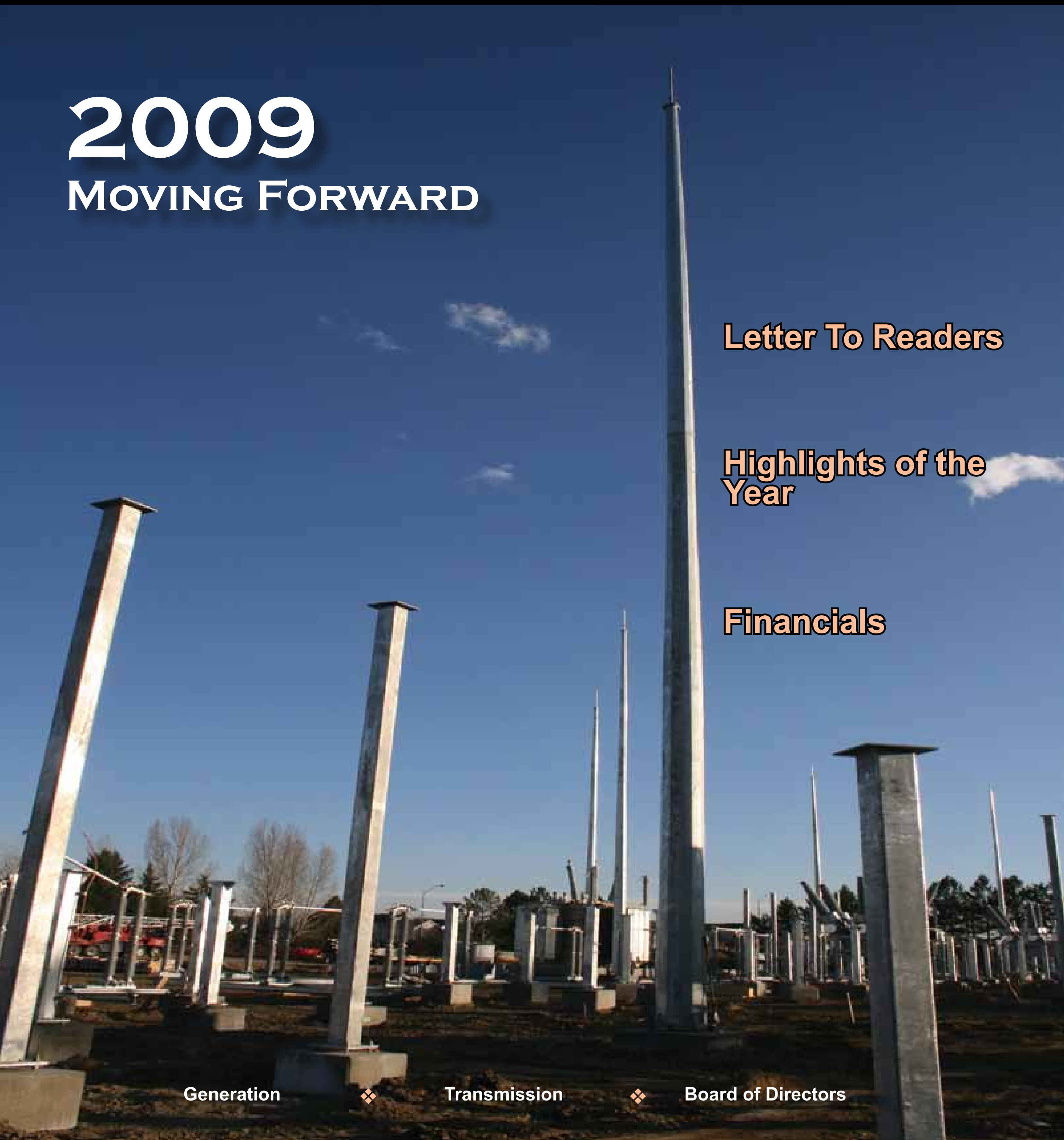
Reliability Standards ❖ Rawhide Energy Station ❖ Environmental ❖ Operations ❖ System Statistics

Annual Report

www.prpa.org

a publication of Platte River Power Authority

2009



2009

Moving Forward

Letter To Readers

Highlights of the Year

Financials

Generation ❖ Transmission ❖ Board of Directors

Advertisement ran in the *Fort Collins Area Community Profile & Resource Guide*, February 2009

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To request additional copies contact Marketing & Communications Department, Platte River Power Authority, 2000 East Horsetooth Road, Fort Collins, CO 80525-5721 or call 970.226.4000. This Annual Report can also be found on Platte River's Web site at www.prpa.org/finance.

Printed on 10% post-consumer waste paper.

On the Front Cover: Construction of Portner Substation in Fort Collins, Colorado
On the Back Cover: Longs Peak near Estes Park, Colorado

Platte River
POWER AUTHORITY

Management Team

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 A. Priddle, Division Manager, Corporate Services

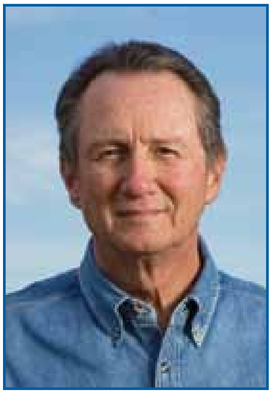
David D. Smalley, Chief Financial Officer

Platte River Power Authority 36 Years 1973-2009

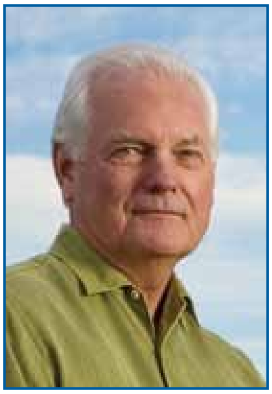
Platte River Power Authority...

...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 and Cheyenne, Wyoming.



Brian H. Moeck
General Manager



Ralph Mullinix
Chairman of the Board

Letter to Our Readers

This was a particularly challenging and rewarding year. We began 2009 in the midst of a recession and credit market turmoil. All of our major capital construction projects were on hold in anticipation of a bond issue planned for the first quarter. We were facing our first on-site audit of hundreds of new reliability regulations since June of 2007 and the Governor was asking utilities to prepare climate action plans consistent with his greenhouse gas reduction goals.

As the year went on, unexpectedly mild summer weather combined with lower business and development activity affected our revenues. Electricity sales to our municipalities were substantially lower than forecast and prices obtained for surplus sales dropped dramatically.

Given these challenges, we are pleased to report that Platte River remains financially strong and that important achievements were made in 2009 as a result of the dedication and hard work of our employees and the leadership of our Board of Directors.

- Revenues were lower than anticipated but we still had a positive financial year due to strong resource performance and below-budget expenses. Income before contributions was $10.9 million and our debt service ratio was 1.79;
- To ensure a financially strong future in the face of decreasing revenues and rising operating, maintenance and capital costs, Platte River's Board of Directors approved a 6.2 percent wholesale rate increase effective January 1, 2010;
- Rawhide Unit One achieved a new annual production record in 2009 and generated its 50-millionth megawatt hour of electricity since starting commercial operations in 1984;
- Platte River's 'AA' credit rating was confirmed and we sold our series HH power revenue bonds at a favorable rate of 4.5% for $120 million including premiums;
- Construction began on major transmission and substation projects located in Fort Collins, Longmont and Loveland;
- Platte River passed its first reliability audit with flying colors. No violations of requirements or areas of concern were found;
- We completed our Climate Action Plan and submitted it to the Governor;
- We increased the amount of energy coming from renewable sources by entering into a 20-year purchased power agreement for 12 megawatts of new wind energy;
- Our energy efficiency programs provided cash rebates and discounted prices to help customers reduce electricity consumption by about 15,000 megawatt hours per year;
- We continued to maintain 100 percent compliance with all environmental regulations.

Immediate challenges are part of life and, as we deal with them, we must remain focused on our long-term mission and goals. The economy will become strong again and the need for reliable, low-cost, and environmentally responsible electricity will grow. Moving forward, we will continue to build new transmission lines and substations, provide renewable energy and electricity-saving programs to our customers, maintain our commitment to a clean environment and do our best to control costs.

"Immediate challenges are part of life and, as we deal with them, we must remain focused on our long-term mission and goals."

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.

