substation -** This project was delayed as a result of COVID-19. *The below-budget funds will be requested to be carried over into 2021.* | $ 237 | $ - | $ 237 | $ 237 |
| | **Security system - Loveland Substation Crossroads -** This project was delayed as a result of COVID-19. *The below-budget funds will be requested to be carried over into 2021.* | $ 125 | $ - | $ 125 | $ 125 |
| | **Smart key system - substations -** This project was delayed as a result of COVID-19. *The below-budget funds will be requested to be carried over into 2021.* | $ 107 | $ - | $ 107 | $ 107 |

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| Project ($ in thousands) | Budget | Estimate | Favorable (unfavorable) | Carryover request |
|---|---|---|---|---|
| **Canceled projects** | | | | |
| * **Generator step up and unit auxiliary transformer replacements - Rawhide** - This project was canceled as a result of COVID-19 and will be rescheduled to coincide with Rawhide Unit 1's major outage in 2024. The funds will be re-budgeted at that time. | $ 2,216 | $ (5) | $ 2,221 | $ - |
| * **Fuel oil unloading containment** - This project was canceled as a result of COVID-19. | $ 212 | $ - | $ 212 | $ - |
| * **Transmission line vault upgrades - Rogers Road -** This project was canceled as a result of COVID-19 and will be rescheduled in 2022. | $ 167 | $ - | $ 167 | $ - |

* Project details or amounts have changed since last report.

** Project is new to the report.

# Budget schedules

# Schedule of revenues and expenditures, budget to actual

## April 2020

Non-GAAP budgetary basis (in thousands)

| | Month of April | | Favorable |
|---|---|---|---|
| | Budget | **Actual** | (unfavorable) |
| ***Revenues*** | | | |
| *Operating revenues* | | | |
| Sales to owner communities | $ 14,956 | **$ 14,346** | $ (610) |
| Sales for resale - contract | 1,013 | **885** | (128) |
| Sales for resale - short-term | 510 | **806** | 296 |
| Wheeling | 474 | **477** | 3 |
| Total operating revenues | 16,953 | **16,514** | (439) |
| *Other revenues* | | | |
| Interest income[1] | 361 | **238** | (123) |
| Other income | 1 | **35** | 34 |
| Total other revenues | 362 | **273** | (89) |
| Total revenues | $ 17,315 | **$ 16,787** | $ (528) |
| ***Expenditures*** | | | |
| *Operating expenses* | | | |
| Purchased power | $ 3,445 | **$ 3,070** | $ 375 |
| Fuel | 3,365 | **2,936** | 429 |
| Production | 4,990 | **3,209** | 1,781 |
| Transmission | 1,374 | **1,157** | 217 |
| Administrative and general | 1,828 | **1,906** | (78) |
| Distributed energy resources | 872 | **1,076** | (204) |
| Total operating expenses | 15,874 | **13,354** | 2,520 |
| *Capital additions* | | | |
| Production | 859 | **621** | 238 |
| Transmission | 142 | **46** | 96 |
| General | 1,525 | **1,180** | 345 |
| Total capital additions | 2,526 | **1,847** | 679 |
| *Debt expense* | | | |
| Principal | 859 | **859** | - |
| Interest expense | 1,038 | **660** | 378 |
| Total debt expense | 1,897 | **1,519** | 378 |
| Total expenditures | $ 20,297 | **$ 16,720** | $ 3,577 |
| **Revenues less expenditures** | $ (2,982) | **$ 67** | $ 3,049 |

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

# Schedule of revenues and expenditures, budget to actual

## April 2020 year-to-date

Non-GAAP budgetary basis (in thousands)

