

 Platte River Power Authority	<h1>Policy</h1>	Version #: 1.0 Original effective date: 10/27/2022 Next review date: 10/27/2027
	Deferred revenue and expense accounting policy	Page 1 of 3

Purpose:

To achieve the Resource Diversification Policy goal, Platte River is transitioning its resource portfolio by retiring coal-fired units and replacing those units with noncarbon or low-emitting carbon resources. It is expected costs will be higher as noncarbon resources are added and operational before Rawhide Unit 1 retires. The expected cost increase will create rate pressure.

The purpose of this accounting policy is to help reduce rate pressure and achieve rate smoothing by establishing a mechanism to defer revenues earned and expenses incurred in one period to be recognized in one or more future periods. This policy will apply during this transition.

Policy:

This policy describes the process of deferring revenues earned and expenses incurred in one period to be recognized in one or more future periods. The finance staff will recommend when to exercise this policy, and request General Manager/CEO approval, based on financial results and long-term financial and rate projections to reduce rate pressure, achieve rate smoothing and ensure financial sustainability.

Deferral and recognition period

The deferral and recognition period begins with the year ending Dec. 31, 2022. The end of the deferral and recognition period is expected to be no later than the year ending Dec. 31, 2034, which is five years after the planned retirement of Rawhide Unit 1 in 2029.

Deferred revenue

After the financial statements are prepared at year end (before the financial statement audit), any amount of change in net position above the minimum required to achieve the strategic financial plan targets can be deducted from operating revenues and held on the statement of net position to be recorded as revenue in one or more future periods. The amount deferred will be determined by then-current financial results and will be informed by long-term financial and rate projections. The amount and period of the deferred revenues to be recognized will also be informed by long-term financial and rate projections.

Deferred expenses

If the deferred revenues are projected to insufficiently reduce rates to achieve rate smoothing and financial sustainability, expenses may be deferred and deducted from operating expenses and held on the statement of net position to be recorded as expenses in one or more future periods. The amount deferred and the amount and period of the deferred expenses to be recognized will be informed by long-term financial and rate projections. Expense recognition is not expected to exceed five years after the planned retirement of Rawhide Unit 1 in 2029.

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Accounting treatment

Operating revenues and expenses on the statement of revenues, expenses and changes in net position

- A separate revenue account will be used to reflect reduced operating revenues in a period of deferral and will be additive in a period of recognition.
- A separate expense account will be used to reflect reduced operating expenses in a period of deferral and will be additive in a period of recognition.

Regulatory credit and asset on the statement of net position

- A regulatory credit account classified as a deferred inflow of resources will be used to hold the deferred revenues until they are to be recognized.
- A regulatory asset account will be used to hold the deferred expenses until they are to be recognized.

The finance staff will, at least annually, report to the board of directors the deferred amounts and the timing of recognition of the deferred revenues and expenses.

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, director of finance and chief financial officer review this policy. Staff will bring necessary revisions before the Platte River Board of Directors for approval.

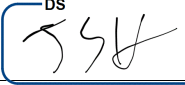

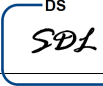


Associated Items (if applicable):

Deferred revenue and deferred expense accounting procedure
Resolution No. 09-22

Definitions (if applicable):

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1.0	10/27/2022	Board resolution 09-22	Shelley Nywall	New