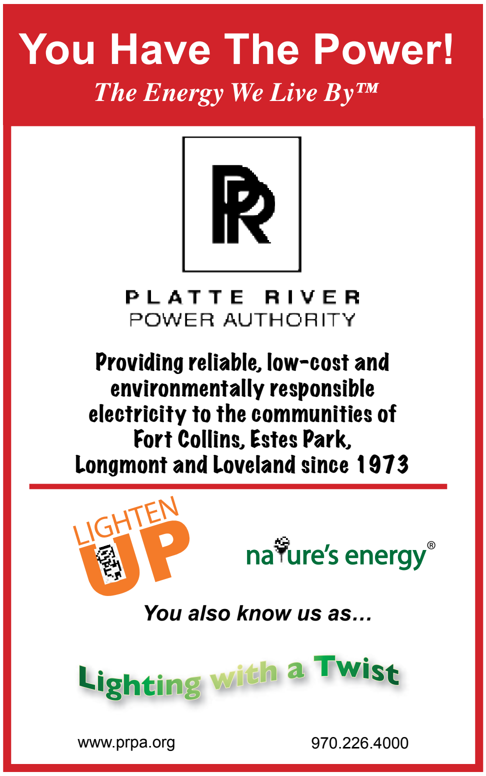
The Audit Committee, whose members are not employees of Platte River, periodically meet with the independent auditors and management to discuss the audit scope, audit results and any recommendations to improve the internal control structure. The Board of Directors directly engages the independent auditors.

Brian H. Moeck
General Manager

David D. Smalley
Chief Financial Officer

Financial Highlights

	Years Ended December 31, 2009	2008	2007
Revenues/Expenses ($000)			
Operating revenues	**$170,940**	$172,386	$163,378
Operating expenses	**151,930**	159,593	140,645
Nonoperating revenues (expenses), net	**(8,117)**	(739)	(1,178)
Income before contributions	**$10,893**	$12,054	$21,555
Power Operations			
Demand-municipalities (MW)	**576**	634	635
Demand-firm surplus (MW)	**-**	-	30
Energy-municipalities (GWh)	**3,056**	3,157	3,147
Energy-others (GWh)	**1,150**	996	1,053
Selected Other Data			
Gross utility plant ($000)	**$1,174,444**	$1,113,577	$1,086,656
Long-term debt, net ($000)	**$296,595**	$273,226	$293,717
Debt to equity ratio	**40/60**	39/61	41/59
Total revenue bond coverage	**1.79x**	1.63x	1.79x



Advertisement ran in the *Fort Collins Chamber of Commerce Map*, 2009

Energy Market Statistics

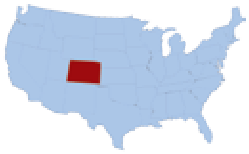
	December 31, 2009	2008	2007
Combined Retail Sales—Four Municipalities *(1)*			
Number of Customers (average)			
Residential	127,174	126,293	125,209
Commercial & Industrial	17,664	17,143	16,589
Other	398	305	297
TOTAL	145,236	143,741	142,095
Megawatt-hour Sales			
Residential	1,052,671	1,069,218	1,092,845
Commercial & Industrial	1,884,965	1,978,892	1,938,542
Other	4,028	3,199	3,581
TOTAL	2,941,664	3,051,309	3,034,968
Revenue			
Residential	$75,182,653	$73,899,487	$73,792,206
Commercial & Industrial	102,291,047	101,286,939	98,804,416
Other	1,277,327	886,590	699,653
TOTAL	$178,751,027	$176,073,016	$173,296,275
Residential Averages (annual)			
Killowatt-hours (kWh) per Customer	8,277	8,466	8,728
Revenue per kWh (cents)	7.14	6.91	6.75
Revenue per Customer	$591.18	$585.14	$589.35
Wholesale Power Sales—Platte River			
Peak Demand (kW)			
Estes Park	25,595	26,456	26,178
Fort Collins	265,154	286,549	295,785
Longmont	162,457	177,648	178,191
Loveland	134,912	153,105	146,367
Sum of Municipalities' Peaks	588,118	643,758	646,521
Demand - PRPA Coincident *(2)*	575,853	633,913	634,671
Energy (megawatt-hours)			
Estes Park	130,587	132,408	130,067
Fort Collins	1,451,559	1,471,869	1,484,987
Longmont	796,805	826,403	840,144
Loveland	676,931	726,135	691,795
Sum of Municipalities' Energy	3,055,882	3,156,815	3,146,993
Sales to Others and Miscellaneous *(3)*	1,231,623	1,088,572	1,142,686
Energy-TOTAL SYSTEM	4,287,505	4,245,387	4,289,679

(1) Compiled from preliminary sales and other reports of the municipalities supplied with electric energy by Platte River.
(2) The 2009 system peak occurred in July.
(3) Includes energy imbalance and exchange agreement settlements.

Platte River Historical Peak Demand

Year	Peak (MW)	Date	Hr. Ending
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.
2009	575.9	24-Jul	4 p.m.

2009 Capital Projects



Cheyenne, Wyoming

Silver Sage Windpower Project

On-line October 1, Silver Sage adds 12 megawatts of wind energy to Platte River's generation portfolio.

Rawhide Energy Station

Rawhide Locomotive/Rail Car Repair Shop

A metal and fabric building was built to protect workers and tools from the elements.

Loveland

Horseshoe Substation

Ground preparation and a security wall marks the beginning of the substation expansion.

Rawhide Energy Station

Rawhide Coal Mill

A motor was replaced on one of the four Rawhide coal mills.

Fort Collins

Harmony-Portner-Boyd 230 kV Transmission Line/Portner Substation

Construction began on a new substation and two miles of underground transmission line.

Rawhide Energy Station

Fire Suppression

Replaced obsolete protection system using new valves, pipes and digital controller—to be completed in 2010.

Fort Collins

Timberline Substation Expansion

Project included the addition of two new transformers.

Craig, Colorado

Craig Station

Progress payments made for 2011 turbine upgrade in addition to other maintenance work.

Rawhide Energy Station

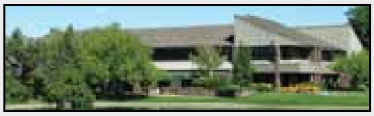
Mercury Removal System

Installation of removal equipment begun. Completion scheduled for late 2010.

Platte River Headquarters

Energy Efficiency Project

New, more efficient HVAC system was designed. Equipment will be installed in 2010.



Longmont

Ft. St. Vrain-Fordham 230/115 kV Transmission Project

A combination of new overhead and underground transmission lines form the backbone of this 22-mile project.

Top 10 Advantages

Platte River and Public Power

There are over 2,000 community-owned electricity providers—including Platte River and its member municipal utilities—serving over 20 million customers in the United States. In addition to being community-owned, public power utilities are locally controlled and operated on a not-for-profit basis. Here are some of the key advantages of public power:

Putting aside time for public input

Community Focus
Because we are community-owned and not-for-profit, we exist solely to provide a service that benefits local residents and businesses—not to provide a return on investment for stockholders who may live very far away.

Excellent Reliability and Service
Net income that might otherwise be distributed to stockholders can be reinvested in infrastructure and equipment to maintain an exceptional level of electrical reliability.

Jobs — Our offices and operations are based in our communities—we provide jobs for local people.

Environmental Stewardship — As local residents, our employees are personally dedicated to preserving northern Colorado's beautiful environment.

Custom-Built Infrastructure — Local control guarantees the selection and installation of new generation and transmission resources that are best suited for the unique electricity needs, environmental interests and aesthetic preferences of our communities.

Low Rates and Great Value
Our not-for-profit status, efficient operations and tax exempt financing allow us to offer electric rates that are among the lowest in Colorado.

Responsive Service
We can respond quickly to problems or customer needs because our work crews are stationed within our communities.

Economic Development
High-quality and reliable electric service, in addition to low rates help attract new businesses and retain existing ones.

Dollars Remain In Our Communities — Our low rates mean that our customers are free to spend more of their money on other goods and services, which supports local businesses.

Policies and Decisions Reflect Local Needs and Values — Policies and decisions governing utility operations are made by community officials, not by federal or state commissions. As a result, we are uniquely able to respond to community needs, build on community strengths and reflect and advance community values.

2009 Highlights

Moving Forward

Northern Colorado was not immune to the economic recession in 2009.