| | April year to date | | Favorable | Annual |
|---|---|---|---|---|
| | Budget | **Actual** | (unfavorable) | budget |
| ***Revenues*** | | | | |
| *Operating revenues* | | | | |
| Sales to owner communities | $ 61,740 | **$ 60,817** | $ (923) | $ 198,688 |
| Sales for resale - contract | 4,113 | **3,946** | (167) | 14,454 |
| Sales for resale - short-term | 5,067 | **4,784** | (283) | 17,607 |
| Wheeling | 1,925 | **1,917** | (8) | 5,918 |
| Total operating revenues | 72,845 | **71,464** | (1,381) | 236,667 |
| *Other revenues* | | | | |
| Interest income[1] | 1,151 | **1,079** | (72) | 3,825 |
| Other income | 21 | **152** | 131 | 38 |
| Total other revenues | 1,172 | **1,231** | 59 | 3,863 |
| Total revenues | $ 74,017 | **$ 72,695** | $ (1,322) | $ 240,530 |
| ***Expenditures*** | | | | |
| *Operating expenses* | | | | |
| Purchased power | $ 13,686 | **$ 14,219** | $ (533) | $ 44,599 |
| Fuel | 15,021 | **12,615** | 2,406 | 45,953 |
| Production | 16,665 | **14,821** | 1,844 | 47,888 |
| Transmission | 6,002 | **5,642** | 360 | 17,284 |
| Administrative and general | 7,826 | **6,775** | 1,051 | 22,446 |
| Distributed energy resources | 3,290 | **2,823** | 467 | 12,163 |
| Total operating expenses | 62,490 | **56,895** | 5,595 | 190,333 |
| *Capital additions* | | | | |
| Production | 5,167 | **3,254** | 1,913 | 34,089 |
| Transmission | 912 | **697** | 215 | 25,340 |
| General | 7,198 | **3,286** | 3,912 | 13,345 |
| Total capital additions | 13,277 | **7,237** | 6,040 | 72,774 |
| *Debt expense* | | | | |
| Principal | 3,437 | **3,437** | - | 11,713 |
| Interest expense | 3,394 | **2,639** | 755 | 11,397 |
| Total debt expense | 6,831 | **6,076** | 755 | 23,110 |
| Total expenditures | $ 82,598 | **$ 70,208** | $ 12,390 | $ 286,217 |
| Contingency reserved to board | - | **-** | - | 26,000 |
| Total expenditures | $ 82,598 | **$ 70,208** | $ 12,390 | $ 312,217 |
| **Revenues less expenditures** | $ (8,581) | **$ 2,487** | $ 11,068 | $ (71,687) |

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

# Financial statements

# Statements of net position

Unaudited (in thousands)

| | April 30 2020 | April 30 2019 |
|---|---|---|
| ***Assets*** | | |
| *Electric utility plant, at original cost* | | |
| Land and land rights | **$ 16,924** | $ 16,997 |
| Plant and equipment in service | **1,376,084** | 1,346,453 |
| Less: accumulated depreciation and amortization | **(895,301)** | (894,222) |
| Plant in service, net | **497,707** | 469,228 |
| Construction work in progress | **88,128** | 100,025 |
| Total electric utility plant | **585,835** | 569,253 |
| *Special funds and investments* | | |
| Restricted funds and investments | **25,008** | 24,933 |
| Dedicated funds and investments | **92,139** | 99,331 |
| Total special funds and investments | **117,147** | 124,264 |
| *Current assets* | | |
| Cash and cash equivalents | **34,633** | 20,740 |
| Other temporary investments | **32,325** | 35,976 |
| Accounts receivable - owner communities | **14,320** | 13,533 |
| Accounts receivable - other | **6,778** | 4,993 |
| Fuel inventory, at last-in, first-out cost | **17,819** | 17,633 |
| Materials and supplies inventory, at average cost | **15,380** | 14,567 |
| Prepayments and other assets | **3,518** | 3,168 |
| Total current assets | **124,773** | 110,610 |
| *Noncurrent assets* | | |
| Regulatory assets | **14,484** | 11,307 |
| Other long-term assets | **13** | - |
| Total noncurrent assets | **14,497** | 11,307 |
| Total assets | **842,252** | 815,434 |
| ***Deferred outflows of resources*** | | |
| Deferred loss on debt refundings | **5,699** | 6,828 |
| Pension deferrals | **1,769** | 10,356 |
| Asset retirement obligations | **24,124** | 23,628 |
| Total deferred outflows of resources | **31,592** | 40,812 |
| ***Liabilities*** | | |
| *Noncurrent liabilities* | | |
| Long-term debt, net | **180,366** | 193,997 |
| Net pension liability | **18,679** | 24,071 |
| Asset retirement obligations | **28,522** | 29,510 |
| Other liabilities and credits | **5,892** | 6,095 |
| Total noncurrent liabilities | **233,459** | 253,673 |
| *Current liabilities* | | |
| Current maturities of long-term debt | **10,310** | 10,335 |
| Current portion of asset retirement obligations | **2,541** | - |
| Accounts payable | **12,812** | 14,044 |
| Accrued interest | **3,299** | 3,511 |
| Accrued liabilities and other | **3,218** | 2,716 |
| Total current liabilities | **32,180** | 30,606 |
| Total liabilities | **265,639** | 284,279 |
| ***Deferred inflows of resources*** | | |
| Regulatory credits | **7,312** | 2,862 |
| Pension deferrals | **69** | 256 |
| Total deferred inflows of resources | **7,381** | 3,118 |
| ***Net position*** | | |
| Net investment in capital assets | **398,408** | 367,430 |
| Restricted | **21,710** | 21,422 |
| Unrestricted | **180,706** | 179,997 |
| Total net position | **$ 600,824** | $ 568,849 |

