PLATTE RIVER
POWER AUTHORITY

35 Years

"Quality is the result of a carefully constructed cultural environment. It has to be the fabric of the organization, not part of the fabric."
- Philip Crosby

2008
Annual Report

Platte River's 2008 Annual Report is an in-house production
of the Marketing & Communications Department.

FOR ADDITIONAL COPIES

Platte River Power Authority
2000 East Horsetooth Road
Fort Collins, Colorado 80525-5721
970.226.4000

ELECTRONIC VERSION

www.prpa.org/finance

Platte River Power Authority
2008 Annual Report
CONTENTS

Platte River Power Authority
Message from the General Manager and Chairman of the Board

Platte River Power Authority represents a common thread woven through the fabric of Northern Colorado. Our electricity powers the homes, businesses, schools and hospitals of the communities we serve and impacts nearly every aspect of our daily lives. Our commitment to a clean environment helps maintain a quality lifestyle that is, here in Colorado, strongly tied to the outdoors.

The Town of Estes Park and the cities of Fort Collins, Longmont and Loveland are not just figuratively connected through Platte River. They're physically knit together by our web of generation and transmission resources that we strengthened in 2008. Rawhide Unit F—a 128 MW natural gas turbine—began commercial operation in June. A new, more fuel-efficient turbine was installed in Rawhide Unit One during scheduled fall maintenance. The replacement of two older transformers at Estes Park's Marys Lake Substation was completed in November. These projects were accomplished so that we can continue to meet the electrical needs of our customers.

General Manager

Chairman of the Board

We also work to meet those needs by helping our customers conserve. Throughout 2008, Platte River funded and administered a number of efficiency programs. A total of $1.3 million was paid for projects that are projected to save about 12.8 million kilowatt-hours per year—enough electricity to power approximately 1,500 homes.

Platte River continued its strong commitment to environmental stewardship in 2008. We were the first utility in the State to voluntarily commit to delivering a plan for how we propose to achieve the goals of the Governor's Colorado Climate Action Plan. We look forward to working with our Board of Directors and the Governor's Energy Office to develop the plan by June 2009.

Rawhide Unit One was once again recognized as being among the lowest sulfur dioxide- and nitrogen oxide-emitting coal-fired generating facilities in the U.S. It was featured in *Power* magazine as one of the top five coal-fired plants in the world based on its environmental record and operational performance over several years. Such performance is made possible only through the coordinated efforts of experienced employees with a broad array of skills, joined together by common goals and a clear understanding of the important role they have in keeping our communities energized.

Platte River is also a thread that connects its communities to the rest of western North America. As part of the Western Interconnection, our transmission system is linked to those of over 80 other entities from Colorado to California and from northern Mexico to western Canada. In mid-2007, mandatory reliability standards were imposed on the operators of the Western Interconnection by the North American Electric Reliability Corporation (NERC). Throughout 2008, Platte River employees spent countless hours developing and documenting procedures in compliance with NERC reliability standards.

> "Some people weave burlap into the fabric of our lives, and some weave gold thread. Both contribute to make the whole picture beautiful and unique."
>
> - Anonymous

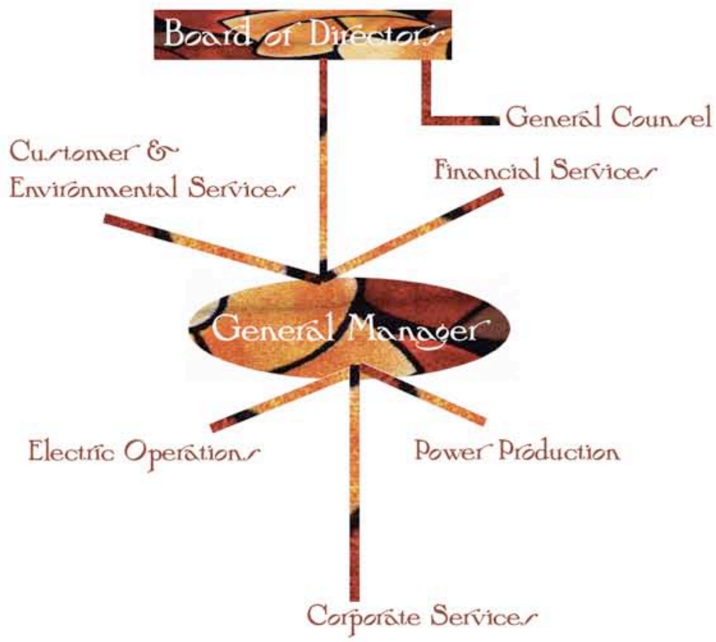
Success in these challenging economic times depends more than ever on a sound financial footing. Operating revenues increased by $9 million (5.5 %) in 2008, largely due to higher short-term surplus sales and a new four-year contract with Tri-State Generation & Transmission Association, Inc. Net income was $12.1 million and our debt service coverage—the ratio of total net revenues to debt payments and a source of confidence for our bondholders—was 1.63, well over the 1.10 required by our General Power Bond Resolution.

Unfortunately, several factors are driving costs up, applying upward pressure on our rates. Chief among them are increased fuel and purchased power costs and increased investments needed for transmission infrastructure. In light of these pressures, the Board of Directors approved a wholesale rate increase of 3.8 percent effective January 1, 2009.

Despite the increase, the electric rates in our communities will remain among the lowest in Colorado and we'll continue to work hard to keep electricity affordable. Among other things, we'll refinance debt whenever we can take advantage of lower interest rates, upgrade generation equipment with new, more fuel-efficient technologies, bolster revenues by leasing available transmission and generation capacity and sell surplus power when possible.

Platte River Power Authority had another successful year in 2008. We have the people, assets and finances to meet new challenges we'll face going forward. As we do, we'll continue to be an important part of the fabric of our communities. That's a privilege and responsibility we take very seriously.

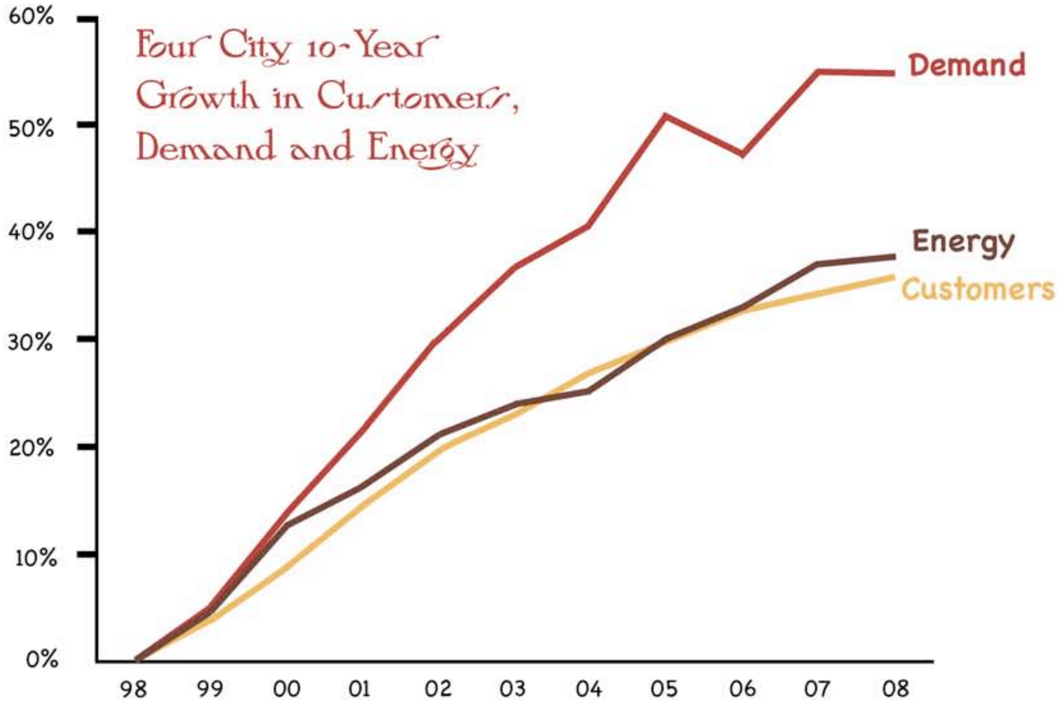
How We Are Organized



Platte River Power Authority...

generates and delivers reliable, low-cost and environmentally responsible electricity to its owner communities — Estes Park, Fort Collins, Longmont and Loveland, Colorado — where it is distributed by each municipal utility to residents and businesses.

Platte River's Headquarters is located in Fort Collins and its generating and transmission facilities are located along Colorado's Front Range, in northwestern Colorado and near Medicine Bow, Wyoming.



Financial Highlights

Years Ended December 31	2008	2007	2006
Revenues/Expenses ($000)			
Operating revenues	**$172,386**	$163,378	$157,143
Operating expenses	**159,593**	140,645	136,404
Nonoperating revenues (expenses), net	**(739)**	(1,178)	(6,512)
Income before contributions	**$12,054**	$21,555	$14,227
Power Operations			
Demand-municipalities (MW)	**634**	635	603
Energy-municipalities (GWh)	**3,157**	3,147	3,052
Energy-others (GWh)	**996**	1,053	1,020
Selected Other Data			
Gross utility plant ($000)	**$1,113,577**	$1,086,656	$1,043,272
Long-term debt, net ($000)	**$273,226**	$293,717	$315,486
Debt to equity ratio	**39/61**	41/59	44/56
Total revenue bond coverage	**1.63x**	1.79x	1.65x

Energy Market Statistics

	2008	2007	2006
Combined Retail Sales for Four Municipalities[1]			
Number of Customers (average)			
Residential	**126,293**	125,209	123,938
Commercial & Industrial	**17,143**	16,589	16,275
Other	**305**	297	288
TOTAL	**143,741**	142,095	140,501
Kilowatthour Sales (thousands)			
Residential	**1,069,218**	1,092,845	1,053,587
Commercial & Industrial	**1,984,741**	1,938,542	1,890,505
Other	**3,199**	3,581	3,958
TOTAL	**3,057,158**	3,034,968	2,948,050
Revenue			
Residential	**$73,899,642**	$73,792,206	$71,431,010
Commercial & Industrial	**101,358,755**	98,804,416	96,105,763
Other	**887,704**	699,653	1,165,422
TOTAL	**$176,146,101**	$173,296,275	$168,702,195
Residential Averages (annual)			
kWh per Customer	**8,466**	8,728	8,501
Revenue per kWh (cents)	**6.91**	6.75	6.78
Revenue per Customer	**$585.14**	$589.35	$576.34
Wholesale Power Requirements			
Peak Demand (kW)			
Estes Park	**26,456**	26,178	23,895
Fort Collins	**286,549**	295,785	279,229
Longmont	**177,648**	178,191	171,191
Loveland	**153,105**	146,367	136,891
Sum of Municipalities' Peaks	**643,758**	646,521	611,206
Demand - PRPA Coincident [2]	**633,913**	634,671	602,993
Energy (thousand KWh)			
Estes Park	**132,408**	130,067	128,284
Fort Collins	**1,471,869**	1,484,987	1,442,892
Longmont	**826,403**	840,144	820,180
Loveland	**726,135**	691,795	660,379
Sum of Municipalities' Energy	**3,156,815**	3,146,993	3,051,735
Sales to Others and Miscellaneous	**1,088,572**	1,142,686	1,120,263
Energy-TOTAL SYSTEM	**4,245,387**	4,289,679	4,171,998

1 Compiled from preliminary sales and other reports of the municipalities supplied with electric energy by Platte River. These sales are not those of Platte River.

2 The 2008 system peak occurred in August.

Platte River Power Authority
The Fabric of Our Organization — Highlights of 2008

"We all participate in weaving the social fabric; we should therefore all participate in patching the fabric when it develops holes..."