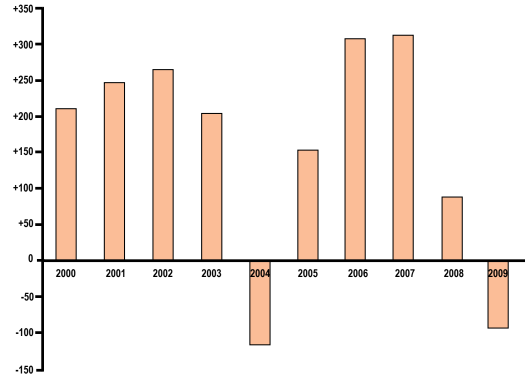
One result of the slowdown in business activity was a decrease in electricity use by commercial and industrial customers.

Customers also used less electricity to cool their homes and businesses due to cooler than normal summer weather.

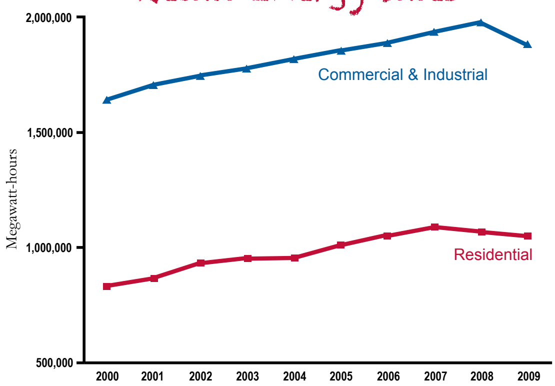
The long-term nature of Platte River Power Authority's mission—to provide reliable, low-cost and environmentally responsible electricity to its communities—requires the utility to operate with a perspective that transcends current conditions. The need for electricity will grow as warmer weather returns, the economy recovers and Northern Colorado continues to be a desirable place to live. Existing businesses will again flourish and new ones will be attracted by a growing customer base and work force as more people move to the area.

With a focus on this inevitable future, Platte River moved forward during 2009.

Summer Cooling Degree Days (CDD) Relative to Norm



Retail Energy Sales



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***
Silver Sage Windpower Project	***12 megawatts***
TOTAL	***932 megawatts (summer), 1,037 megawatts (winter)***

Mercury Reduction

The State of Colorado has established requirements for reducing mercury emissions from coal-fired power plants. Platte River will reduce mercury emissions at Rawhide to less than 0.0000000174 pounds per kilowatt-hour of electricity produced by 2012—two years earlier than required. By 2018, Rawhide mercury emissions will be reduced to less than 0.0000000087 pounds per kilowatt-hour. At this low level, the concentration of mercury in Rawhide's air emissions could be illustrated by filling a 100 feet wide by 100 feet long ten-story building with white ping pong balls and throwing in seven blue ping pong balls to represent the mercury.

In 2009, Platte River purchased and began installing portions of a state-of-the-art powdered activated carbon injection system that will reduce mercury emissions at Rawhide. The entire system will cost about $3 million to install and approximately $1.7-$2.7 million per year to operate. Platte River's total investment in mercury measurement and reduction is expected to exceed $22 million by 2020.

Testing of the system is scheduled to begin in mid-2010.

Mercury Continuous Emissions Monitoring System building at Rawhide

Climate Action Plan

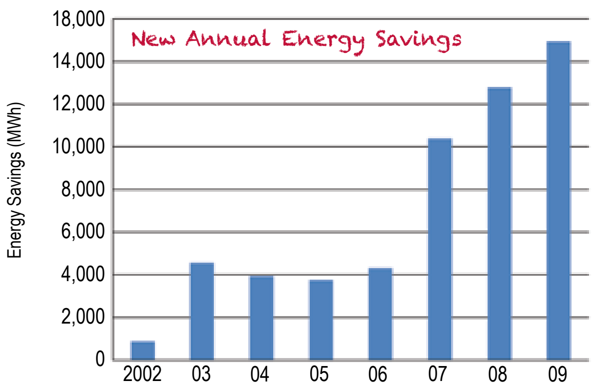
With the assistance of a consultant and input from community members gained at six public open houses, Platte River evaluated the benefits and costs of various options for voluntarily reducing carbon dioxide (CO_2) emissions 20 percent below 2005 levels by 2020. The three most cost-effective options for reaching this goal are reducing reserve energy sales, increasing funding for customer energy efficiency projects and obtaining additional wind energy resources. It's estimated that the implementation of these three options would require a 16 percent increase in the wholesale rate Platte River charges to its owner municipalities (an approximately 12 percent average retail increase).

Platte River submitted a report summarizing its evaluation to the Governor's Energy Office on June 1, 2009. The report is available to the public online: www.prpa.org/environment/i/capjune2009.pdf.

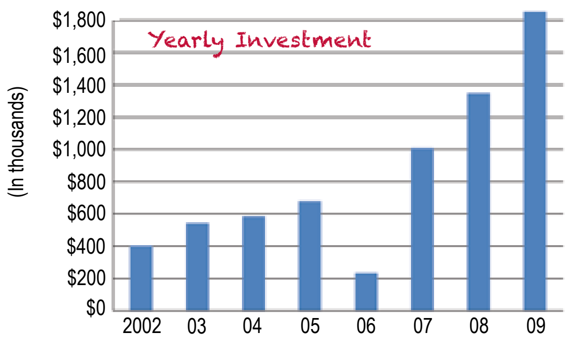
Energy Efficiency

Platte River has funded energy efficiency programs in its four municipalities since 2002. LIGHTEN**UP** and the Electric Efficiency Program provide commercial and industrial customers with funding for a variety of energy saving and peak demand reducing projects. **Lighting With a Twist** (called "Energy-Efficient Lighting Program" in Fort Collins) provides rebates directly to compact fluorescent lamp (CFL) retailers, to enable them to sell energy-saving CFLs to residential customers for agreed-to discounted prices.

New highs in investment and anticipated annual energy savings were reached in 2009. Platte River invested $1.86 million in projects that will save an estimated 15 million kilowatt-hours of electricity, knock about $900,000 off the electric bills of participating customers, power over 1,800 homes and reduce CO_2 emissions by about 12,100 short tons per year.



In addition to funding and administering existing efficiency programs, Platte River worked to develop new programs in 2009. **Building Tune-up** assists large commercial customers with a process to ensure that lighting, heating, cooling and ventilation systems meet occupants' needs using the least amount of energy.



A collaboration by a number of regional utilities, including Platte River, and local governments, **Northern Colorado ENERGY STAR® Homes** promotes major improvements in the energy efficiency of new homes built in Northern Colorado.

SELECT-HVAC is a partnership between Platte River and Poudre Valley Rural Electric Association, Inc. It provides recognition and marketing support to contractors willing to follow industry-accepted methods of installing and commissioning heating, ventilation, and air conditioning (HVAC) systems.

Silver Sage

As part of its ongoing plan to acquire about 80 megawatts of new renewable energy by 2020, Platte River contracted in March 2009 with a Duke Energy subsidiary to purchase 12 megawatts of generation from the new Silver Sage Windpower Project located just over the Colorado border near Cheyenne, Wyoming.

Silver Sage became fully operational on October 1, following a faster-than-expected construction process. Silver Sage will provide about one and a half times the wind energy that Platte River gets from the Medicine Bow Wind Project it has owned and operated since 1998.

About 20 percent of the electricity Platte River supplied to its owner municipalities in 2009 came from renewable energy sources including wind energy and hydropower.

Trapper Mine Agreement Extension

The Craig Station is a three unit coal-fired generation facility operated in northwestern Colorado by Tri State Generation and Transmission Association, Inc. Platte River owns a right to 18 percent (154 megawatts) of the generating capacity of Craig Station units 1 and 2.

Platte River also owns 19.93 percent of the Trapper Mine which is located adjacent to the Craig Station and supplies most of the coal used by the plant. In October 2009, Platte River and Trapper's three other owners signed an agreement with the mine's operator to extend the Craig Station Fuel Agreement—due to expire on June 30, 2014—through the year 2020. A key feature of the new Agreement is the ability to adjust the amount of coal purchased annually. While the cost of Trapper coal will increase by approximately 15.5 percent under the new Agreement, it will still be below current and anticipated prices for other fuel options.

Issuance of Series HH Bonds

To finance transmission improvements, Platte River issued its Series HH power revenue bonds in February. The sale of the bonds was very successful, resulting in $120 million in proceeds, including premiums. Largely due to Platte River's 'AA' credit rating and the scarcity of Colorado bonds available in the marketplace, Platte River received orders for the HH bonds well in excess of desired amounts and the overall interest cost came in lower than expected at 4.5 percent.