Note: Certain prior year line items have changed due to the restatement of 2018 financial statements.

# Statements of revenues, expenses and changes in net position

Unaudited (in thousands)

| | Month of April | Twelve months ended April 30 | |
|---|---|---|---|
| | | 2020 | 2019 |
| ***Operating revenues*** | | | |
| Sales to owner communities | **$ 14,346** | $ 199,058 | $ 197,186 |
| Sales for resale | **1,691** | 23,564 | 24,181 |
| Wheeling | **477** | 5,845 | 5,453 |
| Total operating revenues | **16,514** | 228,467 | 226,820 |
| ***Operating expenses*** | | | |
| Purchased power | **3,070** | 38,956 | 42,525 |
| Fuel | **2,936** | 43,678 | 41,128 |
| Operations and maintenance | **4,442** | 61,511 | 55,893 |
| Administrative and general | **1,953** | 19,638 | 17,919 |
| Distributed energy resources | **1,074** | 10,046 | 8,607 |
| Depreciation and amortization | **1,919** | 22,977 | 22,495 |
| Total operating expenses | **15,394** | 196,806 | 188,567 |
| Operating income | **1,120** | 31,661 | 38,253 |
| ***Nonoperating revenues (expenses)*** | | | |
| Interest income | **236** | 3,434 | 3,378 |
| Other income/(loss) | **35** | 443 | 474 |
| Interest expense | **(660)** | (7,959) | (8,487) |
| Amortization of bond financing costs | **171** | 2,118 | 2,216 |
| Allowance for funds used during construction | **-** | - | 595 |
| Net (decrease)/increase in fair value of investments | **(37)** | 2,278 | 1,099 |
| Total nonoperating revenues (expenses) | **(255)** | 314 | (725) |
| Change in net position | **865** | 31,975 | 37,528 |
| Net position at beginning of period | **599,959** | 568,849 | 531,321 |
| Net position at end of period | **$ 600,824** | $ 600,824 | $ 568,849 |

Note: Certain prior year line items have changed due to the restatement of 2018 financial statements.

# Statements of cash flows

Unaudited (in thousands)