-Anne C. Weisberg

Reliability, low cost and environmental responsibility are the guiding threads woven into the fabric of the organization called Platte River Power Authority.
Focusing on quality and concentrating on the basics of what we do best—serving our customers—keeps the fabric strong.

Reliability Standards and Compliance Take Center Stage

While the generation and transmission of reliable electricity has always been a focus of Platte River's operations, June 18, 2008, marked the one-year anniversary of mandatory electricity reliability standards in the United States. The transition to mandatory standards enforceable under federal law represents a major shift in the regulation of the electric industry. Throughout 2008, a considerable amount of work was undertaken by the owners and operators of the electric system in the United States, including Platte River, with respect to standards development and compliance.

Platte River must meet standards comprised of 1,280 requirements and sub-requirements. The requirements directly affect all five of Platte River's operating divisions; more than 20 employees have responsibilities for assuring Platte River's compliance.

Wholesale Rate Increase Begins In January

To ensure that Platte River's operational and financial goals continue to be met, the Board of Directors approved a 3.8 percent wholesale rate increase effective January 1, 2009. The key drivers of the increase included higher coal, rail and hydropower costs along with increased capital investment requirements.

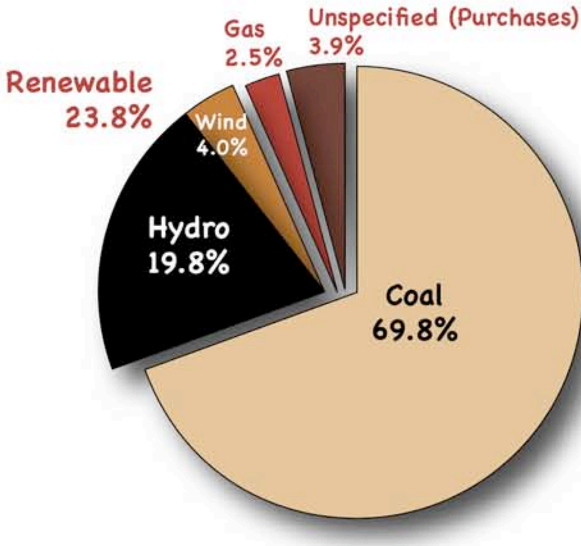
Despite the increase, residents and businesses served by Platte River's owner municipalities will continue to enjoy significantly lower rates than those of neighboring electricity providers.

Regular Maintenance On Rawhide Unit One Equals Reliability

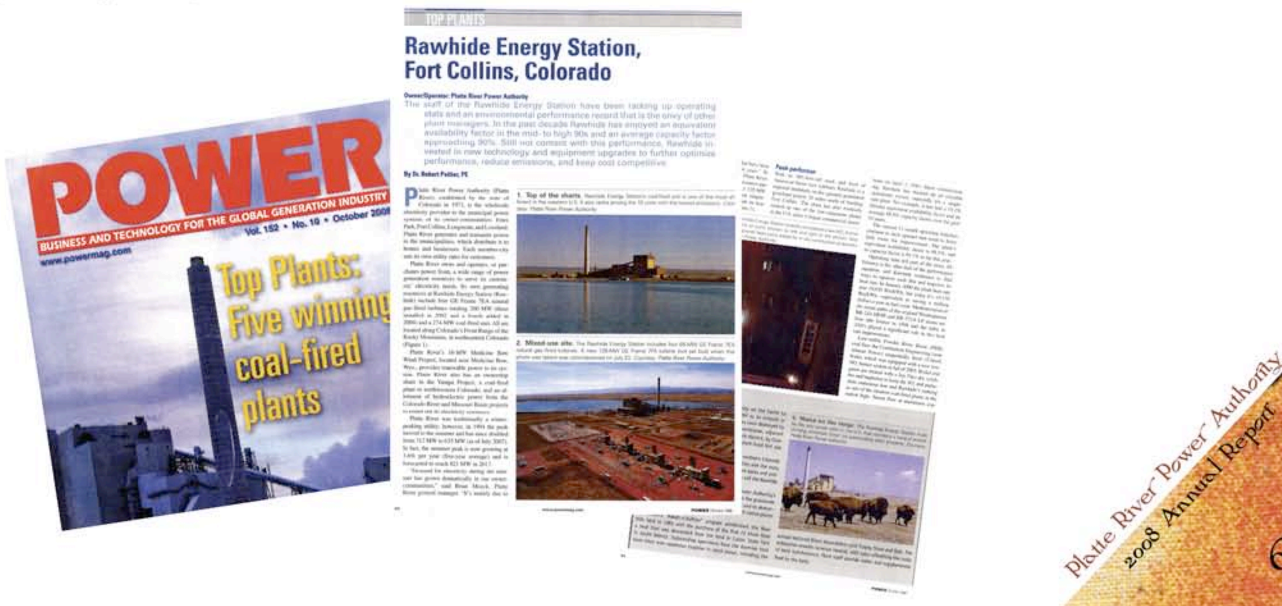
The Rawhide Energy Station is the flagship of Platte River's diverse portfolio of generation resources. Located on 4,400 acres north of the Town of Wellington, Colorado, Rawhide is operated by a staff of about 100 employees. Generators at Rawhide include Unit One, a 280 megawatt coal-fired facility and five natural gas combustion turbines (Units A, B, C, D and F) with a combined summertime capacity of 388 megawatts.

Since it began commercial operation in 1984, Unit One has received regular maintenance in addition to numerous upgrades. The latest came during the fall of 2008 when it was shut down from September 26 to October 31 for major work on mechanical and electrical systems. Among the most significant jobs completed was the replacement of high-pressure steam pipes to reduce the risk of failures similar to those occurring at other utilities' plants. New air heater baskets and more efficient high-pressure/intermediate-pressure turbine rotor and blades were also installed to enable the plant to generate more electricity without increased coal consumption or emissions. Unit One was recertified in December for a net generator capacity of 280 megawatts—six megawatts higher than before.

Energy Delivered to Four Municipalities — By Source



The significance of such investments in equipment upgrades was noted in an October 2008 *Power* magazine article, recognizing Rawhide as one of the top five coal-fired generating plants in the world. The recognition was based on Rawhide's operational and environmental performance. According to the article, "The plant has routinely ranked as one of the low-emissions plants in the U.S. since it began commercial operations on April 1, 1984. Since commissioning, Rawhide has stacked up an enviable operations record, especially for a single-unit plant."



Together, Rawhide employees and over 500 contracted workers completed over 600 individual jobs while Unit One was shut down in the fall. The presence of the unusually large number of workers necessitated heightened attention to safety issues. On September 17, a half-day training session covering general safety procedures was conducted for employees scheduled to work on the maintenance project. Over the five weeks of the project, additional specialized training was provided to keep workers safe while working in a variety of situations including; confined spaces, high places, chemicals and hot equipment, among others.

As a result of the extra emphasis placed on safety, no lost time injuries occurred.

Rawhide Coal Contract Is Signed

Platte River finalized a new coal supply contract for Rawhide in February 2008. The contract provides supply assurance through 2017. The first five years provide a fixed price with a specified annual escalation. Beginning in 2013, the coal price may be market index-based.

Unit F Construction Is Completed

Platte River Power Authority's newest generation resource—a 128 megawatt natural gas single-cycle turbine—began commercial operation at Rawhide on June 13, just in time for the hottest weather of the year. The new General Electric model 7FA turbine—designated Rawhide Unit F—was selected over other equipment because of its cost effectiveness, minimal impact on the environment and because it can be started up quickly to meet the rapid increase in electricity use when air conditioners are cranked up from 4 to 7 p.m.

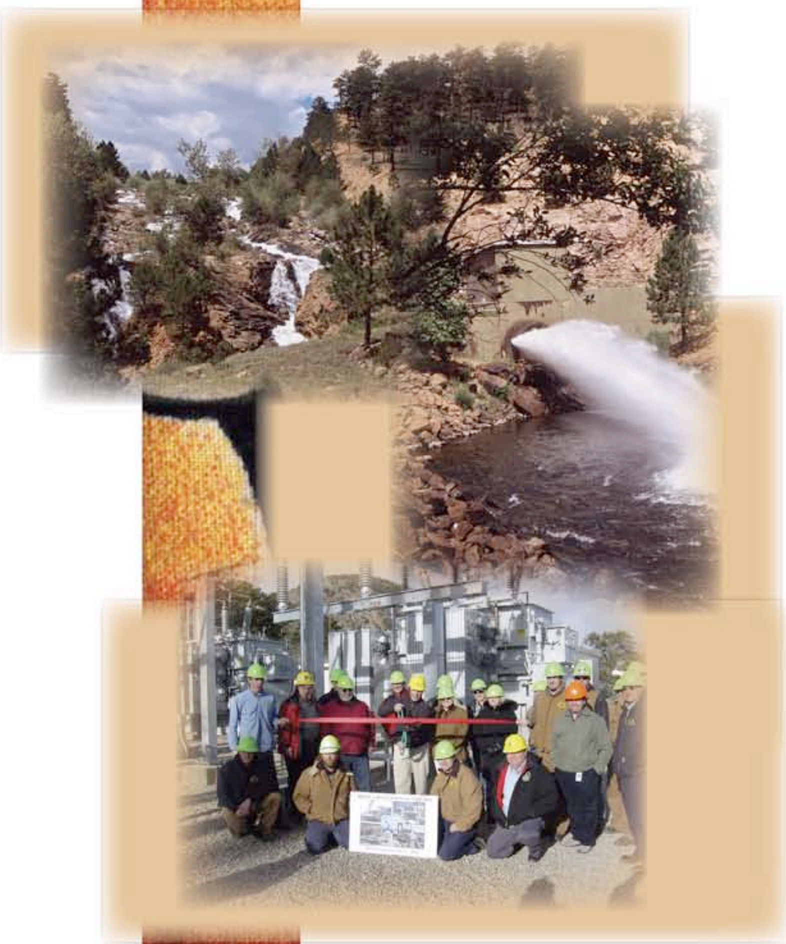
Unit F was originally scheduled to commence commercial operation on June 1. The timetable was delayed about two weeks due to a tornado that swept through northern Colorado on May 22. Even though construction on Unit F had been finished, testing could not be completed until Xcel Energy repaired two of its transmission lines damaged by the tornado.

During 2008, Unit F generated 99,977 megawatt-hours of electricity to help meet the energy needs of Platte River's owner municipalities and Tri-State Generation & Transmission Association, Inc. under a surplus sales agreement.

Windy Gap Firming Project Continues

Water is used for cooling purposes at Rawhide Unit One. To help ensure that adequate water reserves remain available, Platte River owns rights to 16,000 acre-feet/year from the Windy Gap Project near Granby, Colorado.

The Windy Gap Project diverts water from the Colorado River to Colorado's Front Range. Due to storage limitations and other factors, Windy Gap owners have had some difficulty relying on Windy Gap deliveries to meet their water needs. The Windy Gap Firming Project (WGFP) is a proposal to construct the Chimney Hollow Reservoir, approximately nine miles southwest of Loveland, Colorado, to store Windy Gap water and improve, or "firm," the reliability of future deliveries from the Project. Platte River is a participant in the WGFP, along with regional water districts and cities, including Longmont and Loveland.



In August, the U.S. Bureau of Reclamation released a Draft Environmental Impact Statement for Chimney Hollow. A public comment period was open from August 28 through December 29. The Bureau is expected to release the final Environmental Impact Statement and record of decision indicating whether it will issue a permit for the reservoir to be constructed by Spring 2009. If permitted, construction could begin in 2011.

Marys Lake Substation Is Upgraded

Platte River and its owner municipalities are woven together by approximately 200 miles of high-voltage transmission lines. Platte River transports its electricity along these lines to substations where transformers lower the voltage to levels compatible with commercial and household use.

