



Purpose:

The purpose of this policy is to establish accounting treatment for the Windy Gap Firming Project (firming project) to ensure the cost of the project is recovered in rates and is in alignment with the obligations of the allotment contract. The firming project storage system will support long-term reliable delivery of water to Platte River. The allotment contract is for an allotment of capacity in the firming project and is between Platte River and the Windy Gap Firming Project Water Activity Enterprise (WGFP Enterprise). As a result, Platte River will have contractual rights to 16,000 acre-feet storage of the total 90,000 acre-feet of storage. Platte River will fund the firming project through a cash contribution and participate in the pooled financing arrangement with other participants. The WGFP Enterprise will issue the bonds for the pooled financing.

Platte River will obtain a perpetual right for capacity in the firming project. The WGFP Enterprise will hold title to the Chimney Hollow reservoir itself, and the associated structures and facilities. As the rights to use the storage facility lack physical substance and are perpetual, this would meet the definition of an intangible asset with an indefinite life. Because intangible assets with indefinite lives are not amortized under standard accounting practices, Platte River would not be able to recover the cost of this asset in rates. To ensure recovery in rates, the cash portion of the project will be expensed through amortization expense.

Further, in the allotment contract, Platte River has an unconditional obligation to pay a) operating and maintenance expenses, b) debt service attributable to the bonds and c) funding necessary reserves. The payments to the WGFP Enterprise are to be treated as operating expenses, which is outside typical accounting for debt service payments.

The accounting treatment detailed in this policy is required to ensure the full cost of the project is recovered in rates and debt service payments are recorded in accordance with allotment contract.

Policy:

This policy describes the accounting treatment for expenses incurred for the firming project related to the cash contribution and the pooled financing payments.

Regulatory asset (normally an intangible asset)

At the time of the cash financing and pooled financing issuance, the asset will be placed in service and a regulatory asset will be recorded. The asset will represent the total cost of the project (cash and principal related to the pooled financing).

- The regulatory asset will have the following components and will be amortized over the term of the pooled financing (life of the asset). Accumulated amortization will include the cumulative amounts of amortization expense over the life of the asset.

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- Cash funded – this amount will be charged to amortization expense, similar to other capital type assets for which cash has been expended.
- Principal portion of pooled financing – this amount will be amortized to an operations and maintenance account when the principal payments are made annually.

Liability

A liability will be recorded for Platte River’s principal portion of the pooled financing. The principal portion will be amortized and charged to accumulated amortization for the regulatory asset as principal payments are made.

Debt service payments

Debt service payment (principal and interest) will be charged to an operations and maintenance expense account. This treatment is required under the allotment contract and will ensure the debt service payments are included in rates and for purposes of calculating minimum bond service ratio under Platte River’s Master Power Bond Resolution.

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 policies – GASB 62 white paper
Windy Gap Firming Project accounting treatment white paper
Windy Gap Firming Project accounting treatment procedure
Resolution No. 09-20

Definitions (if applicable):



Policy

Windy Gap Firming Project accounting policy

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