| | Month of April | Twelve months ended April 30 2020 | Twelve months ended April 30 2019 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Receipts from customers | **$ 17,440** | $ 225,579 | $ 227,657 |
| Payments for operating goods and services | **(14,557)** | (128,962) | (139,191) |
| Payments for employee services | **(3,575)** | (41,050) | (38,009) |
| Net cash (used in)/provided by operating activities | **(692)** | 55,567 | 50,457 |
| ***Cash flows from capital and related financing activities*** | | | |
| Reductions/(additions) to electric utility plant | **573** | (36,002) | (67,538) |
| Payments from accounts payable incurred for electric utility plant additions | **(2,807)** | (4,319) | (1,795) |
| Proceeds from disposal of electric utility plant | **90** | 298 | 37,150 |
| Principal payments on long-term debt | **-** | (10,335) | (14,580) |
| Interest payments on long-term debt | **-** | (8,172) | (8,790) |
| Net cash used in capital and related financing activities | **(2,144)** | (58,530) | (55,553) |
| ***Cash flows from investing activities*** | | | |
| Purchases and sales of temporary and restricted investments, net | **(1,654)** | 13,019 | 2,367 |
| Interest and other income, including realized gains and losses | **267** | 3,837 | 3,788 |
| Net cash (used in)/provided by investing activities | **(1,387)** | 16,856 | 6,155 |
| (Decrease)/increase in cash and cash equivalents | **(4,223)** | 13,893 | 1,059 |
| Balance at beginning of period in cash and cash equivalents | **38,856** | 20,740 | 19,681 |
| Balance at end of period in cash and cash equivalents | **$ 34,633** | $ 34,633 | $ 20,740 |
| ***Reconciliation of net operating income to net cash (used in)/provided by operating activities*** | | | |
| Operating income | **$ 1,120** | $ 31,661 | $ 38,253 |
| *Adjustments to reconcile operating income to net cash provided by operating activities* | | | |
| Depreciation and amortization | **1,896** | 21,572 | 20,930 |
| *Changes in assets and liabilities which provided/(used) cash* | | | |
| Accounts receivable | **886** | (2,572) | 325 |
| Fuel and materials and supplies inventories | **(1,188)** | (999) | (2,724) |
| Prepayments and other assets | **(120)** | (3,615) | (2,139) |
| Deferred outflows of resources | **136** | 8,092 | (25,144) |
| Accounts payable | **(3,050)** | 638 | 71 |
| Net pension liability | **-** | (5,392) | 10,964 |
| Asset retirement obligations | **(114)** | 1,553 | 29,510 |
| Other liabilities | **(534)** | 366 | (9,774) |
| Deferred inflows of resources | **276** | 4,263 | (9,815) |
| Net cash (used in)/provided by operating activities | **$ (692)** | $ 55,567 | $ 50,457 |

Note: Certain prior year line items have changed due to the restatement of 2018 financial statements.

# Schedule of net revenues for debt service

Unaudited (in thousands)

| | Month of April | Twelve months ended April 30 2020 | Twelve months ended April 30 2019 |
|---|---|---|---|
| ***Net revenues*** | | | |
| Operating revenues | **$ 16,514** | $ 228,467 | $ 226,820 |
| Operations and maintenance expenses, excluding depreciation and amortization | **13,475** | 173,829 | 166,072 |
| Net operating revenues | **3,039** | 54,638 | 60,748 |
| Plus interest income on bond accounts and other income [1] | **273** | 3,903 | 3,854 |
| Net revenues before rate stabilization | **3,312** | 58,541 | 64,602 |
| Rate stabilization | | | |
| Deposits | - | - | - |
| Withdrawals | - | - | - |
| Total net revenues | **$ 3,312** | $ 58,541 | $ 64,602 |
| ***Bond service*** | | | |
| Power revenue bonds | **$ 1,519** | $ 18,271 | $ 19,176 |
| Allowance for funds used during construction | **-** | - | (595) |
| Net revenue bond service | **$ 1,519** | $ 18,271 | $ 18,581 |
| ***Coverage*** | | | |
| Fixed obligation charge coverage ratio | 2.18 | 3.20 | 3.48 |

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

Note: Certain prior year line items have changed due to the restatement of 2018 financial statements.

Platte River Power Authority

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# APRIL 2020 GENERAL MANAGEMENT REPORT

## BUSINESS STRATEGIES

**Communications and marketing.** Internal communications concerning Platte River's response to the COVID-19 pandemic continued throughout April. Staff also issued news releases to announce the request for a delay in the IRP filing and the cancellation of the NoCo Time Trials due to restrictions associated with the pandemic.

Communications continued to provide support for development of the 2020 IRP by adding language concerning COVID-19 impacts to the public engagement process. Staff also interfaced with contractors to ensure timely delivery of reports concerning the scientific survey of residential and commercial utility customers and the focus group events managed by the Center for Public Deliberation.

To prepare for the process to obtain permits for the Black Hollow Solar project, staff met with 174 Power Global and Logan Simpson to review communication plans and talking points as well as timetables for stakeholder outreach. Communications and outreach are expected to begin mid-May.

Regular monthly publications were produced and distributed to Platte River staff and included information about the now delayed Plant of the Year award granted to Rawhide Energy Station by the American Coal Users' Group as well as a showcase of employees working from home and safety tips related to containing the spread of COVID-19.