The Town of Estes Park is served through the Estes Park and Marys Lake substations. The Marys Lake substation was originally constructed in the 1970s with one 10 megawatt transformer. A second 10 megawatt transformer was added in the 1980s. To maintain the high level of electric reliability in the Town, Platte River provided engineering and other expertise for an upgrade to the substation in 2008.

Marys Lake was taken out of service in May and the existing switchgear building containing old, obsolete equipment was demolished. Two new 25 megawatt transformers, each weighing more than 40 tons, were delivered and installed in July. Hurricane Ike delayed the delivery of the new switchgear building, manufactured in Houston, until the end of October. Work was ultimately completed and the substation was brought back on line in November, in time for the onset of colder weather and Estes Park's peak season for electricity use.

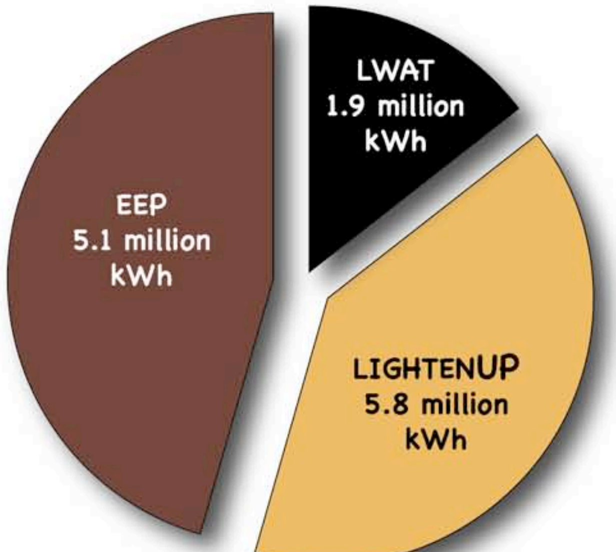
Substation Maintenance Agreements Help Utilities

Platte River and its four member municipalities' utilities continually seek new ways of working together more efficiently. One area of opportunity involves combining services. Platte River's owner municipalities have traditionally maintained their substation equipment themselves. In August 2008, Platte River signed intergovernmental agreements with the Town of Estes Park and the City of Loveland to provide all maintenance work needed at the municipalities' substations. The new arrangement will allow Platte River, Estes Park Light & Power, and Loveland Water and Power to make more efficient use of substation workers' time in addition to reducing long-term costs.

Energy Efficiency Programs Take Off

In addition to providing electricity, Platte River also works to meet the energy needs of customers by helping them conserve. All-time-high energy savings were achieved through Platte River's three energy efficiency programs for commercial and industrial customers in 2008. The Cooling Rebate, Lighten**UP**, and Electric Efficiency Programs provide cash incentives to business owners for projects such as upgrading to energy efficient air conditioners, replacing inefficient lighting and upgrading electric motors. During the year, Platte River helped commercial and industrial customers reduce annual energy consumption by 10.9 million kilowatt-hours.

First Year Energy Savings In 2008



Lighting With a Twist—the promotion of energy-saving compact fluorescent light bulbs (CFLs) was expanded from a Fall-only event to a year-round campaign in 2008. Platte River and municipal utility staffs worked throughout the year in partnership with local retailers to offer marked down prices and increase the public's awareness of the benefits of CFLs. Promotional efforts included in-store events; postcards mailed to customers; ads placed in newspapers, billboards and bus benches; and articles placed in newspapers and utility newsletters. As a result of the campaign, customers purchased 101,687 discounted CFLs in the four communities that should save over 1.9 million kilowatt-hours of electricity per year.

CFLs contain trace amounts of mercury and should not be thrown away with ordinary trash when they burn out. Until recently, old CFLs could be properly disposed of only at county-operated hazardous household waste facilities. This inconvenience has been a barrier to greater CFL adoption. To lessen the barrier, Platte River established and funded free-to-the-customer CFL recycling in 2008. Over 2,200 old CFLs were brought to recycling collection points at local hardware and lighting design stores during the year.

Platte River worked with other regional utilities and municipalities in 2008 to establish the Northern Colorado ENERGY STAR® Homes program (NCESH). NCESH encourages the use of more efficient design, equipment and appliances for new homes. Efficiency requirements and a marketing plan were developed with input from local builders, code officials, and Energy Star, in anticipation of the program's launch in 2009.

Platte River Historical Peak Demand

Year	Peak (MW)	Date	Hr. Ending
1997	370.0	22-Jul	5 p.m.
1998	410.0	20-Jul	5 p.m.
1999	431.0	28-Jul	3 p.m.
2000	466.0	9-Aug	5 p.m.
2001	497.5	6-Aug	3 p.m.
2002	532.6	20-Jul	5 p.m.
2003	559.7	17-Jul	4 p.m.
2004	576.2	18-Jul	4 p.m.
2005	617.5	22-Jul	5 p.m.
2006	603.0	14-Jun	5 p.m.
2007	634.7	23-Jul	5 p.m.
2008	633.9	1-Aug	5 p.m.

> "A self does not amount to much, but no self is an island; each exists in a fabric of relations that is now more complex and mobile than ever before."
>
> ~Jean-François Lyotard

Employees Are the Fabric Of the Organization

A twist on an old adage says, "Companies are known by the people they keep." The skills and commitment of Platte River's employees are second to none and, as one result of the emphasis placed on employee satisfaction and well-being, the utility is considered a great place to build a long-term career. Even with some recent retirements and new hires, the average tenure of Platte River's 220 employees at the end of 2008 was 11.9 years.

The value Platte River places on its employees can perhaps best be seen in the emphasis placed on safety. Employees are regularly trained on procedures that will help keep them and their families safe. In 2008, Health, Safety and Security staff conducted annual fire extinguisher training at Headquarters and Rawhide. Employees gained real life experience and learned the proper techniques of using a fire extinguisher while putting out live fires.

During the year, employees also received refresher training in first aid. As a result of these basic training courses, employees have provided assistance to, and helped save the lives of, a number of family and community members.

All employees expect a reliable and efficient system for receiving their paycheck. After months of development, electronic time entry for payroll at Platte River became a reality in May. The on-line system eliminates the need for data entry from time sheets and cards, streamlines payroll processing, eliminates paper and duplication of effort and allows for more accurate tracking of time to specific projects and work orders.

Platte River employees care about the environment. A cross-functional team of employee volunteers was formed in 2008 to focus on ways to reduce waste, save energy and conserve water at Platte River's facilities.

Platte River employees participate each year in the United Way of Larimer County's Pacesetter Challenge—a friendly fundraising competition among local businesses. Platte River won the 2008 competition based on percent increase in the number of employee donors (17.9%), percent increase in donated dollars (34.1%) and best use of the campaign tool kit, special events, incentives and CEO involvement.

Business Continuity/Emergency Operations Manual Is Developed

Recent disasters across the nation have proven that good emergency and business continuity planning enables far quicker recovery times and allows businesses to return to normal operations efficiently with minimal financial loss. In 2008, Platte River developed emergency response policies for severe weather events, security threats and breaches, hazardous materials releases, building evacuation, shelter-in-place and pandemic illness, among others.

Initial training for employees on one of the policies was held in November. Training on other policies will be provided in the months ahead and exercises involving real-time drills will also be conducted to keep employees familiar with their responsibilities during emergencies.

Evaluating A New Wind Project

In March, bids were received in response to Platte River's Request for Proposals for 12 megawatts of new wind energy. Under the preferred bid, Platte River would purchase a portion of the electricity produced by a larger project and another utility would purchase the remaining capacity. Due to the multiple parties involved, the contracting process has been complex. The project is expected to be on-line by 2010.

Carbon Policy Planning/Strategy Is Developed

In coming years, Platte River and the entire electric generation industry will be faced with the challenge of reducing greenhouse gas (primarily carbon dioxide) emissions. Accordingly, Platte River continues to take a proactive "two-tiered" approach regarding emerging federal and state greenhouse gas (GHG) policies by (1) taking an active role in the development of balanced and reasonable GHG reduction rules and (2) evaluating options for reducing GHG emissions, including energy efficiency and conservation, renewable energy, fuel switching and potential long-term projects with other utilities such as concentrating solar and nuclear power.

Colorado Governor Bill Ritter's Climate Action Plan (CAP) calls for electric utilities to reduce greenhouse gas emissions to amounts 20 percent below 2005 levels by 2020 and 80 percent below 2005 levels by 2050. In December 2008, Platte River's Board of Directors unanimously passed a resolution committing the organization to create a plan by June 2009, outlining how it proposes to achieve the goals contained in the CAP. Platte River was the first utility in the state to make such a voluntary commitment.

To prepare for the CAP and other mandates to reduce greenhouse gas emissions, Platte River has worked to establish benchmarks of its carbon dioxide production. Platte River is a member of the California Climate Action Registry. The Registry is a non-profit public/private partnership serving as a volunteer GHG registry to encourage and promote early actions to reduce GHG emissions. The Registry named Platte River a Climate Action Leader for the second time in 2008 for the certification of its annual carbon dioxide emissions report.

In 2008, Platte River joined The Climate Registry (TCR) as a Founding Member. Like the California Climate Action Registry, TCR is a voluntary greenhouse gas emissions tracking program. The TCR represents an expansion of the California Registry to the national level and will likely replace it in the next year or two.

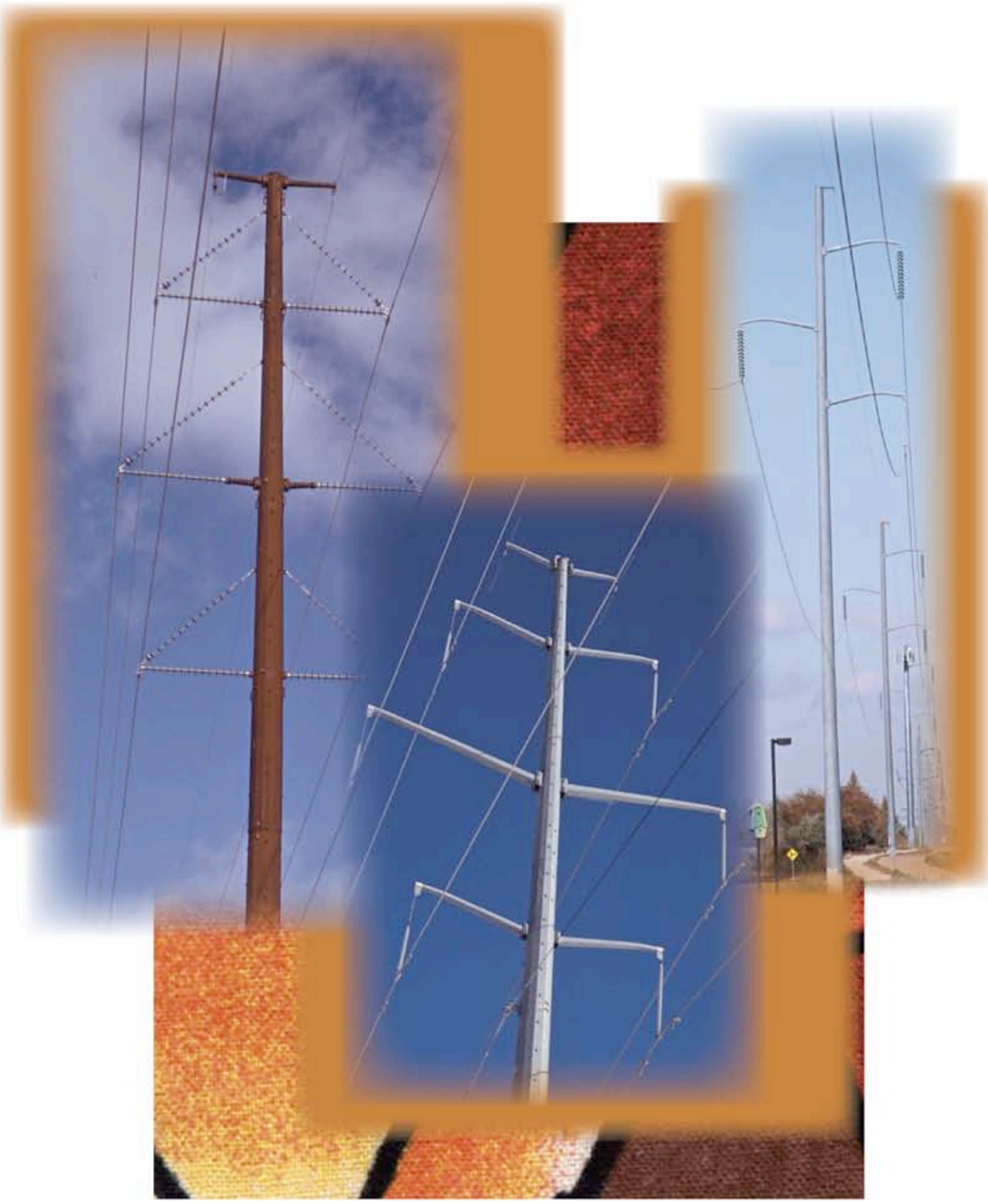
The Climate Registry

"We live in a web of ideas, a fabric of our own making."

