

 Platte River Power Authority	<h1>Policy</h1>	Version #: 4.2 Original effective date: 04/29/2004 Next review date: 04/01/2028
	TITLE: Maintenance outage expense accrual policy	Page 1 of 3

Purpose:

This policy allows Rawhide Unit 1 scheduled maintenance outage (“outage”) costs that exceed \$5 million to be spread over the interim period between outages to smooth rate impacts to the owner communities.

Rawhide Unit 1 currently represents the largest portion of Platte River’s base-load thermal resource capability. Regular outages are required to ensure the plant remains operable and reliable. The outages vary in length and cost. If the expenses were recognized all in the year of the outage, there could be a significant rate impact to the owner communities. The outages to be included in this policy have estimated costs exceeding \$5 million, which include incremental operations and maintenance expenses and replacement power required to cover the generation while the plant is offline. The amount of \$5 million was determined to be the point where exceeding costs may have an impact on rates that could be of concern, especially if combined with other factors that arise requiring a rate increase.

In order to smooth rate impacts, the accrual method of expensing outage costs has been implemented. Governmental Accounting Standards Board 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 (GASB 62), allows certain expenses or revenues to be recognized when included in wholesale rates charged to the owner communities rather than when normally recorded. Platte River will use GASB 62, as outlined in the “Policy” section below, to record outage expenses, which has also been discussed with Platte River’s external auditors.

Policy:

This policy applies to all future outages of Rawhide Unit 1 that have estimated costs in excess of \$5 million. Estimated outage costs for this purpose are defined as incremental overtime wages, materials and supplies, contracted services, contingency, and replacement power costs. Replacement power is defined as non-baseload generation, such as natural gas fuel expense for the combustion turbine peaking units and market purchases. Regular labor costs will be paid in any period regardless of the activity and therefore are not included in the accrual calculation. To effectively smooth costs and rates, one-hundred percent of the total estimated outage costs will be accrued.

The accrual period will begin with the first month after the last qualifying outage and continue through the beginning of the next qualifying outage. The amount charged to production maintenance expense and purchased power expense each month will be based on the projected net scheduled generation ratio for the current month divided by the total projected generation for the accrual period. All future outage expenses will be accrued for a period not to exceed six years.

The outage expense estimate will be reviewed at a minimum annually during the budget cycle. The accrual estimate for prospective years will be adjusted, if necessary, to reflect changes in the outage estimated costs, outage dates, or projected generation during the accrual period. The annual accrual estimate will be included in the annual budget as a production and purchase power expense. A significant change that warrants a change in the current year accrual will be brought before the Board of Directors.

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

Implementing parties and assigned responsibilities:

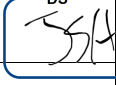




Accounting management, director of finance and chief financial officer review this policy. Staff will bring necessary revisions to the Platte River Board of Directors for approval.

Associated items (if applicable):

Maintenance Outage Expense Accrual Procedure
Board Resolution 18-16

Definitions (if applicable):

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Authority: Board of directors ^{DS} 	Review frequency: Every 5 years
Counsel review: General counsel ^{DS} 	Next review date: 04/01/2028
Reviews: ^{DS}  ^{DS} 	

Version	Date	Action	Author	Change tracking (new, review, revision)
1.0	04/29/2004	Policy approved by the Board (7-04)	Ed Doherty	New
2.0	08/28/2008	Policy modified to include replacement power during Rawhide Major Outages (18-08)	Ed Doherty	Revision
3.0	08/30/2012	Policy modified by the Board (moved into new format) (18-12)	Ed Doherty	Revision
3.1	11/08/2012	Policy moved into Board approved document format	Esther Velasquez	Revision
4.0	07/13//2016	Policy updated and modified to change accrual percentage from 80% to 100%	Shelley Nywall	Revision
4.1	04/03/2018	Reviewed by Shelley Nywall, migrated to new format	Tracy Thompson	New form
4.2	04/24/2023	Reviewed by Jason Harris, Shelley Nywall and Dave Smalley; minor updates to terminology and clarifications	Jason Harris	Review