**Community engagement.** Staff continues to build and fortify relationships with stakeholders by expanding engagement with community partners and organizations.

- **4/2** Virtual townhall with Senator Hansen
- **4/2** Secretary of State townhall: COVID-19 update
- **4/6** Governor Polis' address
- **4/8** COVID-19 Update: Regional all member call (hosted by Fort Collins Chamber)
- **4/9** Fort Collins telephone townhall
- **4/14** Longmont City Council meeting
- **4/16** Loveland Chamber COVID-19 townhall
- **4/17** Virtual townhall with Senator Hansen
- **4/21** Loveland City Council meeting
- **4/22** Kaiser Permanente COVID-19 update
- **4/22** Black Hollow Solar Project introduction call with Weld County planning department
- **4/25** Fort Collins Mayor Pro Tem Kristin Stephens online listening session
- **4/25** Rep. Jeni Arndt, Rep. Cathy Kipp, and Sen. Joann Ginal virtual townhall
- **4/25** Governor Polis' industry briefing

- **4/28** Estes Park Town Board meeting
- **4/30** GHG roadmap meeting with Colorado Department of Public Health and Environment, Colorado Energy Office and CAMU

**Human resources.** Staff began drafting return to work plans in preparation for operations to resume onsite when appropriate. Through benchmarking and research, initial plans are categorized into three sections focusing on personal hygiene/workplace safety, physical distancing and sanitation. Return to work communication to employees will include required training to ensure understanding of updated procedures. Current policies and procedures are also being reviewed and updated to ensure compliance with local, state and federal guidance. Staff conducted check-ins with employees to maintain connections and address concerns while working from home. In addition, an all employee survey has gone out to employees to assess working from home status, communication effectiveness and special concerns regarding returning to work.

**Safety.** There were no recordable injuries for April. Staff focused on amassing the appropriate quantity of personal protective equipment and supplies to safely return employees to work when appropriate. Supplies such as thermometers, alcohol wipes, disinfecting wipes, gloves, disinfecting solution, cloth masks, disposable masks, disposable steering wheel covers and other materials are being procured to prepare for return to work. Cloth masks have been provided to employees currently working on site. Inventory levels have been adjusted to meet operational demands as well as increased usage per local, state and federal guidance.

Staff implemented online safety learning for employees to continue required trainings when working from home.

| **Injury statistics** | 2018 Year end | 2019 Year end | YTD through April 2019 | YTD through April 2020 |
|---|---|---|---|---|
| Recordable injury rate | 1.67 | .85 | 1.28 | 0.00 |
| DART | 0.00 | 0.00 | 0.00 | 0.00 |
| Lost time rate | 0.00 | 0.00 | 0.00 | 0.00 |

**HQ construction project.** No lost time injuries reported in April.

**Energy solutions.** To mitigate the financial impacts associated with COVID-19, Platte River reduced the budget for efficiency programs by $1 million. A total of $12.8 million is now available from Platte River and the owner communities, consisting of approximately $11.3 million in program spending for rebates, assessments and contracted services and $1.5 million for Platte River to administer the programs. Platte River is expected to provide $9.9 million and the owner communities will provide $2.9 million to fund the Efficiency Works programs. Our goal is to achieve 28,500 MWh energy savings with Platte River funding and as much as 5,500 MWh additional with the owner community funding for a total energy savings of 34,000 MWh. However, due to budget reductions and efficiency program services' limitations due to COVID-19, we anticipate falling short of this goal. As of the end of April, Efficiency Works programs have achieved energy savings of 7,000 MWh and have spent $2.9 million on programs, including administration costs. We have committed $6.7 million in funding, including the $2.2 million spent, for customer projects and program administration.

Due to COVID-19 restrictions, we continue the suspension of efficiency program services that require Platte River staff or contractors to perform work in close contact with customers. As state and local governments ease stay-at-home restrictions, we are working with owner communities' staff and contractors to start services that meet social distancing guidelines. We are preparing to begin offering some services with specific limitations and modifications. For example, efficiency assessments for residential rental properties that are not currently occupied will be allowed, provided they have been unoccupied for 72 hours prior to the assessment. Landlords who wish to identify and undertake efficiency upgrades can then do so while the residence is vacant. In addition, our contractors will begin picking up used refrigerators and freezers through our refrigerator recycling program, but only if customers are willing and able to move their appliance to the curb outside their home.