Greenhouse Gas Reporting

In coming years, the electric generation industry will be faced with the challenge of reducing greenhouse gas (GHG)—primarily CO_2—emissions. Platte River has, since its inception, been proactive in planning for and implementing operational improvements benefitting the environment. In order to establish benchmarks for its GHG emissions, Platte River has voluntarily submitted reports on these emissions to the U.S. Department of Energy since 1997.

Platte River became a founding member of The Climate Registry (TCR) in 2008, and in 2009 submitted a full inventory of its GHG emissions to the organization. TCR is a voluntary, non-profit, public/private partnership that serves to encourage and promote early actions to reduce GHG emissions.

CLIMATE ACTION LEADER

Wholesale Rate Increase

To help ensure that Platte River's operational and financial goals continue to be met, the Board of Directors approved a 6.2 percent wholesale rate increase effective January 1, 2010. The key drivers of the increase include reduced surplus sales revenues due to declines in wholesale electricity prices, higher federal hydropower costs and increased operating, maintenance and capital costs.

Despite additional rate increases that are likely to be needed over the next few years, customers served by Platte River's owner municipalities will continue to benefit from significantly lower electric rates than those of neighboring utilities.

Request to be notified when Platte River's Annual Report is available online. Send an e-mail to communications@prpa.org and include your name and organization's name.

Redemption of Series S-1 Bonds

In 1993, Platte River issued $77.7 million of Series S-1 Bonds as a subordinate lien bond issue. Since then, the bonds have been remarketed at variable interest rates tied to the SIFMA index (municipal bond index). For 15 years, the Series S-1 Bonds afforded Platte River low-cost financing, flexibility and a good return on investment.

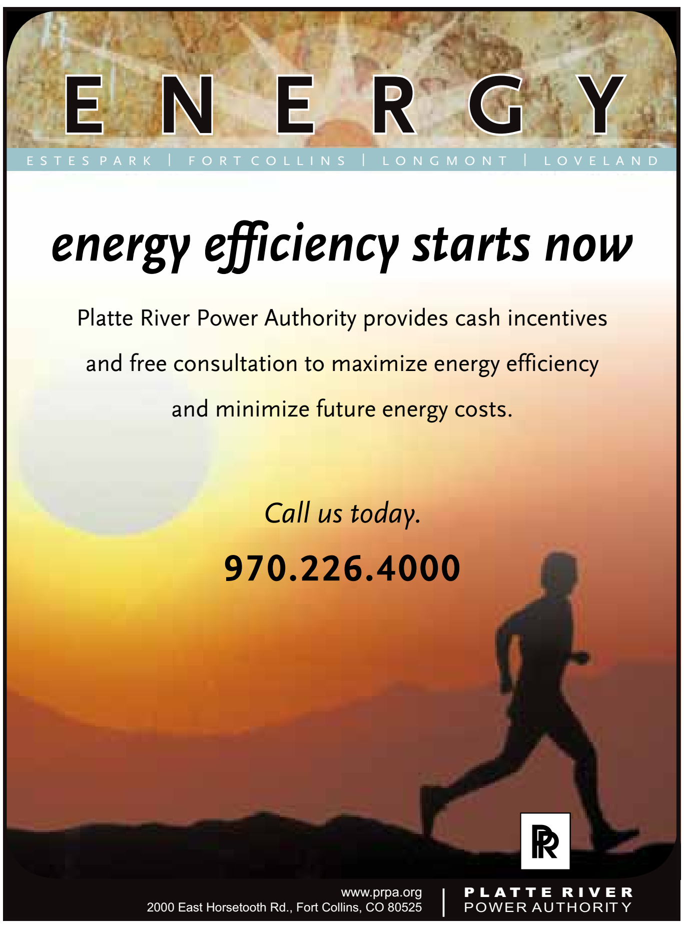
Conditions caused by the financial market crisis that began in 2008 reduced the benefits of the debt to Platte River. After evaluating various options, Platte River chose to redeem the S-1 debt using cash reserves. The redemption of all $77.7 million of Series S-1 Bonds was completed on April 1, 2009.

In-store event at Ace Hardware of Estes Park where Platte River staff and Barb Boyer Buck, Office Manager, Town of Estes Park Public Works & Utilities (pictured) answered questions and demonstrated varieties of compact fluorescent light bulbs.

Fly Ash Reccycling

Fly ash–a powdery non-hazardous material with properties similar to cement–is a byproduct of the coal combustion process.

To save natural resources and reduce disposal costs, Platte River delivered an all-time high 12,227 short tons of Rawhide fly ash (approximately 17 percent of the year's production) to architectural block makers and an operator of a liquid waste disposal facility.



Advertisement ran in 2008 and was included in Platte River's 2009 Desk-top calendar

PLATTE RIVER POWER AUTHORITY

Winter Energy Tips

- Change furnace filters every month. Dirty filters can increase operating costs.
- Make sure heat registers and vents are not blocked by draperies, furniture or rugs. These vents should also be cleaned regularly with a vacuum or a broom.
- Open window coverings on sunny days to help warm the house.
- Have your furnace checked annually by a qualified contractor to make sure it's working at peak efficiency.
- Install an ENERGY STAR® programmable thermostat to prevent unnecessary heating or cooling.

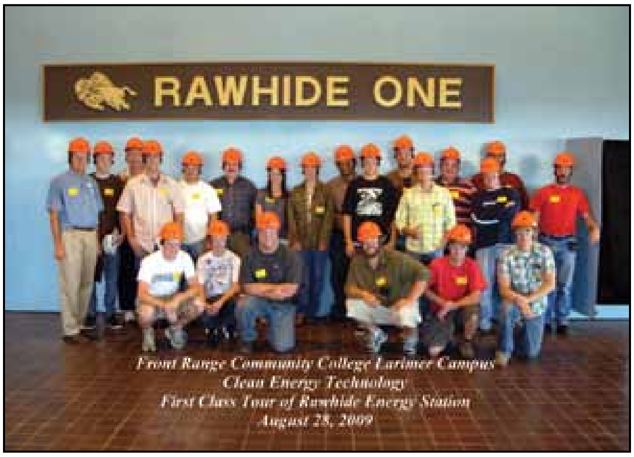
970•226•4000 *www.prpa.org*

Page from Platte River's 2009 Desk-top calendar

Rawhide Energy Station Performance

Rawhide Unit One finished the year with an all-time-high 96.1 percent capacity factor, surpassing the previous high—95.0 percent—achieved in 2004. Capacity factor is a measure of utilization defined as the ratio of the amount of electricity produced by a generator over a period of time to the maximum production for which the generator is rated by the operator or manufacturer. The average annual capacity factor for all U.S. coal-fired power plants is consistently about 73 percent.

Additionally, Unit One passed a major milestone during the Thanksgiving holiday week by generating its 50 millionth megawatt-hour of electricity.



For tours of Rawhide or Platte River's wind sites send an e-mail to — tours@prpa.org.

Advertisement ran in *Northern Colorado Business Report*, June 5, 2009

NERC Reliability Standards

Under Section 215 (c) of the Federal Power Act, as an owner and operator of generation and transmission facilities, Platte River must meet mandatory and enforceable reliability standards comprised of 1,280 requirements and sub-requirements. Failure to comply with the standards can result in fines up to $1 million per violation per day.

In March 2009, the designated enforcement authority performed its first audit of Platte River's compliance with the reliability standards. During a four day process carried out at Platte River's Headquarters, the auditors found no areas of concern and no violation of any standard or requirement.

In July 2009, a new set of security standards comprised of more than 200 new requirements to protect critical physical and cyber transmission assets became effective. The same security standards will become effective for generation assets in January 2010.

Transmission Projects

Longmont

Construction of a 22-mile transmission project in Longmont began in May and continued throughout 2009. The project involves installing a new 230 kV (kilovolt) line and upgrading existing 115 kV lines built in the 1950s and 1960s. About seven miles of line will be installed underground. The project also calls for expanding Fordham Substation located in southwest Longmont.

Once completed, the new transmission line and expanded substation will be able to handle all of the city's power needs should a failure occur elsewhere on the system. All work on the project is scheduled to be finished by June 2011.