-Joseph Chilton Pearce

Platte River Transmission System

- 9 wholly owned and operated substations
- Equipment in 18 substations owned by Platte River's member municipalities
- 227 miles of wholly owned and operated high-voltage lines
  (4% of Platte River's high-voltage lines are underground)
- 513 miles of high-voltage lines jointly owned with other utilities



Platte River Power Authority
2008 Management

Brian H. Moeck
General Manager

Joseph B. Wilson
General Counsel

John R. Bleem
Division Manager, Customer & Environmental Services

Michael H. Dahl
Division Manager, Electric Operations

Jason E. Frisbie
Division Manager, Power Production

Vicki Priddle
Division Manager, Corporate Services

David D. Smalley
Chief Financial Officer

Generation Sources

Rawhide Unit One (coal)	280 megawatts
Rawhide Units A, B, C, D, F (natural gas)	388 megawatts (summer), 466 megawatts (winter)
Craig Units 1 and 2 (coal)	154 megawatts
Federal Hydropower	90 megawatts (summer), 117 megawatts (winter)
Medicine Bow Wind Project	8 megawatts
TOTAL	920 megawatts (summer), 1,025 megawatts (winter)

Platte River Power Authority
2008 Board of Directors

Bill Pinkham
Mayor

Bob Goering
Utilities Director

ESTES PARK
COLORADO

Year of Incorporation	Elevation (ASL/ft.)	Utility Established	2008 Retail Electricity Sales (kWh)
1917	7,768	1945	127,932,361

Doug Hutchinson
Mayor
Vice-Chairman, Board of Directors

Brian Janonis
Utilities Executive Director

City of
Fort Collins

Year of Incorporation	Elevation (ASL/ft.)	Utility Established	2008 Retail Electricity Sales (kWh)
1883	4,997	1935	1,429,797,534

Sources
Year of Incorporation - Colorado State Archives
Elevation - USGS National Elevation Dataset

Year of Incorporation	Elevation (ASL/ft.)	Utility Established	2008 Retail Electricity Sales (kWh)
1885	4,990	1912	807,881,000

Roger Lang
Mayor

Tom Roiniotis
Power & Communications Director

Year of Incorporation	Elevation (ASL/ft.)	Utility Established	2008 Retail Electricity Sales (kWh)
1881	4,993	1924	691,547,360

Gene Pielin
Mayor
Secretary, Board of Directors

Ralph Mullinix
Director, Water and Power Department
Chairman, Board of Directors

Sources
Year of Incorporation - Colorado State Archives
Elevation - USGS National Elevation Dataset

Glossary

Capacity: The maximum amount of electricity that a generation unit can reliably supply.

Carbon Dioxide (CO_2): A greenhouse gas that is a by-product of combustion (see Greenhouse Gas).

Circuit: A pathway through which electricity moves.

Compact Fluorescent Light bulb (CFL): A light bulb made up of a twisted glass tube and an electronic control device, called a ballast, at the base of the tube. A CFL uses up to 75 percent less energy to generate the same amount of light as a traditional incandescent light bulb.

Concentrating Solar Power (CSP): CSP plants produce power by using mirrors to focus sunlight on and heat a fluid such as oil. The heat stored in the fluid is used to turn water into steam that drives a generator.

Electric System: Physically connected generating plants, transmission lines, and related equipment operated as an integrated unit.

Environmental Impact Statement: A report required by the *United States National Environment Policy Act of 1969* that documents the potential social, economic, and environmental effects of a proposed project or action, and alternatives to it.

Fuel Switching: The use of a substitute fuel to replace the standard fuel for which a generator was designed.

Greenhouse Gas: A gaseous component of the atmosphere that traps some of the heat coming from the sun near the Earth's surface. Greenhouse gases include water vapor, carbon dioxide, methane, nitrous oxide, and chloroflurocarbons.

Kilowatt: One thousand watts (see Watt).

Kilowatt-hour: One thousand watt-hours (see Watt-hour).

Megawatt: One million watts (see Watt).

Megawatt-hour: One million watt-hours (see Watt-hour).

Net Capacity: The maximum amount of electricity that a generation unit can supply after subtracting the electricity used to operate the unit's own equipment (see Capacity).

North American Electric Reliability Corporation (NERC): A self-regulatory organization subject to oversight by the U.S. Federal Energy Regulatory Commission and governmental authorities in Canada. NERC's mission is to ensure that North America's electric system is reliable.

Substation: An electric system facility used to change voltage from one level to another and/or switch circuits or lines in and out of service (see Circuit, Electric System and Voltage).

Surplus Sales: Sales of energy and power generated in excess of the amount needed by Platte River's member municipalities.

Switchgear: Equipment used to tie together two or more electric circuits utilizing switches. The switches can be selectively arranged to permit a circuit to be disconnected or to change the electric connection between the circuits (see Circuit).

Transformer: A device used to raise or lower voltage. For example, electricity is transported over long distances in high-voltage power lines and then transformers lower the voltage so that the electricity can be used by household appliances (see Voltage).

Voltage: The force that causes electricity to flow through a circuit (see Circuit).

Watt: A unit of electricity.

Watt-hour: The amount of energy used in one hour by a device requiring one watt of electricity for operation (see Watt).

Western Interconnection: The electric power transmission system currently existing in all or parts of 14 western states, two Canadian provinces and a portion of northern Mexico.

Platte River Power Authority

Accountants' Report and Financial Statements
December 31, 2008 and 2007

Platte River Power Authority

Financial Statements
Years Ended December 31, 2008 and 2007

CONTENTS

Platte River Power Authority
Report of Management

Platte River Power Authority's management is responsible for the preparation, integrity and objectivity of the financial statements and related information included in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles and, where required, reflect amounts based on the best estimates and judgments of management.

Platte River maintains a strong internal control structure designed to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in conformity with generally accepted accounting principles and that assets are safeguarded.

Platte River's internal auditor evaluates internal controls for adherence to company policies and procedures on an ongoing basis and reports findings and recommendations for possible improvements to management. In addition, the independent auditors consider elements of the internal control system in determining the nature and scope of their audit procedures in performing the annual audit of Platte River's financial statements.

The Audit Committee, whose members are not employees of Platte River, periodically meets with the independent auditors and management to discuss the audit scope, audit results and any recommendations to improve the internal control structure. The Board of Directors directly engages the independent auditors.

Brian H. Moeck
General Manager

David D. Smalley
Chief Financial Officer

Independent Accountants' Report on Financial Statements and Supplementary Information

BKD LLP
CPAs & Advisors

The Board of Directors
Platte River Power Authority
Ft. Collins, Colorado

We have audited the accompanying basic financial statements of Platte River Power Authority as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Platte River Power Authority as of December 31, 2008 and 2007, and changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

March 9, 2009

BKD, LLP

Platte River Power Authority
Management's Discussion and Analysis
December 31, 2008 and 2007

This discussion and analysis provides an overview of the financial performance of Platte River Power Authority (Platte River) for the fiscal years ended December 31, 2008 and December 31, 2007. The information presented should be read in conjunction with the basic financial statements and accompanying notes to the financial statements.

Platte River operates as a utility enterprise and follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC). Platte River has implemented all applicable Governmental Accounting Standards Board (GASB) pronouncements. The accompanying financial statements are prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Highlights

- Total net assets as of December 31, 2008 increased by $11.9 million, or 2.8%, over December 31, 2007.
- A new 128-megawatt gas-fired peaking generation resource, Rawhide Unit F, was completed in June 2008.
- Major capital investments are being made toward a 230 kV expansion of the existing transmission system. A bond financing in 2009 will finance a majority of the capital investment.
- Platte River reported income before contributions of $12.1 million in 2008, down from the $21.6 million reported in 2007. This decrease is primarily due to a planned major maintenance outage at Rawhide Unit 1 and increases in fuel expenses.
- Municipal sales revenues in 2008 increased $3.1 million over 2007. Platte River's rates charged to its municipal owners increased 3.0% during 2008. Platte River's rates remain among the lowest in the region.
- Surplus sales (sales for resale and other) continue to be an important revenue source for Platte River representing 27.0% of the total operating revenues in 2008. Surplus sales in 2008 increased 14.5% over 2007.

Condensed Financial Statements

The following condensed balance sheets and condensed statements of revenues, expenses and changes in net assets summarize Platte River's financial position and changes in financial position for 2008, 2007, and 2006.

Condensed Financial Statements (continued)

Condensed Balance Sheets

	December 31, 2008	2007	2006
		(In thousands)	
Assets:			
Electric utility plant	**$552,177**	$548,435	$530,526
Special funds and investments	**128,228**	162,202	181,807
Current and other assets	**68,003**	58,908	52,566
Total assets	**$748,408**	$769,545	$764,899
Liabilities and net assets:			
Liabilities			
Noncurrent liabilities	**$199,646**	$299,313	$330,609
Current liabilities	**117,947**	51,316	36,774
Total liabilities	**317,593**	350,629	367,383
Net assets			
Invested in capital assets, net of related debt	**256,365**	223,322	189,631
Restricted for debt purposes	**24,813**	24,613	27,778
Unrestricted	**149,637**	170,981	180,107
Total net assets	**430,815**	418,916	397,516
Total liabilities and net assets	**$748,408**	$769,545	$764,899

Net Assets

Total net assets at December 31, 2008 were $430.8 million, an increase of $11.9 million over 2007. In 2007, net assets totaled $418.9 million, an increase of $21.4 million over 2006.

- *Electric utility plant* increased $3.7 million during 2008 primarily as the result of capital additions. The new generation resource was placed in service in June 2008. In 2007, utility plant increased $17.9 million primarily as a result of an increase in construction work in progress, including progress payments towards the new generation resource and an expansion of the transmission system. Additional details about electric utility plant can be found in Note 4 to the financial statements.

- *Special funds and investments* at December 31, 2008 decreased $34.0 million from December 31, 2007. This decrease was primarily due to using dedicated funds to equity-finance the addition of the Unit F peaking resource and other capital projects. Special funds and investments decreased $19.6 million in 2007, also due to using dedicated funds to equity-finance the construction work in progress projects.

- *Current and other assets* increased $9.1 million during 2008 as a result of an increase in cash and cash equivalents, accounts receivable and fuel inventory. In 2007, current and other assets increased $6.3 million as a result of an increase in accounts receivable and fuel inventory.

- *Noncurrent liabilities* decreased $99.7 million in 2008 as a result of classifying $77.7 million of Series S-1 Subordinate Lien Bonds as current for the planned early retirement of the debt in 2009, in addition to the planned scheduled principal debt payments and recognizing a deferred credit on the previous sale of excess SO_2 emission allowances. The $31.3 million reduction in 2007 from 2006 was the result of scheduled principal debt payments and recognizing a deferred credit on the previous sale of excess SO_2 emission allowances. Additional details about long-term debt can be found in Note 7 to the financial statements.