Staff and consultants continue to provide both residential and commercial customers with efficiency support remotely. Staff continues to review and process rebate applications for efficiency projects undertaken by customers and their service providers. Participation in business retrofits remains strong.

**DER strategic planning.** The DER strategy committee decided in mid-March to take a two-month pause in the strategic planning process due to uncertainty and concerns related to COVID-19. Nearly two months later, the committee met on May 8, 2020 and agreed to move forward with the planning process. Committee members will hold a kickoff meeting with Smart Electric Power Alliance (SEPA) staff in June. During this time, the committee will discuss the project's scope, schedule and workplan. In addition, the team will discuss the public outreach plan, which is intended to ensure that members of the public are informed about the DER strategic planning process and have an opportunity to provide input. We intend to provide multiple opportunities for public engagement throughout this yearlong process. SEPA will then hold individual one-on-one meetings with each of the owner communities' and Platte River's staff to discuss each utilities' goals for the project. This will be followed by workshops attended by Platte River's and the owner communities' staff to discuss a collective vision and goals for DER. This will include a "utility of the future" exercise in which SEPA staff will facilitate a brainstorming session to consider how we will work together now and into the future to integrate DER through joint evaluation and planning, integrated operational approaches, and coordinated business models and customer programs. In addition, the committee discussed ways that members of the committee and other utility staff can keep up with rapidly evolving DER technology. Platte River will coordinate a series of webinars with industry experts to present on DER technology and how utilities are working to incorporate growing DERs.

## FINANCIAL AND INFORMATION TECHNOLOGY SERVICES

**2020 and 2021 budget update.** Platte River's 2021 budget process is well underway. We continually look for ways to improve the existing process and to improve work planning and budgeting by better aligning scope, schedules and available resources. Staff submitted their initial department budgets and the next steps include review by management. In response to COVID-19, staff has been asked to reduce capital project spending and operating expenses for 2021, as well as 2020, without jeopardizing safety and reliability. Once we have a better understanding of the extent of the duration and impact of COVID-19, financial and rate projections can be determined. A financial stress test was performed for three potential load and surplus sales revenue reductions. The memo was included in the April board materials

and an update on Platte River's financial and rate projections is included in this month's board packet.

Below is a condensed schedule to show the overall budget process.

| | |
|---|---|
| March to May | Kickoff presentations and preparation of budget details by departments |
| May-June | Data compilation, reporting and meetings with division managers |
| July | Senior leadership and GM/CEO budget review |
| August | Refine budget and document preparation |
| September | Budget work session with board |
| October | Public hearing and board review of budget modifications |
| November | Prepare final budget document |
| December | Final budget review with board and request adoption |

**Financial audit report filing.** An electronic copy of Platte River's audited financial report for Dec. 31, 2019, was filed in April with Colorado's Office of the State Auditor as required by the Local Government Audit Law.

**EIA-861 filing.** Form EIA-861, Annual Electric Utility Report, was updated for the reporting year 2019 and submitted to the Energy Information Administration, a division of the U.S. Department of Energy. The form collects information such as peak load, generation, electric purchases, sales, revenues, customer counts and demand-side management programs, green pricing and net metering programs, and distributed generation capacity. The form is required reporting and Platte River completed its submission for the April 2020 deadline.

**Certificate of non-default filing.** As required by Platte River's General Power Bond Resolution (No. 05-87), a certificate of non-default, along with a schedule of insurance, project completion schedule and audited financial statements were filed on April 20 with Platte River's bond trustee, Wells Fargo Bank.

**Continuing disclosure filing.** Pursuant to the continuing disclosure certificates executed by Platte River in issuing its Series II and JJ bonds, Platte River's audited financial report and annual report for Dec. 31, 2019, were filed with the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access (EMMA) Dataport.