Fort Collins

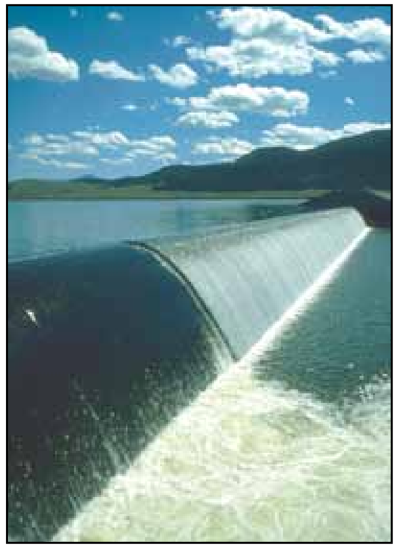
During the second half of 2009, Platte River worked on the construction of a transmission line that will serve the City of Fort Collins' new Portner Substation. Scheduled for completion by July 2010, the one-mile double-circuit line will be installed underground utilizing horizontal drilling technology to avoid disturbing Fossil Creek and adjacent wetlands.

Loveland

The first phase of a project to install a new 230 kV transmission line and reinforce reliability of electrical service in Loveland was completed in 2009. The project includes upgrading seven miles of existing overhead lines and installing two-and-one-half miles of new underground line. The assembly of the plastic pipe system housing the underground transmission cable was completed in February and engineering work on the overhead transmission section of the project continued through the end of the year. The project also involves expanding Loveland's Horseshoe Substation. As a first step, the substation's yard was enlarged and enclosed in a 12-foot high concrete block security wall. The entire project is scheduled for completion in 2011.

Windy Gap

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.

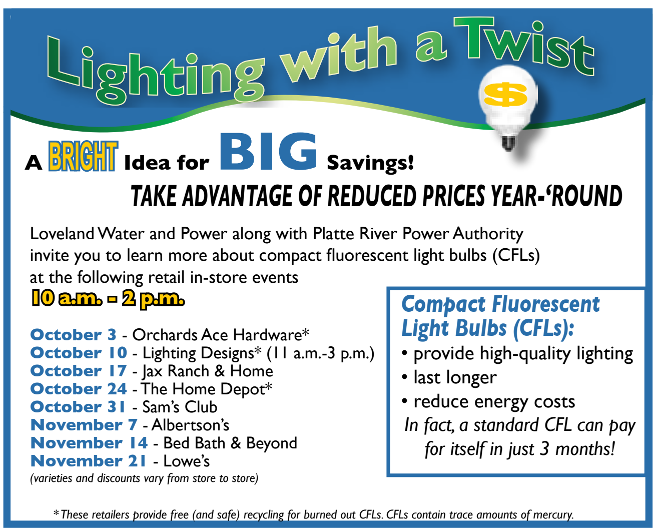


The Windy Gap Project diverts water from the Colorado River to Colorado's Front Range. Due to storage limitations and other factors, Windy Gap owners have had some difficulty relying on Windy Gap deliveries to meet their water needs. The Windy Gap Firming Project (WGFP) is a proposal to construct the 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 the cities of Longmont and Loveland.

The U.S. Bureau of Reclamation is expected to publish the *Final Environmental Impact Statement* for the Windy Gap Firming Project by spring 2010 and issue a record of decision in the summer. If Reclamation approves the project, a permit from the U.S. Army Corps of Engineers would also be required before construction could begin.

Flyers used in 2009 to communicate information about Platte River's energy efficiency programs—working in conjunction with Town of Estes Park Light & Power Department, Fort Collins Utilities, Longmont Power & Communications and Loveland Water and Power.

Representational ad that ran in the Fall of 2009 in the Estes Park *Trail-Gazette* and Loveland *Reporter-Herald* promoting the Lighting With a Twist Campaign



Advertisement ran in Loveland *City Update*, October 2009

Glossary

Carbon Dioxide (CO2): A greenhouse gas that is a by-product of combustion *(see Greenhouse Gas).*

Circuit: A pathway through which electricity moves.

Compact Fluorescent Light (CFL) Bulb: A light bulb made 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.

Cooling Degree Day: A measure of how warm a location is over a period of time relative to a base temperature, most commonly specified as 65 degrees Fahrenheit. Cooling degree days are used in energy analysis as an indicator of air conditioning energy requirements or use.

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

Gigawatt-hour (GWh): One billion watt-hours *(see Watt-hour).*

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.

Kilovolt (kV): 1,000 volts *(see Voltage).*

Kilowatt (kW): One thousand watts *(see Watt).*

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

Megawatt (MW): One million watts *(see Watt).*

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

Short Ton: 2,000 pounds.

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.

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).*

Advertisement ran in the *Northern Colorado Business Report*, April 24, 2009

Board of Directors

back row:

Gene Pielin*
Mayor
City of Loveland
Board Secretary

Doug Hutchinson
Mayor
City of Fort Collins
Board Vice Chairman

Joe Wilson
General Counsel

Brian Moeck
General Manager

Brian Janonis
Utilities Executive Director
City of Fort Collins

front row:

Roger Lange**
Mayor
City of Longmont

Bob Goehring
Utilities Director
Town of Estes Park

Ralph Mullinix
Director, Department of Water and Power
City of Loveland
Board Chairman

Bill Pinkham
Mayor
Town of Estes Park

Not Pictured: **Tom Roiniotis**, Longmont Power & Communications Director
* Mayor Pielin was replaced in December 2009 by Mayor Cecil Gutierrez
** Mayor Lange was replaced in December 2009 by Mayor Bryan Baum

By the Numbers—Platte River's 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

Accountants' Report and Financial Statements
Years Ended December 31, 2009 and 2008

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information

The Board of Directors
Platte River Power Authority
Fort Collins, Colorado

BKD LLP
CPAs & Advisors

We have audited the accompanying basic financial statements of Platte River Power Authority as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Platte River'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, 2009 and 2008, and the 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 3, 2010

BKD, LLP

Management's Discussion and Analysis

December 31, 2009 and 2008

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, 2009 and December 31, 2008. 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, 2009 increased by $10.7 million, or 2.5%, over December 31, 2008.
- **Capital investments** of $53.8 million were made in 2009 toward upgrades and expansion of the existing transmission system. Expenditures for these projects will continue through 2010 and into 2011.
- **The Series HH Power Revenue Bonds** were issued for $114.3 million in 2009 to finance the transmission capital additions.
- **The Series S-1 Subordinate Lien Bonds** were redeemed for $77.7 million in April 2009. The S-1 Bonds had an original maturity date of June 1, 2018.
- **Platte River reported income** before contributions of $10.9 million in 2009, down from the $12.1 million reported in 2008. This decrease is primarily due to a decline in nonoperating revenues and an increase in nonoperating expenses which is partially offset by an increase in operating income.
- **For 2009, total generation** from Platte River's 280 megawatt Rawhide Unit 1 reached an all time high production level of 2,353 gigawatt hours.
- **Renewable wind generation** in 2009 increased 33.7% with the addition of a long-term purchase agreement for 12 megawatts of output from the Silver Sage Wind Project.

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 2009, 2008, and 2007.

Condensed Balance Sheets

	December 31,		
	2009	2008	2007
		(In thousands)	
Assets:			
Electric utility plant	**$582,922**	$552,177	$548,435
Special funds and investments	**134,902**	128,228	162,202
Current and other assets	**72,803**	68,003	58,908
Total assets	**$790,627**	$748,408	$769,545
Liabilities and Net Assets:			
Liabilities			
Noncurrent liabilities	**$303,567**	$202,745	$302,139
Current liabilities	**45,507**	114,848	48,490
Total liabilities	**349,074**	317,593	350,629
Net assets			
Invested in capital assets, net of related debt	**318,483**	252,615	220,971
Restricted for debt purposes	**24,558**	24,813	24,613
Unrestricted	**98,512**	153,387	173,332
Total net assets	**441,553**	430,815	418,916
Total liabilities and net assets	**$790,627**	$748,408	$769,545

Management's Discussion and Analysis (continued)
December 31, 2009 and 2008

Condensed Financial Statements (continued)
Net Assets

Total net assets at December 31, 2009 were $441.5 million, an increase of $10.7 million over 2008. In 2008, net assets totaled $430.8 million, an increase of $11.9 million over 2007.

- *Electric utility plant* increased $30.7 million during 2009 due to significant expenditures for the transmission system expansion and other capital additions. In 2008, utility plant increased $3.7 million. A new 128-megawatt gas-fired peaking generation resource, Rawhide Unit F, was completed in June 2008. Additional details about electric utility plant can be found in Note 4 to the financial statements.