Condensed Financial Statements (continued)

- *Current liabilities* increased $66.6 million in 2008 as a result of classifying the $77.7 million of Series S-1 Subordinate Lien Bonds as current, offset by a $4.9 million decrease in accounts payable, primarily due to a decrease in construction work in progress activity at the end of 2008 and a decrease in the current portion of regulatory liabilities and credits. In 2007, current liabilities increased $14.5 million from 2006 as a result of a $7.6 million increase in accounts payable, primarily due to the increase in construction work in progress activity at the end of 2007 and an increase in the current portion of the gain on the sale of SO_2 allowances.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31,		
	2008	2007	2006
		(In thousands)	
Operating revenues	**$172,386**	$163,378	$157,143
Operating expenses	**159,593**	140,645	136,404
Operating income	**12,793**	22,733	20,739
Nonoperating expenses, net	**(739)**	(1,178)	(6,512)
Income before contributions	**12,054**	21,555	14,227
Contributions of assets to municipalities	**(155)**	(155)	(155)
Change in net assets	**11,899**	21,400	14,072
Beginning net assets	**418,916**	397,516	383,444
Ending net assets	**$430,815**	$418,916	$397,516

Changes in Net Assets

Income before contributions of $12.1 million was reported in 2008, a decrease of $9.5 million from 2007. This change was primarily due to an increase in operating expenses partially offset by an increase in operating revenues. In 2007, income before contributions was $21.6 million, an increase of $7.3 million from 2006, primarily due to an increase in operating revenues partially offset by an increase in operating expenses.

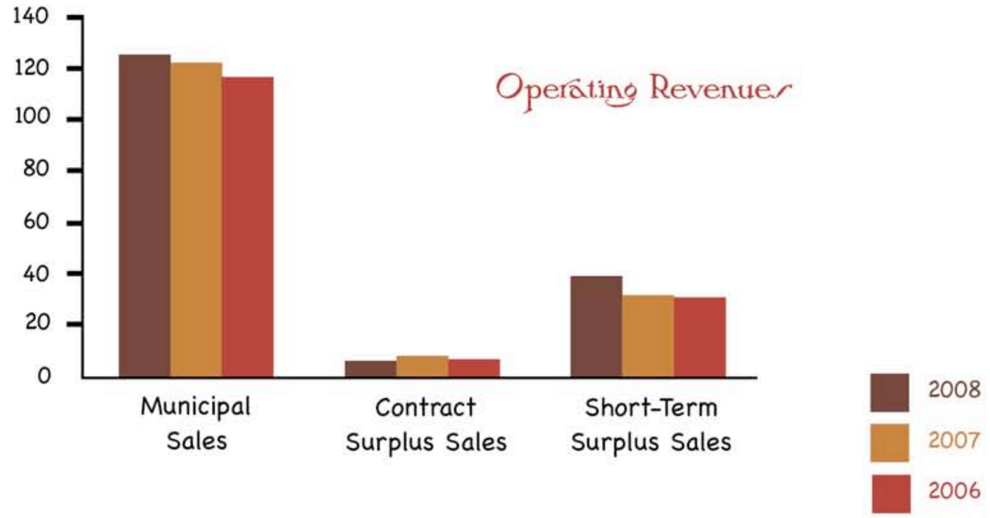
- *Operating revenues* in 2008 increased $9.0 million over 2007. This increase is due to a 2.5% increase in municipal revenues and a 14.5% increase in surplus sales. In 2007, operating revenues increased $6.2 million over 2006 due to a 4.0% increase in municipal revenues and a 3.8% increase in surplus sales.

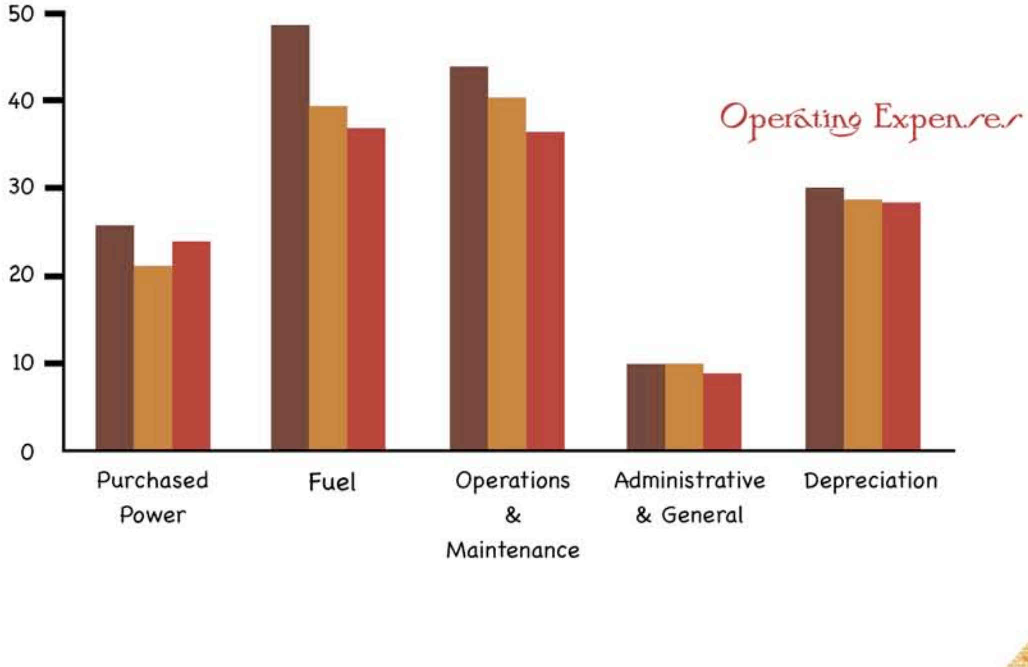
- *Operating expenses* in 2008 increased $18.9 million over 2007. This increase was primarily due to increases in fuel, purchased power and operations and maintenance costs. In 2008, a planned major maintenance outage was completed on Rawhide Unit 1. The majority of the increase in operating expenses was related to the outage. In 2007, operating expenses increased $4.2 million over 2006 primarily due to increases in operations and maintenance and fuel costs.

Condensed Financial Statements (continued)

- *Nonoperating expenses, net,* in 2008 decreased approximately $0.4 million from 2007 due to a decrease in interest expense offset by lower interest income and a lower increase in the fair value of investments. In 2007, nonoperating expenses, net, decreased approximately $5.3 million due to a net increase in the fair value of investments, a decrease in interest expense and an increase in other income.

Operating Revenues and Expenses
(In millions)





Debt Ratings

Moody's, Standard & Poor's (S&P) and Fitch Ratings assigned ratings of Aa2, AA and AA, respectively, to Platte River's Series GG Power Revenue Bonds issued March 5, 2007. The ratings on Platte River's existing bonds remained unchanged. The Series FF Bonds were retired on June 1, 2008.

Bond Issue	Moody's	S&P	Fitch
Power Revenue Bonds			
Series DD	Aa2	AA	AA
Series EE	Aa2	AA	AA
Series GG	Aa2	AA	AA
Subordinate Lien Bonds			
Series S-1	Aa2/VMIG1	AA-/A-1+	AA/F1+

Budgetary Highlights

Platte River's Board of Directors approved the 2008 Annual Budget with total revenues of $177.2 million, operating expenses of $122.9 million, debt service expenditures of $35.6 million and capital additions of $74.7 million. A portion of the capital additions funding was provided from prior cash reserves. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Total operating revenues of $172.4 million ended the year $7.1 million, or 4.3%, above budget. Municipal sales were $2.2 million below budget due to a 2.7% below-budget variance in billing demand and 0.7% less-than-budgeted energy deliveries. Surplus sales totaled $46.6 million in 2008 and were $9.3 million above budget. This variance was the result of higher-than-projected output from the generating units.

Operating expenses totaled $128.8 million and were $5.9 million, or 4.8%, above budget. Fuel expense was the largest variance at $4.6 million above budget primarily due to higher-than-projected output from the generation resources. Production expenses were $1.6 million above budget due to additional work completed during the Rawhide Unit 1 maintenance outage.

Debt service expenditures totaled $33.3 million and were $2.3 million below budget. The variance is due to lower interest expense on Platte River's variable rate debt. Another factor is lower debt service payments resulting from postponing a new debt financing due to market conditions.

Capital additions of $37.4 million during 2008 were $37.2 million below budget. This variance was the result of timing differences in several transmission projects due to a delay in receiving materials and revised project schedules. A portion of the unexpended capital variance will be carried forward to the 2009 Annual Budget.

Platte River Power Authority
Balance Sheets

	December 31, 2008	December 31, 2007
	(In thousands)	
Assets		
Electric utility plant, at original cost *(Notes 3 and 4)*:		
Land and land rights	**$14,128**	$13,942
Plant and equipment in service	**1,076,880**	1,011,889
Less: accumulated depreciation	**(561,400)**	(538,221)
Plant in service, net	**529,608**	487,610
Construction work in progress	**22,569**	60,825
Total electric utility plant	**552,177**	548,435
Special funds and investments *(Note 5)*:		
Restricted funds and investments	**25,710**	25,738
Dedicated funds and investments	**102,518**	136,464
Total special funds and investments	**128,228**	162,202
Current assets:		
Cash and cash equivalents *(Notes 3 and 5)*	**5,731**	3,046
Other temporary investments *(Note 5)*	**20,314**	20,813
Accounts receivable—municipalities	**11,047**	10,214
Accounts receivable—other	**7,033**	5,062
Fuel inventory, at last-in, first-out cost	**8,218**	6,395
Materials and supplies inventory, at average cost	**9,247**	8,262
Prepayments and other assets	**745**	470
Total current assets	**62,335**	54,262
Deferred charges and other assets, net of amortization *(Note 3)*	**5,668**	4,646
Total assets	**$748,408**	$769,545

Platte River Power Authority

	December 31, 2008	2007
	(In thousands)	
Liabilities and net assets		
Noncurrent liabilities *(Notes 3, 6, 7 and 8)*:		
Long-term debt, net	**$174,941**	$272,172
Capitalized lease obligation	**20,925**	22,943
Regulatory liabilities and credits *(Note 9)*	**433**	773
Deferred liabilities	**3,347**	3,425
Total noncurrent liabilities	**199,646**	299,313
Current liabilities:		
Current maturities of long-term debt *(Note 6)*	**98,285**	21,545
Current portion of capitalized lease obligation *(Note 6)*	**2,018**	1,499
Regulatory liabilities and credits to be recognized in one year	**773**	6,652
Accounts payable	**11,579**	16,491
Accrued interest	**910**	1,140
Accrued liabilities and other	**4,382**	3,989
Total current liabilities	**117,947**	51,316
Total liabilities	**317,593**	350,629
Net assets:		
Invested in capital assets, net of related debt	**256,365**	223,322
Restricted for debt purposes	**24,813**	24,613
Unrestricted	**149,637**	170,981
Total net assets	**430,815**	418,916
Total liabilites and net assets	**$748,408**	$769,545

See accompanying notes.