**Credit Rating.** Moody's Investors Service (Moody's) conducted a ratings assessment of Platte River. On May 5, Moody's released its report, affirming Platte River's AA credit rating, with a stable outlook. The rating reflects sales to creditworthy participants with a weighted average credit quality in the Aa rating category under long-term all-requirements contracts that were recently extended to 2060, autonomous rate-setting ability, competitive wholesale rates, and robust financial metrics in the Aa to Aaa category. The report further indicated Platte River's debt ratio is very low compared to peers. Other credit strengths included conservative financial policies and declining scheduled debt service which, when coupled with Platte River's low debt

ratio, provide Platte River with financial flexibility. A reported credit concern is Platte River's concentration in coal generation. Although currently about 61% of its resource mix comes from coal-fired generation, Moody's noted that Platte River plans to implement a carbon transition strategy to reach a 100% non-carbon resource mix by 2030, while at the same time maintaining reliable and financially sustainable electric service.

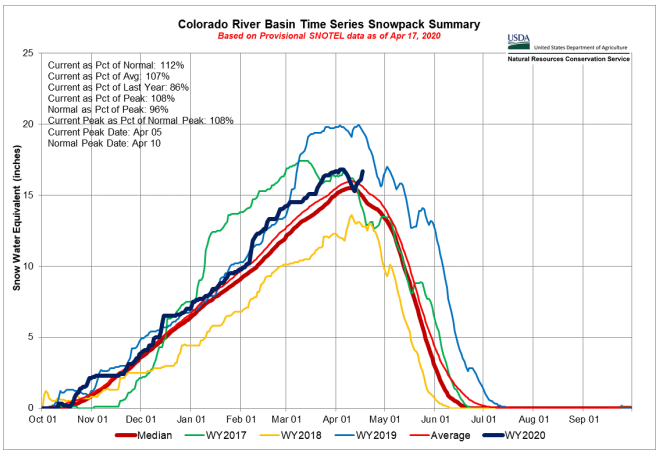
**Post-closure reclamation liability filing.** Platte River is required to file a solid waste facilities closure estimate and proof of financial assurance annual report with the State of Colorado. The report estimates the current closure and post closure care costs for the Rawhide ash disposal facility and the post closure costs of other impoundments on-site and demonstrates Platte River's ability to pay the future costs. The report, filed in April, estimated closure costs to be $8,078,357.

**Enterprise resource planning (ERP) project update.** Platte River has identified an actionable ERP strategy with three possible ERP software solutions. The solution selected will allow Platte River staff to gain efficiencies, automate routine manual processes and view actionable data in real-time. Existing software solutions and added features will be explored for human resources, finance and asset management. As a result of COVID-19, this project, including vendor demonstrations have been placed on hold until further notice.

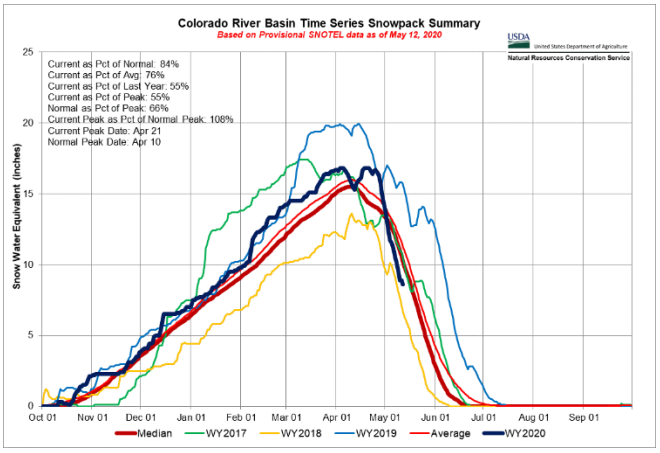
**Headquarters campus project.** Final steps to close out the construction project are underway, including completion of the demolition of the engineering and operations building. Demolition of the old headquarters building is underway and will be completed by the end of May. Construction of the Energy Engagement Center has been placed on hold due to the COVID-19 pandemic. Staff completed a plan to have the site ready to start the Energy Engagement Center at a future date and are completing landscaping that will not be disturbed once construction continues.