- *Special funds and investments* at December 31, 2009 increased $6.7 million from December 31, 2008. An increase in restricted funds and investments resulted from the proceeds of the Series HH Power Revenue Bonds and was partially offset by a reduction in dedicated funds and investments used to redeem the Series S-1 Subordinate Lien Bonds. Special funds and investments decreased $34.0 million in 2008, primarily due to using dedicated funds to equity-finance the addition of the Unit F peaking resource and other capital projects.

- *Current and other assets* increased $4.8 million at December 31, 2009 as a result of an increase in cash and cash equivalents and an increase in accounts receivable. In 2008, current and other assets increased $9.1 million as a result of an increase in cash and cash equivalents, accounts receivable and fuel inventory.

- *Noncurrent liabilities* increased $100.8 million in 2009 as a result of an increase in long-term debt with the issuance of the Series HH Power Revenue Bonds. The $99.4 million reduction in 2008 from 2007 was the 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. Additional details about long-term debt can be found in Note 7 to the financial statements.

- *Current liabilities* decreased $69.3 million in 2009 as a result of redeeming the $77.7 million Series S-1 Subordinate Lien Bonds. This was partially offset by a $7.7 million increase in accounts payable resulting from an increase in construction work in progress activity at the end of the year. In 2008, current liabilities increased $66.4 million from 2007 as a result of classifying the $77.7 million 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.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31,		
	2009	2008	2007
	(In thousands)		
Operating revenues	**$170,940**	$172,386	$163,378
Operating expenses	**151,930**	159,593	140,645
Operating income	**19,010**	12,793	22,733
Nonoperating revenues (expenses)	**(8,117)**	(739)	(1,178)
Income before contributions	**10,893**	12,054	21,555
Contributions of assets to municipalities	**(155)**	(155)	(155)
Change in net assets	**10,738**	11,899	21,400
Beginning net assets	**430,815**	418,916	397,516
Ending net assets	**$441,553**	$430,815	$418,916

Management's Discussion and Analysis (continued)
December 31, 2009 and 2008

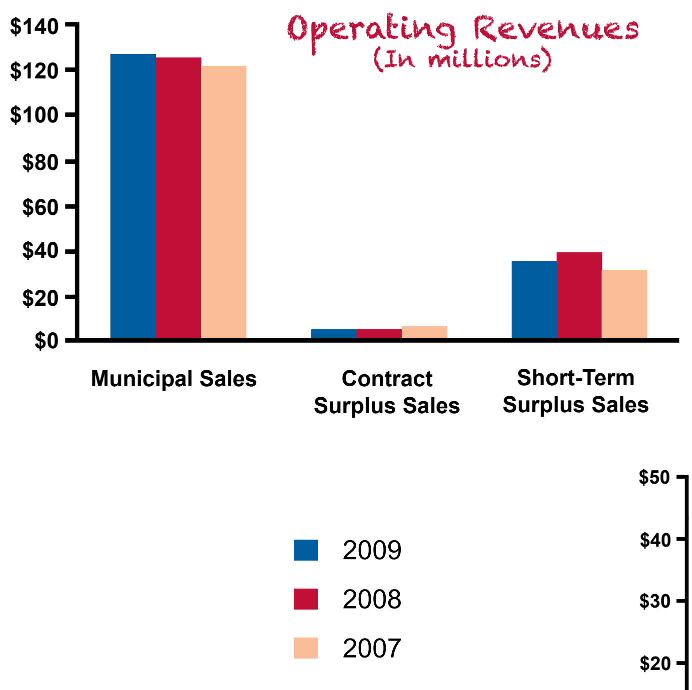
Condensed Financial Statements (continued)
Changes in Net Assets

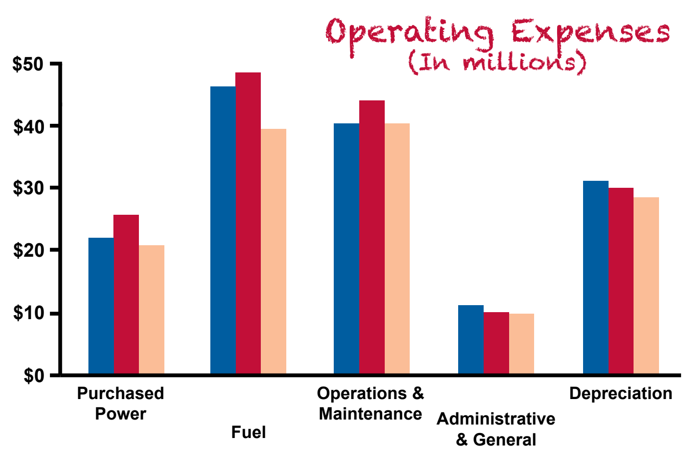
Income before contributions of $10.9 million was reported in 2009, a decrease of $1.2 million from 2008. This change was primarily due to a decrease in nonoperating revenues and an increase in nonoperating expenses which is partially offset by an increase in operating income. In 2008, income before contributions was $12.1 million, a decrease of $9.5 million from 2007, primarily due to an increase in operating expenses partially offset by an increase in operating revenues.

- *Operating revenues* in 2009 decreased $1.5 million from 2008. This decrease is due to a $2.8 million decrease in surplus sales partially offset by a $1.3 million increase in municipal sales. In 2008, operating revenues increased $9.0 million over 2007 due to a $3.1 million increase in municipal revenues and a $5.9 million increase in surplus sales.

- *Operating expenses* in 2009 decreased $7.7 million from 2008. This decrease was primarily due to decreases in purchased power, fuel, and operations and maintenance costs as a result of a planned major maintenance outage completed at Rawhide Unit 1 in the fall of 2008. Operating expenses in 2008 increased $18.9 million over 2007. The majority of the increase in operating expenses was related to the outage and increase in the cost of fuel.

- *Nonoperating expenses, net*, in 2009 increased approximately $7.4 million from 2008 due to decreases in interest income, other income, and a net decrease in fair value of investments. Interest expense in 2009 was offset by a portion of the Series HH Bond interest classified as an allowance for funds used during construction. In 2008, nonoperating expenses, net, decreased approximately $0.4 million due to a decrease in interest expense offset by lower interest income and a smaller increase in the fair value of investments.





Management's Discussion and Analysis (continued)
December 31, 2009 and 2008

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 HH Power Revenue Bonds issued February 18, 2009. The ratings on Platte River's existing bonds remained unchanged.

Bond Issue	Moody's	S&P	Fitch
Power Revenue Bonds			
Series EE	Aa2	AA	AA
Series GG	Aa2	AA	AA
Series HH	Aa2	AA	AA

Budgetary Highlights

Platte River's Board of Directors approved the 2009 Annual Budget with total revenues of $187.0 million, operating expenses of $125.0 million, debt service expenditures of $35.2 million and capital additions of $111.8 million. A portion of the capital additions funding was provided from the proceeds of the Series HH Bonds. The following budgetary highlights are presented on a non-GAAP budgetary basis.

Total operating revenues of $170.9 million ended the year $7.6 million, or 4.3%, below budget. Municipal sales of $127.1 million were $7.3 million below budget due to below-budget variances in billing demand and energy deliveries. The below-budget variances are attributable to milder weather throughout the year and the general downturn in the economy. Surplus sales totaled $43.8 million in 2009 and were $0.3 million below budget. The largest factor causing this variance was lower surplus sales market prices.

Operating expenses totaled $120.3 million and were $4.7 million, or 3.7%, below budget. Fuel expense was the largest variance at $1.4 million below budget due to lower-than-projected natural gas prices and usage for the peaking units. Production expenses were $1.3 million below budget due to lower maintenance costs at Rawhide. Transmission expenses were below budget due to lower-than-budgeted ancillary services paid to others. Administrative and general expenses were below budget due to an overall reduction in expenditures.

Debt service expenditures totaled $32.4 million and were $2.8 million below budget. The variance is due to a reduction in interest expense resulting from a redemption of the Series S-1 Bonds and issuing the Series HH Bonds at a lower-than-projected interest rate.

Capital additions of $63.2 million in 2009 were $48.6 million below budget. The majority of this variance was the result of revising the transmission project schedules due to a delay in issuing the Series HH Bonds. A portion of the transmission variance was re-budgeted for 2010.

