

RESOLUTION NO. 137 - 23

A RESOLUTION ESTABLISHING A REGULATORY ASSET  
FOR EXPENDITURES ASSOCIATED WITH MARTIN  
DRAKE POWER PLANT'S OBSOLETE INVENTORY AND  
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

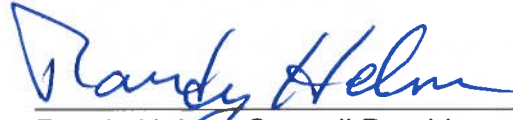
WHEREAS, the estimated expenditures for the proposed regulatory asset are outlined in Schedule 1, which are attached and made a part of this Resolution; and

WHEREAS, upon City Council approval, a regulatory asset valued at \$20,525,070 (as generally described in Schedule 1 attached) would be established starting January 1, 2023, and continuing through December 31, 2024, containing costs associated with Martin Drake Power Plant's obsolete inventory and decommissioning costs 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 establishment of the above-described Regulatory Asset in the amount of \$20,525,070 and the amortization schedule are approved.

Dated at Colorado Springs, Colorado this 10<sup>th</sup> day of October 2023.

  
Randy Helms, Council President

ATTEST:

  
Sarah B. Johnson, City Clerk



Schedule 1  
Colorado Springs Utilities' Proposed Regulatory Asset

[Insert]

### Sample Regulatory Asset Amortization Schedule 1

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
<b>Cash Outflow &amp; Regulatory Asset Recorded (Balance Sheet)</b>												
Obsolete Inventory	\$3,381											\$3,381
23 Decommissioning Contractor Expense	\$12,500											\$12,500
24 Decommissioning Contractor Expense		\$2,000										\$2,000
<b>Total Cash Outflow and Regulatory Asset</b>	<b>\$15,881</b>	<b>\$2,000</b>										<b>\$17,881</b>
<b>Amortization Recorded in Planning (Income Statement)</b>												
Obsolete Inventory	\$338	\$338	\$338	\$338	\$338	\$338	\$338	\$338	\$338	\$338	\$338	\$3,381
22 Decommissioning Contractor Expense	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$12,500
23 Decommissioning Contractor Expense	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,000
<b>Total Amortization and Expenses against Income</b>	<b>\$1,588</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$1,788</b>	<b>\$200</b>	<b>\$17,881</b>
*in thousands												
<b>No Regulatory Asset</b>												
	\$15,881	\$2,000										\$17,881
<b>With Regulatory Asset</b>												
	\$1,588	\$1,788	\$1,788	\$1,788	\$1,788	\$1,788	\$1,788	\$1,788	\$1,788	\$1,788	\$200	\$17,881