## OPERATIONS

**Fuels and water.** The past month has offered a textbook demonstration of the unpredictability that often characterizes the Colorado water year. Last month's management report described the 2020 peak snowpack as occurring on April 5. Shortly thereafter, a series of snowstorms in the Upper Colorado basin were significant enough to establish a new peak on April 21 that was slightly higher than the previous mark, as seen in the snowpack graphs. While the additional late-season snowpack is good news for the overall water supply, a subsequent streak of warm weather has hastened the spring runoff and reservoir-filling season. Overall, current storage levels in the C-BT system are in good shape, with Horsetooth Reservoir and Carter Lake near capacity on the east slope and Lake Granby rapidly filling on the west slope. The most current forecasts continue to indicate that Lake Granby will spill and Windy Gap pumping has been ruled out at this time. Consequently, Platte River has secured a sufficient quantity of C-BT rental water that can be used to generate "in-lieu" Windy Gap water and satisfy its obligation to Fort Collins under the Reuse Plan for the remainder of the 2020 water year. Full Reuse Plan operations will resume June 1 and last through Sept. 30.




April 17, 2020




May 12, 2020

The pre-construction phase of the Windy Gap Firming Project continues to progress with a focus on maintaining productivity and preparing for construction to begin as soon possible, after the resolution of the pending federal lawsuit. From an administrative perspective, the project participants are focusing on the completion of the associated allotment contracts and finalizing project financing, which will also help the project move forward as efficiently as possible. The four-year project is anticipated to begin in late 2020, however, the start of construction depends on the timing of the federal lawsuit.

Staff has been focused on inventory management at both the Craig Station and Rawhide during the first part of the year. At Craig, a portion of Platte River's inventory was recently sold to another Yampa Project participant to achieve a more balanced fuel supply based on projected generation needs. At Rawhide, staff has worked with our coal and rail supply partners to make adjustments to the coal delivery schedule. These changes will help manage the on-site fuel inventory, reduce fuel handling costs and align with more flexible Rawhide Unit 1 operations in the future.

**Rawhide Prairie Solar Project.** Platte River equipment upgrades and trenching work continues and is expected to be complete by the end of May. The module frames to support the solar panels and actuation devises, which rotate the panels, are currently being installed. Electrical cabling and combiner boxes, which combine the output of several solar panels, are also being installed. The modules and other parts are currently arriving onsite and the battery energy storage system has arrived and will be mounted during the first week of May.

| Project | Schedule |
|---|---|
| Pre-functional and transformer testing | May |
| Functional and performance testing | June |
| Mechanical completion milestone | July 31 |
| Commissioning | Aug 28 |
| Commercial operation date | Sept 5 |

**NextEra generator outlet and Roundhouse wind project status.** The construction of the Roundhouse wind project continues to progress successfully. As of mid-May, the Rawhide Substation transmission line bay is nearly complete, and the project is estimated to begin producing energy by mid-June 2020 and to meet the commercial operation milestone by mid-summer 2020.

| Project | Status |
|---|---|
| 19.5-mile generator outlet line construction from the Roundhouse wind project to the Rawhide Substation | 100% complete |
| Wind towers installed | 100% complete |
| Roundhouse Substation | 98% complete |

**2020 solar RFP.** In March, Platte River executed a non-binding term sheet with the preferred developer for the 50-150 MW utility scale solar project, with an expected commercial operation date by December 2023. Platte River sent the developer an initial draft power purchase agreement (PPA) in early April, and Platte River received some initial comments on the draft PPA from the developer in early May, with the goal of finalizing and executing the PPA in the summer of 2020.

**Resource planning.** Staff is working in coordination with the finance department to develop a range of budget scenarios to reflect the impact of COVID-19 pandemic. These scenarios are based on the revised fuel and power prices received from our consultant, Siemens. Additionally, staff is working with the power supply department in analyzing short- and medium-term power sale transactions to manage excess power risk and to maximize the value of the new renewable resources coming on-line in the summer of 2020.

**2020 Integrated Resource Plan (IRP).** Platte River staff presented a revised timeline for completing the IRP to the board of directors during the April board meeting. The revised timeline proposed submitting the IRP to the Western Area Power Administration on Sept. 1, provided that the board could hold deliberations on the results of the IRP, in-person, at the

May 2020 board meeting. Since the May 2020 board meeting will not be held in person but will be held virtually, the IRP deliberations have been delayed which has, in turn, delayed the filing date of Sept. 1, 2020. Staff will develop a newly revised timeline based on the anticipated date of the first in-person board meeting.