Balance Sheets

	December 31, 2009	December 31, 2008
	(In thousands)	
Assets		
Electric utility plant, at original cost *(Notes 3 and 4)*:		
Land and land rights	**$14,128**	$14,128
Plant and equipment in service	**1,081,245**	1,076,880
Less: accumulated depreciation	**(591,522)**	(561,400)
Plant in service, net	**503,851**	529,608
Construction work in progress	**79,071**	22,569
Total electric utility plant	**582,922**	552,177
Special funds and investments *(Note 5)*:		
Restricted funds and investments	**88,970**	25,710
Dedicated funds and investments	**45,932**	102,518
Total special funds and investments	**134,902**	128,228
Current assets:		
Cash and cash equivalents *(Notes 3 and 5)*	**8,295**	5,731
Other temporary investments *(Note 5)*	**20,750**	20,314
Accounts receivable—municipalities	**11,337**	11,047
Accounts receivable—other	**8,808**	7,033
Fuel inventory, at last-in, first-out cost	**7,400**	8,218
Materials and supplies inventory, at average cost	**9,788**	9,247
Prepayments and other assets	**707**	745
Total current assets	**67,085**	62,335
Deferred charges and other assets, net of amortization *(Note 3)*	**5,718**	5,668
Total assets	**$790,627**	$748,408
Liabilities and Net Assets		
Noncurrent liabilities *(Notes 3, 6, 7 and 8)*:		
Long-term debt, net	**$275,090**	$174,941
Capitalized lease obligation	**18,822**	20,925
Regulatory liabilities and credits *(Note 9)*	**3,243**	433
Deferred/accrued liabilities	**6,412**	6,446
Total noncurrent liabilities	**303,567**	202,745
Current liabilities:		
Current maturities of long-term debt *(Note 6)*	**21,505**	98,285
Current portion of capitalized lease obligation *(Note 6)*	**2,103**	2,018
Regulatory liabilities and credits to be recognized in one year	**–**	773
Accounts payable	**19,303**	11,579
Accrued interest	**1,247**	910
Accrued liabilities and other	**1,349**	1,283
Total current liabilities	**45,507**	114,848
Total liabilities	**349,074**	317,593
Net assets:		
Invested in capital assets, net of related debt *(Note 10)*	**318,483**	252,615
Restricted for debt purposes	**24,558**	24,813
Unrestricted	**98,512**	153,387
Total net assets	**441,553**	430,815
Total liabilites and net assets	**$790,627**	$748,408

See accompanying notes.

Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended December 31, 2009	2008
	(In thousands)	
Operating revenues *(Note 3)*:		
Sales to municipalities	**$127,142**	$125,817
Sales for resale and other	**43,798**	46,569
Total operating revenues	**170,940**	172,386
Operating expenses:		
Purchased power	**21,850**	25,883
Fuel	**46,342**	48,672
Operations and maintenance	**40,763**	44,113
Administrative and general	**11,363**	10,347
Depreciation	**31,612**	30,578
Total operating expenses	**151,930**	159,593
Operating income	**19,010**	12,793
Nonoperating revenues (expenses) *(Notes 5 and 7)*:		
Interest income	**4,033**	7,017
Other income	**1,366**	3,766
Interest expense	**(15,487)**	(13,586)
Allowance for funds used during construction	**3,355**	–
Net (decrease) increase in fair value of investments *(Note 5)*	**(1,384)**	2,064
Total nonoperating revenues (expenses)	**(8,117)**	(739)
Income before contributions	**10,893**	12,054
Contributions of assets to municipalities *(Note 12)*	**(155)**	(155)
Change in net assets	**10,738**	11,899
Net assets at beginning of year	**430,815**	418,916
Net assets at end of year	**$441,553**	$430,815

See accompanying notes.

Statements of Cash Flows

	Years Ended December 31, 2009	2008
	(In thousands)	
Cash flows from operating activities		
Receipts from customers	**$169,501**	$171,290
Payments for operating goods and services	**(96,208)**	(113,864)
Payments for employee services	**(23,460)**	(22,942)
Net cash provided by operating activities	**49,833**	34,484
Cash flows from capital and related financing activities		
Additions to electric utility plant	**(47,540)**	(30,417)
Payments from accounts payable incurred for electric utility plant additions	**(3,903)**	(9,973)
Additions to deferred charges and other assets	**(302)**	(1,242)
Proceeds from issuance of long-term debt	**121,058**	–
Principal payments on long-term debt	**(98,285)**	(21,545)
Interest payments on long-term debt	**(14,274)**	(12,512)
Contribution of assets to municipalities	**(155)**	(155)
Net cash used in capital and related financing activities	**(43,401)**	(75,844)
Cash flows from investing activities		
Purchases and sales of temporary and restricted investments, net	**(10,502)**	36,308
Interest and other income, including realized gains and losses	**6,634**	7,737
Net cash (used in) provided by investing activities	**(3,868)**	44,045
Increase in cash and cash equivalents	**2,564**	2,685
Balance at beginning of year in cash and cash equivalents	**5,731**	3,046
Balance at end of year in cash and cash equivalents	**$8,295**	$5,731
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$19,010**	$12,793
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**31,612**	30,578
Changes in assets and liabilities:		
Decrease (increase) in fuel and materials and supplies inventories	**277**	(2,808)
Increase in other assets	**(2,027)**	(3,079)
Increase (decrease) in current operating liabilities	**288**	(1,609)
Increase (decrease) in other liabilities	**673**	(1,391)
Net cash provided by operating activities	**$49,833**	$34,484
Noncash capital and related financing activities		
Additions of electric utility plant through incurrence of accounts payable	**$11,462**	$3,903
Amortization of bond financing costs	**849**	1,274

See accompanying notes.

Notes to Financial Statements

December 31, 2009 and 2008

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, 2009, 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 budget and 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, 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.

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.

Notes to Financial Statements *(continued)*
December 31, 2009 and 2008

3. Summary of Significant Accounting Policies *(continued)*

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.

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 2009 and 2008. 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 2009 and 2008, 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 Colorado Interstate Gas Co. (CIG) index published in *Gas Daily*. Swap contracts at December 31, 2009 include 40,000 mmBtu at an average fixed price of $5.19 per mmBtu, which expire in July and August 2010. At December 31, 2008, Platte River had swap contracts for 60,000 mmBtu at an average fixed price of $6.82 per mmBtu, which expired in July 2009. These contracts had a positive fair value of $6,000 as of December 31, 2009 and a negative fair value of $157,000 as of December 31, 2008, based on price estimates provided by Goldman Sachs & Company and Citigroup, Platte River's counterparties for the swap contracts. As a result of hedging contracts, there was an increase in fuel expense of $250,000 for the year ended December 31, 2009 and a decrease of $30,000 for the year ended December 31, 2008. 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.

Notes to Financial Statements *(continued)*
December 31, 2009 and 2008

3. Summary of Significant Accounting Policies *(continued)*

Regulatory Accounting

As a Board-regulated entity, Platte River is subject to the provisions of Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) Topic 980, 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. (Note 9)

Deferred Charges and Other Assets

Deferred charges and other assets reflect unamortized power revenue 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.

Reclassifications

Certain reclassifications have been made to conform prior year's information to the current year presentation.

4. Electric Utility Plant

Electric utility plant asset activity for the year ended December 31, 2009, was as follows:

	December 31 2008	Increases	Decreases	December 31 2009
	(In thousands)			
Nondepreciable assets:				
Land and land rights	$14,128	$—	$—	**$14,128**
Construction work in progress	22,569	64,542	(8,040)	**79,071**
	36,697	64,542	(8,040)	**93,199**
Depreciable assets:				
Production plant	866,956	3,978	(6,376)	**864,558**
Transmission plant	179,820	2,107	3,983	**185,910**
General plant	30,104	2,516	(1,843)	**30,777**
	1,076,880	8,601	(4,236)	**1,081,245**
Less accumulated depreciation	(561,400)	(31,612)	1,490	**(591,522)**
Total electric utility plant	$552,177	$41,531	$(10,786)	**$582,922**

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

	December 31 2007	Increases	Decreases	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

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 $609,000 and $1,315,000 as of December 31, 2009 and 2008, respectively, are shown in the following tables.

