



Colorado Springs Utilities
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Drake Decommissioning Regulatory Asset Resolution

August 2023

DRAFT- PENDING REVIEW OF CFO and CEO

Purpose & Executive Summary

- Presentation of Finance Committee:
 - Informational purposes only
 - Preparation for seeking a resolution from City Council in October

- Executive Summary

Colorado Springs Utilities seeks approval from City Council to establish a regulatory asset to record the decommissioning and obsolete inventory expenses associated with Martin Drake Power Plant. These costs will be expensed over a 10-year period as they are incurred to help smooth the rate impact. With City Council approval, the proposed total regulatory asset, currently estimated at \$17,900,000, would be established starting with 2023 and adjusted through 2024 as final expenses are trued up with the completion of the decommissioning project. Incurred actual costs each year will be amortized (expensed) over the 10-year rolling period for total of 11 years.

Background- Government Accounting

Government Accounting Standards Board (GASB) Statement 62 & FAS 71 / Accounting Standards Codification (ASC) 980

- Regulatory Asset is allowed by standards, if:
 - Rates are established by governing board empowered by statute to establish rates
 - Regulated rates are designed to recover the costs of the Utility providing the regulated services
 - It is reasonable to assume that rates can be charged and collected from customers
- Financial Implications:
 - Defers expended costs to the balance sheet as a regulatory asset
 - Amortized expenses are recorded on the income statement over a set period of time

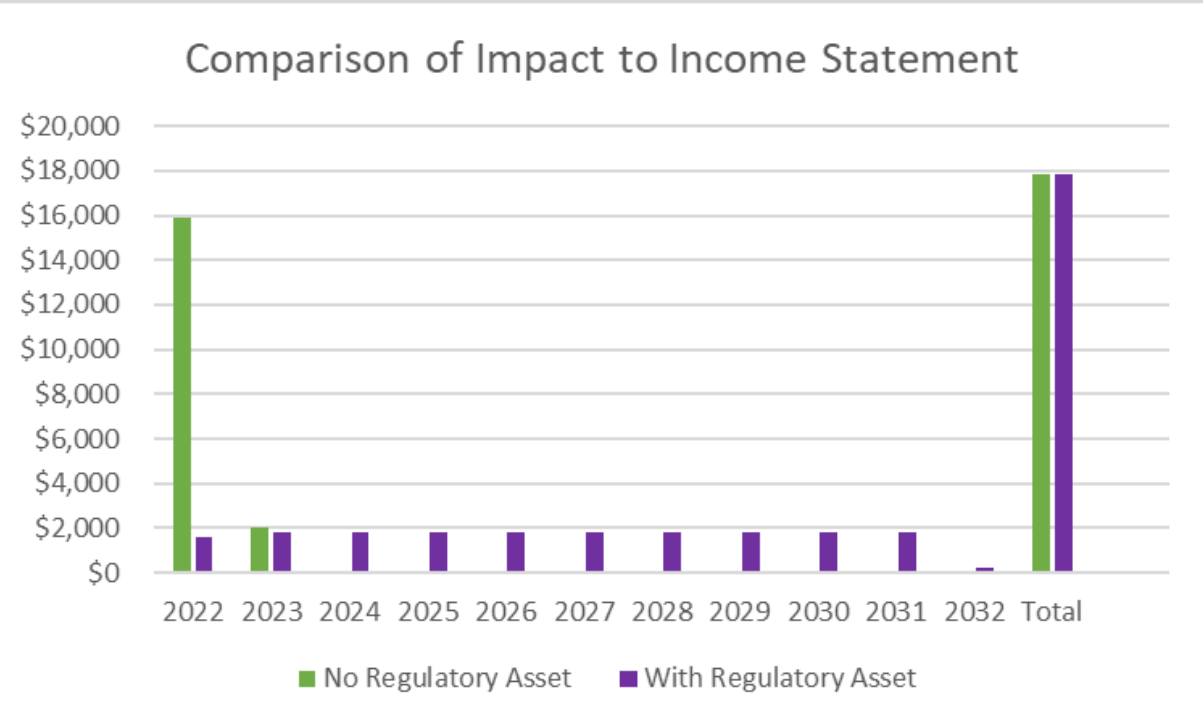
Benefits and Prior Council Action

- Benefits
 - Rate stabilization, smoothing rate impact
 - Operating benchmarks comparable to their investor-owned peer utilities
 - Match their accounting to utility industry standards.
- Previous Council Action
 - 2009, Resolution 312-09, Southern Delivery System
 - 2013, Resolution 26-13, Debt Issuance Cost

Sample Regulatory Asset Amortization Schedule

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | | Total |
|---|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|-------|-----------------|
| Cash Outflow & Regulatory Asset Recorded (Balance Sheet) | | | | | | | | | | | | | |
| Obsolete Inventory | \$3,381 | | | | | | | | | | | | \$3,381 |
| 23 Decommissioning Contractor Expense | \$12,500 | | | | | | | | | | | | \$12,500 |
| 24 Decommissioning Contractor Expense | | \$2,000 | | | | | | | | | | | \$2,000 |
| Total Cash Outflow and Regulatory Asset | \$15,881 | \$2,000 | | | | | | | | | | | \$17,881 |
| Amortization Recorded in Planning (Income Statement) | | | | | | | | | | | | | |
| Obsolete Inventory | \$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 |
| Total Amortization and Expenses against Income | \$1,588 | \$1,788 | \$1,788 | \$1,788 | \$1,788 | \$1,788 | \$1,788 | \$1,788 | \$1,788 | \$1,788 | \$200 | | \$17,881 |

*in thousands



Next Steps- Procedural Requirements

- August 14, 2023- Finance Committee
 - Overview and general discussion
- September 20, 2023- Utilities Board
 - Discussion Agenda Item
- October 10, 2023- City Council
 - Consent agenda, proposed
 - Resolution passed