Platte River Power Authority
Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31, 2008	2007
	(In thousands)	
Operating revenues *(Note 3)*:		
Sales to municipalities	**$125,817**	$122,692
Sales for resale and other	**46,569**	40,686
Total operating revenues	**172,386**	163,378
Operating expenses:		
Purchased power	**25,883**	21,010
Fuel	**48,672**	39,564
Operations and maintenance	**44,113**	40,626
Administrative and general	**10,347**	10,253
Depreciation	**30,578**	29,192
Total operating expenses	**159,593**	140,645
Operating income	**12,793**	22,733
Nonoperating revenues (expenses) *(Notes 5 and 7)*:		
Interest income	**7,017**	8,925
Other income	**3,766**	2,909
Interest expense	**(13,586)**	(16,214)
Net increase in fair value of investments *(Note 5)*	**2,064**	3,202
Total nonoperating revenues (expenses)	**(739)**	(1,178)
Income before contributions	**12,054**	21,555
Contributions of assets to municipalities *(Note 11)*	**(155)**	(155)
Change in net assets	**11,899**	21,400
Net assets at beginning of year	**418,916**	397,516
Net assets at end of year	**$430,815**	$418,916

See accompanying notes.

Platte River Power Authority
Statements of Cash Flows

	Years Ended December 31 2008	2007
	(In thousands)	
Cash flows from operating activities		
Receipts from customers	**$171,290**	$162,185
Payments for operating goods and services	**(113,864)**	(94,959)
Payments for employee services	**(22,942)**	(20,792)
Net cash provided by operating activities	**34,484**	46,434
Cash flows from capital and related financing activities		
Additions to electric utility plant	**(30,417)**	(37,127)
Payments from accounts payable incurred for electric utility plant additions	**(9,973)**	(1,816)
Additions to deferred charges and other assets	**(1,242)**	(137)
Deposits into escrow for bond defeasance	**–**	(114,650)
Proceeds from issuance of long-term debt	**–**	109,541
Principal payments on long-term debt	**(21,545)**	(18,725)
Interest payments on long-term debt	**(12,512)**	(14,743)
Contribution of assets to municipalities	**(155)**	(155)
Net cash used in capital and related financing activities	**(75,844)**	(77,812)
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	**36,308**	16,877
Interest and other income, including realized gains and losses	**7,737**	9,572
Net cash provided by investing activities	**44,045**	26,449
Increase (decrease) in cash and cash equivalents	**2,685**	(4,929)
Balance at beginning of year in cash and cash equivalents	**3,046**	7,975
Balance at end of year in cash and cash equivalents	**$5,731**	$3,046
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$12,793**	$22,733
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**30,578**	29,192
Changes in assets and liabilities:		
Increase in fuel and materials and supplies inventories	**(2,808)**	(3,618)
Increase in other assets	**(3,079)**	(1,265)
(Decrease) increase in current operating liabilities	**(1,336)**	2,824
Decrease in other liabilities	**(1,664)**	(3,432)
Net cash provided by operating activities	**$34,484**	$46,434
Noncash capital and related financing activities		
Additions of electric utility plant through incurrence of accounts payable	**$3,903**	$9,973
Amortization of bond financing costs	**1,274**	1,596

See accompanying notes.

Platte River Power Authority
Notes to Financial Statements
December 31, 2008 and 2007

1. Organization

Platte River Power Authority (Platte River) was organized in accordance with Colorado law as a separate governmental entity by the four municipalities of Estes Park, Fort Collins, Longmont, and Loveland. Platte River contracted to supply the wholesale electric power and energy requirements of each of these municipalities (except for energy produced by each municipality's hydro facilities in service at September 1974). These contracts currently extend through December 31, 2040. Each of the four participant municipalities has a residual interest in Platte River's assets and liabilities upon dissolution, which is proportional to the total revenue received from each municipality since Platte River was organized, less any contributions previously distributed. Based upon electric revenues billed from inception through December 31, 2008, these residual interests are approximately as follows:

	Residual Interest
City of Fort Collins	48%
City of Longmont	26%
City of Loveland	21%
Town of Estes Park	5%
	100%

Under Colorado law and the municipal contracts, Platte River's Board of Directors has the exclusive authority to establish the electric rates to be charged to the member municipalities. Platte River must follow specified statutory procedures, including public notice and holding a hearing to receive public comments, before adopting an annual budgetand implementing any changes in the electric rates.

2. Operations

Rawhide Energy Station

The Rawhide Energy Station consists of Rawhide Unit 1, a 280-megawatt (net) coal-fired generating facility, a cooling pond, coal-handling facilities, related transmission facilities, and five simple-cycle gas-fired peaking units. Peaking Units A through D have a summer peaking capacity of 65 megawatts each. The fifth unit, Rawhide Unit F, was placed in service in June 2008, adding an additional 128 megawatts of capacity. The Rawhide Energy Station facilities are wholly owned and operated by Platte River.

Yampa Project

Platte River owns 18%, or 154 megawatts, of Craig Units 1 and 2 of the Yampa Project as a tenant-in-common with four other electric utilities. The current Yampa Project Participation Agreement took effect on April 15, 1992. The Yampa Project consists of 856 megawatts of coal-fired generation and associated transmission plant facilities located near the town of Craig in northwestern Colorado. Platte River's share of the plant investment is included in plant in service, net, in the accompanying balance sheets. Platte River's share of operating expenses of the Yampa Project is included in operating expenses in the accompanying statements of revenues, expenses and changes in net assets. Separate financial statements for the Yampa Project are not available. In addition, Platte River and all but one of the other Yampa Participants own Trapper Mining, Inc., which owns and operates the adjacent coal mine that supplies the majority of Craig Units 1 and 2 fuel needs.

2. Operations (continued)

Medicine Bow Wind Project

Platte River owns and operates nine wind turbines with a total capacity output of 5.8 megawatts near the town of Medicine Bow, Wyoming. Platte River has acquired a long-term lease with annual payments based on a percentage of imputed revenues from the wind energy sales. The site lease payments are recorded as an operations and maintenance expense. During 2005, a 2.5-megawatt wind turbine, owned and maintained by Clipper Windpower, Inc., was installed at the site. Platte River purchases 100% of the output from this turbine under a ten-year purchase power agreement.

3. Summary of Significant Accounting Policies

Reporting Entity

For financial reporting purposes, Platte River meets the criteria of an "other stand-alone government" and has no component units as defined in Governmental Accounting Standards Board (GASB) Statements No. 14 and 39, *The Financial Reporting Entity* and *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No 14*, respectively. As a municipal utility and a separate governmental entity, Platte River is exempt from taxes on its property and income.

Basis of Accounting

Platte River accounts for its financial operations as a "proprietary fund" and the accompanying financial statements have been prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America. In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Platte River follows all applicable GASB pronouncements and only Financial Accounting Standards Board Statements issued prior to November 30, 1989, that do not conflict with or contradict GASB pronouncements. Platte River's accounts are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Budgetary Process

A formal budgetary process is required by Colorado State Local Government Law and is utilized as a management control tool. A proposed annual budget must be submitted to Platte River's Board of Directors by October 15 of each year. Following public hearings, the budget is considered for adoption by the Board on or before December 31. Since Platte River operates as an enterprise, it is not subject to Colorado's Taxpayers' Bill of Rights (TABOR) provisions. All budget appropriations, except capital additions, lapse at the end of the year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Electric Utility Plant and Depreciation

Electric utility plant is stated at the historical cost of construction. Construction costs include labor, materials, contracted services, and the allocation of indirect charges for engineering, supervision, transportation, and administrative expenses. The cost of additions to utility plant and replacement property units is capitalized. Repairs, maintenance, and minor replacement costs are charged to expense when incurred. When construction is debt-financed, an allowance for borrowed funds used during construction is included in the project cost.

3. Summary of Significant Accounting Policies (continued)

Depreciation is recorded using the straight-line method over the estimated useful lives of the various classes of plant in service, which range from 5 to 50 years. Depreciation expense was approximately 3% of depreciable property for the years 2008 and 2007. The original cost of property replaced or retired, and removal costs less salvage, are charged to accumulated depreciation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Platte River considers all cash on deposit with financial institutions and highly liquid investments with an original maturity of less than three months, excluding special funds and investments, as cash and cash equivalents.

Closure and Postclosure Care Costs of Monofill

Platte River accrues a liability of estimated future closure and postclosure care costs for its Rawhide Energy Station ash disposal facility. The liability is determined by multiplying the estimated closure and postclosure care costs in current dollars by the percentage of the monofill's total estimated capacity used through the end of the year.

Long-Term Debt

The difference between the reacquisition price and the net carrying amount of refunded debt (deferred amount on refundings) in an advance refunding transaction is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the defeased debt or the life of the new debt. The deferred amount is reported as a deduction from or an addition to long-term debt.

Energy Risk Management

Platte River has established a formal energy risk management program to manage its exposure to risks associated with wholesale energy and natural gas market price fluctuations. Under Board of Directors approved policies, Platte River may use various physical and financial instruments, such as physical forward contracts, futures, swaps, and option agreements. These transactions are hedges and any expense, gain or loss that is realized on these transactions is recorded as purchased power or fuel expense in the accompanying statements of revenues, expenses and changes in net assets.

During 2008 and 2007, Platte River entered into natural gas swap contracts to fix prices for the purpose of hedging against natural gas price fluctuations. The contracts are based on the CIG index published in *Gas Daily*. Swap contracts at December 31, 2008 include 60,000 mmBtu at an average fixed price of $6.82 per mmBtu, which expire in July 2009. At December 31, 2007, Platte River had a swap contract for 10,000 mmBtu at a fixed price of $6.18 per mmBtu, which expired in July 2008. These contracts had a negative fair value of $157,000 as of December 31, 2008 and a positive fair value of $3,000 as of December 31, 2007, based on price estimates provided by J. Aron & Company and Citigroup, Platte River's counterparties for the swap contracts. As a result of hedging contracts, there was a decrease in fuel expense of $30,000 for the year ended December 31, 2008 and an increase of $266,000 for the year ended December 31, 2007. No cash was paid or received by Platte River when the contracts were initiated. Platte River is the fixed price payer.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and costs directly related to the generation, purchase, and transmission of electricity. Operating revenues are billed and recorded at the end of each month for all electricity delivered. Revenues and expenses related to financing, investing, and other activities are considered to be nonoperating.

3. Summary of Significant Accounting Policies (continued)

Regulatory Accounting

As a Board-regulated entity, Platte River is subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*, which requires the effects of the rate-making process to be recorded in the financial statements. Accordingly, certain expenses and revenues normally reflected in the statements of revenues, expenses and changes in net assets as incurred are recognized when they are included in Platte River's wholesale rates. Platte River has recorded various regulatory liabilities and credits to reflect the rate-making process. (Reference Note 9.)

Deferred Charges and Other Assets

Deferred charges and other assets reflect unamortized power bond issuance costs, deferred post-mining Trapper Mine reclamation costs, charges incurred in conducting project feasibility studies and other miscellaneous deferred charges.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is Platte River's policy to use restricted funds first, for their intended purposes only, based on the bond resolutions.

Recent Accounting Prouncement

In 2008, Platte River implemented GASB Statement No 50, *Pension Disclosure (an amendment of GASB Statements No. 25 and 27)*. The implementation had no impact on the financial statements or note disclosures.

4. Electric Utility Plant

Electric utility plant asset activity for the year ended December 31, 2008, was as follows:

	December 31 2007	Additions	Transfers or Retirements	December 31 2008
		(In thousands)		
Nondepreciable assets:				
Land and land rights	$13,942	$186	$ –	**$14,128**
Construction work in progress	60,825	36,000	(74,256)	**22,569**
	74,767	36,186	(74,256)	**36,697**
Depreciable assets:				
Production plant	804,514	70,438	(7,996)	**866,956**
Transmission plant	176,882	3,028	(90)	**179,820**
General plant	30,493	641	(1,030)	**30,104**
	1,011,889	74,107	(9,116)	**1,076,880**
Less accumulated depreciation	(538,221)	(30,578)	7,399	**(561,400)**
Total electric utility plant	$548,435	$79,715	$(75,973)	**$552,177**

4. Electric Utility Plant (continued)

Electric utility plant asset activity for the year ended December 31, 2007, was as follows:

	December 31 2006	Additions	Transfers or Retirements	December 31 2007
		(In thousands)		
Nondepreciable assets:				
Land and land rights	$13,794	$148	$ –	$13,942
Construction work in progress	33,972	49,153	(22,300)	60,825
	47,766	49,301	(22,300)	74,767
Depreciable assets:				
Production plant	804,526	4,575	(4,587)	804,514
Transmission plant	160,323	16,637	(78)	176,882
General plant	30,657	779	(943)	30,493
	995,506	21,991	(5,608)	1,011,889
Less accumulated depreciation	(512,746)	(29,192)	3,717	(538,221)
Total electric utility plant	$530,526	$42,100	$(24,191)	$548,435

5. Cash and Investments

Investment of Platte River's funds is administered in accordance with Colorado law and Platte River's General Power Bond Resolution, Fiscal Resolution, and Investment Policy. Accordingly, Platte River may only invest in obligations of the United States government and its agencies and other investments permitted under Colorado law. Platte River records its investments at their estimated fair market values. The unrealized holding gains and losses on these investments are included in net increase (decrease) in fair value of investments in the statements of revenues, expenses and changes in net assets.

