

RESOLUTION NO. 195 - 24

A RESOLUTION TO INCREASE THE AMOUNT OF THE
REGULATORY ASSET ASSOCIATED WITH MARTIN
DRAKE POWER PLANT'S DECOMMISSIONING COSTS

WHEREAS, Colorado Springs Utilities (Utilities) is subject to regulation by the Colorado Springs City Council with respect to rates charged for services, budgeting, accounting, and other matters pertaining to regulated operations; and

WHEREAS, Utilities, in accordance with industry best practices, follows Generally Accepted Accounting Principles (GAAP) and the additional Governmental Accounting Standards Board (GASB) Pronouncements, as applicable; and

WHEREAS, Utilities applies the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA ("GASB 62") when relevant circumstances arise; and

WHEREAS, in accordance with GASB 62, Utilities should, if allowed, capitalize all or part of the costs that would otherwise be charged to expense if: (1) it is probable that future revenue will result from inclusion of that cost in allowable costs for rate-making purposes; and (2) based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs; and

WHEREAS, Utilities proposes to utilize, in accordance with GASB 62, the recognition of a regulatory asset for costs associated with Martin Drake Power Plant's obsolete inventory and decommissioning expenditures that would otherwise be expensed as incurred each year; and

WHEREAS, City Council approved Resolution 137-23 on October 10, 2023 establishing a regulatory asset value of \$20,525,070 and this resolution increases the estimated expenditures for the regulatory asset established in Resolution 137-23, and are outlined in Schedule 1, which is attached and made a part of this Resolution; and

WHEREAS, upon City Council approval, the regulatory asset will increase by \$3,000,000 starting January 1, 2024, and continuing through December 31, 2025, for the additional estimated costs associated with Martin Drake Power Plant's decommissioning and appropriately captures the long-term benefit of the expenditure.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS:

Section 1. That the increase supplemental amount for the Regulatory Asset in the amount of \$3,000,000 and the amortization schedule are approved.

Dated at Colorado Springs, Colorado this 10th day of December 2024.


Randy Helms, Council President

ATTEST:


Sarah B. Johnson, City Clerk



Schedule 1
Colorado Springs Utilities' Proposed Regulatory Asset

[Insert]

SCHEDULE 1
Estimated Costs for Martin Drake Regulatory Asset Amortization Schedule (in thousands)
(original \$20,525 plus the additional \$3,000)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Cash Outflow & Regulatory Asset Recorded (Balance Sheet)														
23 Decommissioning Contractor Expense	\$ 13,907													\$ 13,907
24 Decommissioning Contractor Expense		\$ 8,618												\$ 8,618
25 Decommissioning Contractor Expense			\$ 1,000											\$ 1,000
Total Cash Outflow and Regulatory Asset	\$ 13,907	\$ 8,618	\$ 1,000											\$ 23,525
														Amount approved by Resolution 137-23
														<u>\$ (20,525)</u>
														Estimated additional amount
														<u>\$ 3,000</u>
Amortization Recorded in Planning (Income Statement)														
23 Decommissioning Contractor Expense		\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391	\$ 1,391		\$ 13,907
24 Decommissioning Contractor Expense			\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 862	\$ 8,618
25 Decommissioning Contractor Expense				\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 1,000
Total Amortization and Expenses against Income	\$	\$ 1,391	\$ 2,253	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 962	\$ 100
														Amount approved by Resolution 137-23
														<u>\$ (20,525)</u>
														Estimated additional amount
														<u>\$ 3,000</u>
No Regulatory Asset	\$ 13,907	\$ 8,618	\$ 1,000											\$ 23,525
With Regulatory Asset	\$	\$ 1,391	\$ 2,253	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 2,353	\$ 962	\$ 100	\$ 23,525

Note: 2023 is actual amount incurred. 2024-2025 are estimated remaining costs