

 Platte River Power Authority	<h1>Policy</h1>	Version #: 1.0 Original effective date: 01/01/2022 Next review date: 01/01/2027
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Purpose:

The purpose of this policy is to establish accounting treatment for the accrual of decommissioning costs of the coal-fired Craig units 1 and 2 at the Craig Generating Station. Craig Unit 1 is expected to be retired by Dec. 31, 2025 and Craig Unit 2 by Sept. 30, 2028. Platte River will be responsible for its participant share of the decommissioning expenses. The actual decommissioning activities and cash outlay is expected to take place after 2030 when Tri-State Generation and Transmission Association, Inc.'s Craig Unit 3 is retired, but the timing may be modified if the Yampa participants agree to a different schedule.

The accounting treatment detailed in this policy is to accrue for decommissioning costs over a period of time to smooth the rate impact.

Policy:

This policy describes the accounting treatment for the accrual of decommissioning costs of the coal-fired Craig units 1 and 2.

Decommissioning cost estimate

The initial decommissioning cost estimate will be established from Public Service Company of Colorado's decommissioning study performed in 2014. The original amount will be escalated using Colorado Department of Public Health and Environment's published inflation rate to bring the cost to an estimated value at Dec. 31, 2020, then the 2020 inflation rate will be used each year thereafter to value the cost in 2028. Under this method, Platte River's share of the initial estimated decommissioning cost is \$16.5 million in 2028.

Going forward, the cost estimate will be updated annually for changes in the inflation rate and changes in cost estimates including results from a new decommissioning study, if applicable. If requirements under GASB Standard No. 83 *Certain Asset Retirement Obligations* (GASB 83) are met at some point in the future, Platte River will convert these costs to an asset retirement obligation and follow GASB 83 accounting. If that occurs, this accounting policy would no longer apply.

Accrual period

The initial accrual period will be Jan. 1, 2022 through Sept. 30, 2028, the estimated closure date of Craig Unit 2. The accrual period will be adjusted if a different decommissioning schedule is agreed upon by the Yampa participants.

Accretion expense and regulatory liability

The total cost will be recognized ratably over the initial accrual period starting Jan.1, 2022 through Sept. 2028, the estimated closure date of Craig Unit 2. The amount will be debited to accretion expense and reported within the depreciation, amortization and accretion category on the statement of revenues, expenses and changes in net position. The liability will be credited

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and classified on the statement of net position as a regulatory credit under deferred inflows of resources.

Any difference between the actual costs incurred for decommissioning and the accrued liability is charged or credited to expense at the time the decommissioning activities occur.

As discussed with Platte River's auditors, this policy accords with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, Regulated Operations, paragraph 476-500, which allows certain expenses or revenues to be recognized when included in wholesale rates charged to the owner communities rather than when normally recorded.

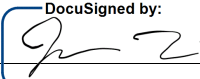
Implementing Parties and Assigned Responsibilities:

The Controller reviews this policy and brings necessary revisions before the Platte River Board of Directors for approval.

Associated Items (if applicable):

Accounting policy – GASB 62 Craig units 1 and 2 decommissioning cost accrual policy white paper
 Craig units 1 and 2 decommissioning accounting treatment procedure
 Resolution No. 07-21

Definitions (if applicable):

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Version	Date	Action	Author	Change Tracking (new, review, revision)
1.0	08/26/2021	Board resolution 07-21	Shelley Nywall	New