The fair value of investments is presented on the balance sheet as special funds and investments, cash and cash equivalents, and other temporary investments. Special funds and investments are either internally dedicated by Board Resolution (dedicated funds and investments) or restricted as to use by Platte River's General Power Bond Resolution (restricted funds and investments). The fair value of investments, exclusive of accrued interest of $1,315,000 and $1,819,000 as of December 31, 2008 and 2007, respectively, are shown in the following tables.

As of December 31, 2008, Platte River had the following cash and investments and related maturities:

Cash and Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
			(In thousands)			
U.S. Treasuries	$26,341	$17,215	$9,126	$ –	$ –	$ –
U.S. Agencies:						
FFCB	29,205	7,116	9,504	12,585	–	–
FHLB	31,392	7,673	19,129	4,590	–	–
FHLMC	23,368	22,586	782	–	–	–
FNMA	17,822	14,848	1,471	1,503	–	–
Total securities	128,128	69,438	40,012	18,678	–	–
Certificates of deposit	12,023	6,766	5,257	–	–	–
Cash & money market funds	12,807	12,807	–	–	–	–
Total cash and investments	$152,958	$89,011	$45,269	$18,678	$ –	$ –

5. Cash and Investments (continued)

Balance sheet presentation of cash, cash equivalents and investments is as follows as of December 31, 2008:

	Fair Value	Accrued Interest	Total
		(In thousands)	
Restricted funds and investments	$25,488	$222	$25,710
Dedicated funds and investments	101,550	968	102,518
Cash and cash equivalents	5,730	1	5,731
Other temporary investments	20,190	124	20,314
Total investments	$152,958	$1,315	$154,273

As of December 31, 2007, Platte River had the following cash and investments and related maturities:

		Investment Maturities (in years)				
Cash and Investment Type	Fair Value	Less Than 1	1 - 2	2 - 3	3 - 4	4 - 5
			(In thousands)			
U.S. Treasuries	$29,675	$12,491	$17,184	$ –	$ –	$ –
U.S. Agencies:						
FFCB	40,969	19,304	5,300	9,320	7,045	–
FHLB	38,368	10,825	10,496	17,047	–	–
FHLMC	31,218	15,650	14,813	755	–	–
FNMA	25,364	8,772	4,722	4,029	7,841	–
Total securities	165,594	67,042	52,515	31,151	14,886	–
Certificates of deposit	11,788	4,288	5,000	2,500	–	–
Cash & money market funds	6,860	6,860	–	–	–	–
Total cash and investments	$184,242	$78,190	$57,515	$33,651	$14,886	$ –

Balance sheet presentation of cash, cash equivalents and investments is as follows as of December 31, 2007:

	Fair Value	Accrued Interest	Total
		(In thousands)	
Restricted funds and investments	$25,474	$264	$25,738
Dedicated funds and investments	135,058	1,406	136,464
Cash and cash equivalents	3,043	3	3,046
Other temporary investments	20,667	146	20,813
Total investments	$184,242	$1,819	$186,061

5. Cash and Investments (continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Platte River's investment policy and Colorado state statutes limit the investment portfolio to maturities of five years or less, except for the bond reserve funds which are limited to investment maturities of 15 years or less. Platte River uses a laddered approach to investing funds based on projected cash flows. The assumed maturity date for callable securities is based on market conditions as of December 31, 2008.

Credit Risk

Platte River's investment policy allows it to invest in local government investment pools and money market funds. As of December 31, 2008, Platte River's investments in local government pools (Colorado Local Government Liquid Asset Trust "Colotrust Plus+") were rated AAA by three rating agencies; Standard and Poor's Ratings Services (S&P), Moody's Investors Service (Moody's) and Fitch Ratings. Platte River's investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA) were rated Aaa by Moody's and AAA by S&P.

Concentration of Credit Risk

Platte River's investment policy states that assets held in Platte River's funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of December 31, 2008, more than 5% of Platte River's investments are concentrated in FFCB, FHLB, FHLMC and FNMA. These investments are 19%, 21%, 15%, and 12%, respectively, of Platte River's total investments (including outside investment pools and certificates of deposit).

6. Noncurrent Liabilities

Noncurrent liability activity for the year ended December 31, 2008, was as follows:

	December 31 2007	Additions	Reductions	December 31 2008
		(In thousands)		
Long-term debt, net	$293,717	$(1,438)	$(19,053)	**$273,226**
Due within one year	(21,545)	(98,285)	21,545	**(98,285)**
Long-term debt, net	272,172	(99,723)	2,492	**174,941**
Capitalized lease obligation	24,442	–	(1,499)	**22,943**
Due within one year	(1,499)	(2,018)	1,499	**(2,018)**
Capitalized lease obligation	22,943	(2,018)	–	**20,925**
Accrued outage liability	–	433	–	**433**
Deferred credit from SO2 allowance sale	773	–	(773)	**–**
Deferred reclamation liability	2,742	–	(22)	**2,720**
Monofill closure costs	150	9	–	**159**
Wind turbine reimbursement	533	–	(65)	**468**
Total noncurrent liabilities	$299,313	$(101,299)	$1,632	**$199,646**

6. Noncurrent Liabilities (continued)

Noncurrent liability activity for the year ended December 31, 2007, was as follows:

	December 31 2006	Additions	Reductions	December 31 2007
		(In thousands)		
Long-term debt, net	$315,486	$87,044	$(108,813)	$293,717
Due within one year	(18,725)	(21,545)	18,725	(21,545)
Long-term debt, net	296,761	65,499	(90,088)	272,172
Capitalized lease obligation	26,139	–	(1,697)	24,442
Due within one year	(1,697)	(1,499)	1,697	(1,499)
Capitalized lease obligation	24,442	(1,499)	–	22,943
Accrued outage liability	2,047	995	(3,042)	–
Deferred credit from SO_2 allowance sale	4,048	–	(3,275)	773
Deferred reclamation liability	2,577	165	–	2,742
Monofill closure costs	139	11	–	150
Wind turbine reimbursement	595	–	(62)	533
Total noncurrent liabilities	$330,609	$65,171	$(96,467)	$299,313

7. Long-Term Debt

Long-term debt outstanding as of December 31, 2008 and 2007, consists of the following:

	Interest Rate	December 31 2008	December 31 2007
		(In thousands)	
Power Revenue Bonds—			
Series DD:			
Serial Bonds—			
6/1/2008–6/1/2009	5.00%	**$8,220**	$13,165
Series EE:			
Serial Bonds—			
6/1/2008–6/1/2018	4.00%–5.375%	**89,700**	97,480
Series FF:			
Serial Bonds—			
6/1/2008	5.00%	**–**	8,820
Series GG:			
Serial Bonds—			
6/1/2010–6/1/2018	4.50%–5.00%	**103,215**	103,215
Subordinate Lien Bonds—			
Series S-1:			
6/1/2018	Variable	**77,700**	77,700
		278,835	300,380
Unamortized bond premium		**6,869**	8,307
Deferred amount on refundings		**(12,478)**	(14,970)
Total revenue bonds outstanding		**273,226**	293,717
Less: due within one year		**(98,285)**	(21,545)
Total long-term debt, net		**$174,941**	$272,172

Fixed rate bond premium, bond issuance, and refinancing costs are amortized over the terms of the related bond issues.

7. Long-Term Debt (continued)

Interest expense for the years ended December 31, 2008 and 2007 is comprised of the following:

	2008	2007
	(In thousands)	
Interest payments	**$12,312**	$14,618
Amortization of bond financing costs	**1,274**	1,596
Total interest expense	**$13,586**	$16,214

Bond service funding requirements projected for all bonds outstanding are shown in the table below:

Year ended December 31	Principal	Interest	Total
		(In thousands)	
Deposits in 2008 for 2009 payment	$12,008	$848	$12,856
2009	98,763	9,705	108,468
2010	20,157	8,507	28,664
2011	19,828	7,495	27,323
2012	20,840	6,484	27,324
2013	21,330	5,406	26,736
2014–2018	85,909	11,036	96,945
	$278,835	$49,481	$328,316

The Board of Directors has authorized the redemption of the Series S-1 Subordinate Lien Bonds on April 1, 2009, prior to the May 2, 2009 expiration date of a Standby Bond Purchase Agreement with JPMorgan Chase Bank, N.A. Accordingly, $77,700,000 of the Series S-1 Bonds has been classified as a current liability as of December 31, 2008. Interest requirements through April 1, 2009 for the Series S-1 Bonds were determined using 0.72%, the effective rate at December 31, 2008. Actual interest will be determined by the remarketing agent on a weekly basis. The original maturity date of the Series S-1 Bonds was June 1, 2018.

In March 2007, Platte River issued $103,215,000 Series GG Power Revenue Bonds at a true interest cost of 4.06%. Proceeds from the bonds were used to refund $75,920,000 of Series DD Power Revenue Bonds and to advance refund $33,500,000 of Series EE Power Revenue Bonds. The refunding resulted in an economic gain (net present value savings) of $4,904,000. The refunding resulted in a $168,000 accounting loss.

The proceeds from the Series GG Bonds along with the proceeds and available cash from prior year's refunded bonds have been placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Platte River's financial statements. As of December 31, 2008, $33,500,000 of the defeased Series EE Bonds and $16,975,000 of the defeased Series I Bonds remains outstanding.

Other Long-Term Debt

Wind turbine reimbursement represents a note payable to the City of Fort Collins for the acquisition of wind turbines. The note is payable in ten annual installments of $92,000 each, beginning July 2006, which includes interest at 5.0%. The noncurrent portion of the wind turbine reimbursement is included as a component of deferred liabilities and the current portion is included in accrued liabilities and other in the balance sheets. The note is uncollateralized. Maturities are as follows as of December 31, 2008:

Year ended December 31	Principal	Interest	Total
		(In thousands)	
2009	$65	$27	$92
2010	69	23	92
2011	72	20	92
2012	76	16	92
2013	80	12	92
2014–2015	171	14	185
Total note payments	$533	$112	$645

7. Long-Term Debt (continued)

Bond Service Coverage

Power revenue bonds are secured by a pledge of the revenues of Platte River after deducting operating expenses, as defined in the General Power Bond Resolution. All power revenue bonds issued by Platte River are subject to graduated redemption provisions. Principal and interest payments are met from net revenues earned from wholesale electric rates charged to the municipalities and others, and from interest earnings.

Under the General Power Bond Resolution, Platte River is required to charge wholesale electric energy rates to the Municipalities that are reasonably expected to yield net revenues for the forthcoming 12-month period that are at least equal to 1.10 times total power bond service requirements. Under the General Power Bond Resolution, Platte River has established a Rate Stabilization Reserve Account. Deposits to this account are a reduction to current net revenues for purposes of computing bond service coverage. Future withdrawals will increase net revenues for purposes of computing bond service coverage and could assist Platte River, at such time, in meeting its wholesale rate covenant. The balances in the Rate Stabilization Reserve Account at December 31, 2008 and 2007 were approximately $21,044,000 and $20,470,000, respectively, excluding accrued interest. The Rate Stabilization Reserve Account is included in dedicated funds and investments in the balance sheets.

