



Policy

Purpose:

The purpose of this policy is to establish accounting treatment for recognition of gains and losses on retirement of capital assets to ensure rate recovery. Historically (since Platte River's inception), Platte River has used the group depreciation method and deferred recognition of gains and losses on retirement of capital assets. Under this method, gains and losses upon retirement of a capital asset have been booked to accumulated depreciation on the statement of net position. As a result, recognition of gains and losses have been deferred until the entire group of assets is retired, which would occur in a single year. This method does not allow for a smooth rate recovery of the gains and losses.

As a result, Platte River will implement a "change in accounting principle" to change the depreciation method from the group method to the specific identification method. The change to the specific identification method will be more transparent and a more accurate representation of depreciation and amortization expense related to gains and losses on retired capital assets. However, under the specific identification method, gains and losses are recognized immediately and could potentially have a significant impact on results and rate recovery. Alternative accounting is required to ensure smoothing and rate recovery.

Additionally, the net loss balance of \$36.3 million in accumulated depreciation consisting of deferred gains and losses from prior years' capital asset retirements will be recognized as amortization expense. Expensing the deferred gains and losses over multiple years will avoid single year recognition and will smooth the expense for rate recovery.

The accounting treatment detailed in this policy is required to ensure capital costs are recovered in rates.

Policy:

This policy applies to the accounting treatment of future gains and losses on retirements of capital assets and recognition of the accumulated deferred net loss from prior years' capital asset retirements through amortization expense. This treatment and policy are a result of a change in depreciation method to the specific identification method.

- Under the specific identification method, gains and losses on retirement of assets will accumulate for a year and the net gain or loss will either be recognized in a single year or amortized over a specified period not to exceed 10 years. Management will determine the amortization period by reviewing the net gain or loss amount for materiality and assess the rate impact.
- The balance of \$36.3 million in accumulated depreciation represents a net loss from prior years' gains and losses on asset retirements. This amount will be recorded as

	Policy	Version #: 1.0 Original effective date: 11/01/2020 Next review date: 11/01/2025
	Change in depreciation method accounting policy	Page 2 of 2

<p>amortization expense over the period of 2020 to 2029, approximately \$3.6 million annually.</p> <p>As discussed with Platte River’s auditors, this policy accords with Governmental Accounting Standards Board Statement No. 62, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements</i>, Regulated Operations, paragraph 476-500 (GASB 62) which allows certain expenses or revenues to be recognized when included in wholesale rates charged to the owner communities rather than when normally recorded.</p>
<p>Implementing parties and assigned responsibilities:</p> <p>The Controller reviews this policy and brings necessary revisions before the Platte River Board of Directors for approval.</p>
<p>Associated items (if applicable):</p> <p>Accounting policies – GASB 62 white paper Change in depreciation method accounting procedure Resolution No. 09-20</p>
<p>Definitions (if applicable):</p>

Document Information	
Document owner: Controller	Original effective date: 11/1/2020
Authority: Board of Directors	Review frequency: Every 5 years
Counsel review: General Counsel	Current effective date: 11/1/2020

Version	Date	Action	Author	Change Tracking (new, review, revision)
1.0	10/29/20	Board resolution 09-20	Shelley Nywall	New