The following table is a calculation of the power revenue and total revenue bond coverage ratios for the years ended December 31, 2008 and 2007:

	2008	2007
	(In thousands)	
Net revenues:		
Operating revenues	**$172,386**	$163,378
Operating expenses, excluding depreciation	**129,015**	111,453
Net operating revenues	**43,371**	51,925
Plus interest and other income(1)	**11,012**	11,982
Net revenues before rate stabilization	**54,383**	63,907
Rate stabilization:		
Deposits	**–**	(1,393)
Withdrawals	**–**	–
Total net revenues	**$54,383**	$62,514
Bond service:		
Power revenue bonds	**$31,604**	$32,141
Subordinate lien bonds	**1,664**	2,816
Net revenue bond service	**$33,268**	$34,957
Coverage:		
Power revenue bonds	**1.72**	1.94
Total revenue bonds	**1.63**	1.79

(1) Excludes unrealized holding gains and losses on investments.

Arbitrage Rebate

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. Interest income on bond proceeds that exceeds the cost of borrowing is payable to the federal government on every fifth anniversary of each bond issue. No arbitrage liability was outstanding as of December 31, 2008 and 2007.

8. Capitalized Lease Obligations

Under an agreement with the Municipal Subdistrict of the Northern Colorado Water Conservancy District, Platte River is entitled to an allocation of one-third of the available water from the Windy Gap Project, a water diversion facility completed May 1, 1985. Under the agreement, Platte River is obligated to pay each year one-third of the debt service and one-third of the actual operating and maintenance costs of the Windy Gap Project. These payments, which totaled $4,238,000 and $4,074,000 in 2008 and 2007, respectively, have been included in operations and maintenance expenses in the accompanying statements of revenues, expenses and changes in net assets, as allowed under SFAS No. 71. Platte River originally recorded $41,590,000 as a capitalized lease for its water allotment and has recorded $18,647,000 accumulated amortization as of December 31, 2008. The remaining liability ($22,943,000) represents Platte River's share of principal amounts of the Subdistrict's Series G, H, I and J Bonds outstanding as of December 31, 2008. These amounts will be amortized over the terms of the Subdistrict's Water Revenue Bonds, which mature in 2017.

The following is a schedule of the future minimum lease payments for the capital lease:

Year ended December 31	*(In thousands)*
2009	$3,178
2010	3,162
2011	3,162
2012	3,232
2013	3,241
2014–2017	13,277
	29,252
Less: amount representing interest	(6,309)
Total lease payments	22,943
Less: due within one year	(2,018)
Present value of future net payments	$20,925

9. Regulaltory Liabilities and Credits

Accrued Maintenance Outage Costs

As allowed under SFAS No. 71, an accrual for the estimated incremental expenses of future scheduled major maintenance outages is recorded each year. Prior to the major maintenance outage of Rawhide Unit 1 in the fall of 2008, a portion of the estimated maintenance expenses was accrued. During 2008, the accrual estimate was expanded to include replacement power costs for the next major maintenance outage planned for September 2014. As of December 31, 2008, $433,000 was accrued as a liability for the 2014 major maintenance outage planned for Rawhide Unit 1. As of December 31, 2007, $3,377,000 was accrued for the fall 2008 scheduled outage.

Sale of SO_2 Allowances

During 2005, Platte River sold a portion of its SO_2 emission allowances projected to be in excess of its future operational needs. Ten thousand allowances awarded for the years 2005 through 2009 were sold for a total sales price of $12,045,000. As approved by the Board of Directors under SFAS No. 71, the revenues from the sale will be recognized in the year in which the allowances become eligible for use. Accordingly, $3,275,000 was recorded as revenue in 2008 and $2,410,000 was recorded as revenue in 2007. The balance in the deferred credit account at December 31, 2008 and 2007 was $773,000 and $4,048,000, respectively.

10. Employees' Pension Plan

The Platte River Employees' Pension Plan (the Plan) is a single-employer, defined benefit pension plan administered by Platte River. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All Platte River employees completing 1,000 hours or more of service each calendar year are covered by the Plan. Retirement benefits are based upon years of service rendered and salaries earned by the employee in accordance with the Plan's provisions. Benefit provisions of the Plan are determined and authorized by the Board of Directors of Platte River. Platte River issues publicly available financial statements and required supplementary information for the Plan. The report may be obtained by writing to Platte River.

All contributions to the Plan are authorized by the Board of Directors and made by Platte River. The Plan's funding policy is intended to fund current service costs as they accrue. For the year ended December 31, 2008, the annual pension cost and required contribution by Platte River was $2,673,000. There was no net pension obligation for the years ended December 31, 2008 and 2007.

The annual required contribution for the current year was determined as part of the January 1, 2007, actuarial valuation using the frozen-initial-liability method. The actuarial assumptions included: (a) 8% investment rate of return, (b) 4.5% projected salary increase due to inflation, merit and seniority, and (c) 3.75% per year cost-of-living adjustment for participants in pay status prior to January 1, 1992, and 2.5% per year for all other participants. The actuarial value of Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three-year trend information for Platte River's pension cost and contributions is as follows:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
	(Dollar amounts in thousands)		
2006	$2,498	100.0	$ –
2007	2,737	100.0	–
2008	**2,673**	**100.0**	**–**

A schedule of funding progress for the Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
			(In thousands)			
1/1/06	$46,322	$46,322	$ –	100.0	$14,675	–
1/1/07	51,102	51,102	–	100.0	15,290	–
1/1/08	**55,964**	**55,964**	**–**	**100.0**	**16,320**	**–**

11. Contribution of Fiber Optic Network to Cities

During 1998, Platte River constructed a fiber optic network around the four municipalities to which it provides electric service. The surplus capacity in the network built around the City of Longmont was contributed to the City of Longmont in 1998 and was recorded as a return of capital. Platte River retained ownership of the remaining fiber optic network, and in 1999, began leasing surplus portions of the dark fiber for the benefit of each of the remaining three municipalities to independent telecommunication service providers. The lease payments received are flowed through to each of the three municipalities, net of Platte River's costs.

12. Insurance Programs

Platte River has purchased insurance policies to cover the risk of loss related to various general liability and property loss exposures. The amount of insurance settlements has not exceeded insurance coverage in the past three years. Platte River also provides a self-insured medical and dental plan to its employees. Medical stop-loss insurance has been purchased, which covers losses in excess of $125,000 per person per incident. A liability was recorded for estimated medical and dental claims that have been incurred but not reported of $313,000 at December 31, 2008 and $226,000 at December 31, 2007. A third party administrator is used to account for the health insurance claims and provides the estimated medical claims liability based on prior claims payment experience. The medical claims liability is included as a component of accounts payable in the balance sheets. Changes in the balance of this liability during 2008 and 2007 were as follows:

	2008	2007
	(In thousands)	
Medical claims liability, beginning of year	**$226**	$381
Current year claims and changes in estimates	**2,125**	1,234
Claim payments	**(2,038)**	(1,389)
Medical claims liability, end of year	**$313**	$226

13. Commitments and Contingencies

Platte River has long-term purchase power contracts with the Western Area Power Administration through September 30, 2024. The federal hydroelectric power currently received provides approximately 21% of the resources needed by Platte River to serve the loads of the four owner municipal systems. The contract rates and the amount of energy available are subject to change. During 2008, Platte River purchased $15,558,000 under these contracts.

Platte River and three of the other four participants in the Yampa Project own Trapper Mine, the primary source of coal for the Yampa Project. Trapper Mine must deliver specified amounts of coal to each Yampa Participant through 2014. Supplemental coal will be supplied through the year 2017 under a contract with ColoWyo Coal Company. These contracts are subject to price escalation adjustments. During 2008, coal purchases totaled $6,757,000 from Trapper Mine and $4,965,000 from ColoWyo Coal Company.

The Rawhide Energy Station's coal purchase and transportation agreements originally scheduled to expire December 31, 2007 have both been extended under multiple-year contracts. Base prices for these contracts are subject to future price escalation adjustments. During 2008, Platte River purchased $20,789,000 under these agreements.

Platte River has committed to purchase Renewable Energy Credits (RECs) for the years 2009 through 2024 with minimum future payments of $8,333,000. During 2008, Platte River purchased $550,000 under these agreements.

In the ordinary course of business, Platte River may be impacted by various legal matters and is subject to legislative, administrative, and regulatory requirements relative to environmental issues. Although the outcomes of such matters is not possible to predict, management is aware of no pending legal matters or proposed environmental regulations for which the outcome is likely to have a material adverse effect upon Platte River's financial position or changes in financial position.

14. Subsequent Events

On January 26, 2009, Platte River's Board of Directors authorized the offering of Series HH Power Revenue Bonds to finance the construction of new transmission projects. On February 3, 2009, Platte River priced $114,325,000 Series HH Bonds at a true interest cost of 4.54%. Closing of the Series HH Bonds occurred on February 18, 2009.

On February 26, 2009, Platte River's Board of Directors authorized the redemption of $77,700,000 of the Series S-1 Subordinate Lien Bonds with cash reserves. The call notice was issued on February 27, 2009, and the bonds will be redeemed April 1, 2009.

Platte River Power Authority
Supplementary Information
Budgetary Comparison Schedule (unaudited)

	Year Ended December 31, 2008		
	Budget	Actual	Variance Favorable/ (Unfavorable)
		(In thousands)	
Revenues			
Operating revenues:			
Municipal sales	$128,063	**$125,817**	$(2,246)
Contract surplus sales	7,571	**6,388**	(1,183)
Short-term surplus sales	29,688	**40,181**	10,493
Total operating revenues	165,322	**172,386**	7,064
Nonoperating revenues(1):			
Interest income	8,115	**7,246**	(869)
Other income	3,756	**3,766**	10
Total nonoperating revenues	11,871	**11,012**	(859)
Total revenues	177,193	**183,398**	6,205
Funds provided from prior reserves	56,034	**16,116**	(39,918)
Total sources	$233,227	**$199,514**	$(33,713)
Expenditures			
Operating expenses(2):			
Purchased power	$25,686	**$25,883**	$(197)
Fuel expense	44,033	**48,672**	(4,639)
Production expenses	38,759	**40,360**	(1,601)
Transmission expenses	3,779	**3,575**	204
Administrative and general	10,658	**10,279**	379
Total operating expenses	122,915	**128,769**	(5,854)
Debt service expenditures(3):			
Interest expense	14,418	**12,312**	2,106
Principal	21,218	**20,985**	233
Total debt service expenditures	35,636	**33,297**	2,339
Capital additions:			
Production	28,018	**25,140**	2,878
Transmission	44,227	**10,069**	34,158
General	2,431	**2,239**	192
Total capital	74,676	**37,448**	37,228
Total expenditures	$233,227	**$199,514**	$33,713

(1) Interest income excludes investment holding gains and losses.
(2) Operating expenses do not include depreciation and other nonappropriated expenses.
(3) Debt service expenditures represent monthly principal and interest funding to the bond service accounts.

Photographs not listed otherwise were taken by Platte River staff.

Photograph bottom of page 7, Nick Lyon.

Photograph bottom left of page 9, Estes Park Light & Power.

MOHAWK
manufactured with windpower

This piece is printed on Mohawk Options, 100% PC White which is manufactured entirely with Green-e® certified wind-generated electricity.

PROUDLY PRINTED ON GREEN SEAL CERTIFIED PAPER

PLATTE RIVER
POWER AUTHORITY

Platte River Power Authority
2000 East Horsetooth Road
Fort Collins, Colorado 80525-5721
970.226.4000