As of December 31, 2009, 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	$22,946	$20,959	$1,987	$ –	$ –	$ –
U.S. Agencies:						
FFCB	20,985	11,202	9,783	–	–	–
FHLB	35,676	28,229	5,106	2,341	–	–
FHLMC	10,828	10,828	–	–	–	–
FNMA	13,937	10,475	3,462	–	–	–
TLGP Corporate Notes	9,243	3,361	2,475	3,407	–	–
Total securities	113,615	85,054	22,813	5,748	–	–
Certificates of deposit	14,267	9,448	4,819	–	–	–
Cash & money market funds	35,456	35,456	–	–	–	–
Total cash and investments	$163,338	$129,958	$27,632	$5,748	$ –	$ –

Balance sheet presentation of cash, cash equivalents and investments is as follows as of December 31, 2009:

	Fair Value	Accrued Interest	Total
		(In thousands)	
Restricted funds and investments	$88,629	$341	$88,970
Dedicated funds and investments	45,758	174	45,932
Cash and cash equivalents	8,294	1	8,295
Other temporary investments	20,657	93	20,750
Total investments	$163,338	$609	$163,947

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	$ –	$ –

Notes to Financial Statements *(continued)*
December 31, 2009 and 2008

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

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, 2009. If the price of the security is above its call price, the security is assumed to be redeemed on its next call date.

Credit Risk

Platte River's investment policy allows investments in local government investment pools and money market funds. As of December 31, 2009, Platte River maintained investments in two funds managed by the local government investment pool Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust Prime is rated AAA by Standard and Poor's Ratings Services (S&P). Colotrust Plus+ is rated AAA by three rating agencies: 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. Temporary Liquidity Guarantee Program (TLGP) Corporate Notes are explicitly backed by the "full faith and credit of the United States" and rated AAA by the rating agencies.

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, 2009, Platte River held investments in specific issuers of more than 5% in FFCB, FHLB, FHLMC and FNMA. These investments are 13%, 22%, 7%, and 9%, 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, 2009, was as follows:

	December 31 2008	Additions	Reductions	December 31 2009	Due within one year
			(In thousands)		
Long-term debt, net	$273,226	$112,677	$(89,308)	**$296,595**	$21,505
Capitalized lease obligation	22,943	–	(2,018)	**20,925**	2,103
Accrued outage liability	433	2,810	–	**3,243**	–
Deferred credit for SO_2 allowance sale	773	–	(773)	**–**	–
Deferred reclamation liability	2,720	2	–	**2,722**	–
Monofill closure costs	159	10	–	**169**	–
Wind turbine reimbursement	533	–	(65)	**468**	69
Compensated absences	3,260	357	(327)	**3,290**	168
Total noncurrent liabilities	$304,047	$115,856	$(92,491)	**$327,412**	$23,845

Notes to Financial Statements *(continued)*
December 31, 2009 and 2008

6. Noncurrent Liabilities *(continued)*

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

	December 31 2007	Additions	Reductions	December 31 2008	Due within one year
			(In thousands)		
Long-term debt, net	$293,717	$(1,438)	$(19,053)	$273,226	$98,285
Capitalized lease obligation	24,442	–	(1,499)	22,943	2,018
Accrued outage liability	3,377	433	(3,377)	433	–
Deferred credit from SO_2 allowance sale	4,048	–	(3,275)	773	773
Deferred reclamation liability	2,742	–	(22)	2,720	–
Monofill closure costs	150	9	–	159	–
Wind turbine reimbursement	595	–	(62)	533	65
Compensated absences	3,013	302	(55)	3,260	161
Total noncurrent liabilities	$332,084	$(694)	$(27,343)	$304,047	$101,302

7. Long-Term Debt

Long-term debt outstanding as of December 31, 2009 and 2008, consists of the following:

	Interest Rate	December 31 2009	December 31 2008
		(In thousands)	
Power Revenue Bonds—			
Series DD:			
Serial Bonds—			
6/1/2009	5.00%	**$ –**	$8,220
Series EE:			
Serial Bonds—			
6/1/2009–6/1/2018	4.00%–5.375%	**77,335**	89,700
Series GG:			
Serial Bonds—			
6/1/2010–6/1/2018	4.50%–5.00%	**103,215**	103,215
Series HH:			
Serial Bonds—			
6/1/2010–6/1/2029	3.00%–5.00%	**114,325**	–
Subordinate Lien Bonds—			
Series S-1:			
4/1/2009	Variable	**–**	77,700
		294,875	278,835
Unamortized bond premium		**11,953**	6,869
Deferred amount on refundings		**(10,233)**	(12,478)
Total revenue bonds outstanding		**296,595**	273,226
Less: due within one year		**(21,505)**	(98,285)
Total long-term debt, net		**$275,090**	$174,941

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

Notes to Financial Statements *(continued)*
December 31, 2009 and 2008

7. Long-Term Debt *(continued)*

Interest expense for the years ended December 31, 2009 and 2008, is comprised of the following:

	2009	2008
	(In thousands)	
Interest	**$14,638**	$12,312
Amortization of bond financing costs	**849**	1,274
Total interest expense	**$15,487**	$13,586

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 2009			
for 2010 payment	$12,545	$1,235	$13,780
2010	20,257	14,204	34,461
2011	19,928	13,189	33,117
2012	20,940	12,175	33,115
2013	21,430	11,093	32,523
2014	22,112	9,979	32,091
2015–2019	77,115	34,887	112,002
2020–2024	47,670	20,603	68,273
2025–2029	52,878	7,432	60,310
	$294,875	$124,797	$419,672

In February 2009, Platte River issued $114,325,000 Series HH Power Revenue Bonds at a true interest cost of 4.54%. The purpose of the bonds is to finance the construction costs of new transmission projects.

On April 1, 2009, prior to the May 2, 2009 expiration date of a Standby Bond Purchase Agreement with JPMorgan Chase Bank, Platte River redeemed $77,700,000 of the Series S-1 Subordinate Lien Bonds with cash reserves. Accordingly, $77,700,000 of the Series S-1 Bonds were classified as a current liability as of December 31, 2008. The original maturity date of the Series S-1 Bonds was June 1, 2018.

In prior years, Platte River defeased certain revenue bonds by placing the proceeds of the refunding bonds and available cash 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, 2009, $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, 2009:

Year ended December 31	Principal	Interest	Total
		(In thousands)	
2010	$69	$23	$92
2011	72	20	92
2012	76	16	92
2013	80	12	92
2014	83	9	92
2015	88	5	93
Total note payments	$468	$85	$553

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, 2009 and 2008 were $20,819,000 and $21,044,000, respectively, excluding accrued interest. The Rate Stabilization Reserve Account is included in dedicated funds and investments in the balance sheets.

7. Long-Term Debt *(continued)*

The following table is a calculation of the power revenue and total revenue bond coverage ratios for the years ended December 31, 2009 and 2008:

	2009	2008
	(In thousands)	
Net revenues:		
Operating revenues	**$170,940**	$172,386
Operating expenses, excluding depreciation	**120,318**	129,015
Net operating revenues	**50,622**	43,371
Plus interest and other income *(1)*	**7,407**	11,012
Net revenues before rate stabilization	**58,029**	54,383
Rate stabilization:		
Deposits	**–**	–
Withdrawals	**–**	–
Total net revenues	**$58,029**	$54,383
Bond service:		
Power revenue bonds	**$35,641**	$31,604
Allowance for funds used during construction	**(3,355)**	–
Subordinate lien bonds	**93**	1,664
Net revenue bond service	**$32,379**	$33,268
Coverage:		
Power revenue bonds	**1.80**	1.72
Total revenue bonds	**1.79**	1.63

(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, 2009 and 2008.

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 $4,120,000 and $4,238,000 in 2009 and 2008, respectively, have been included in operations and maintenance expenses in the accompanying statements of revenues, expenses and changes in net assets, as allowed under FASB ASC Topic 980. Platte River originally recorded $41,590,000 as a capitalized lease for its water allotment and has recorded $20,665,000 accumulated amortization as of December 31, 2009. The remaining liability of $20,925,000 represents Platte River's share of principal amounts of the Subdistrict's Series G, H, I and J Bonds outstanding as of December 31, 2009. 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)*
2010	$3,162
2011	3,162
2012	3,232
2013	3,241
2014	3,242
2015–2017	10,035
	26,074
Less: amount representing interest	(5,149)
Total lease payments	20,925
Less: due within one year	(2,103)
Present value of future net payments	$18,822

9. Regulatory Liabilities and Credits

Accrued Maintenance Outage Costs

As allowed under FASB ASC Topic 980, 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 April 2012. As of December 31, 2009 and 2008, $3,243,000 and $433,000, respectively, was accrued as a liability for the 2012 major maintenance outage planned for Rawhide Unit 1.

Notes to Financial Statements *(continued)*
December 31, 2009 and 2008

9. Regulatory Liabilities and Credits *(continued)*

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 FASB ASC Topic 980, the revenues from the sale were recognized in the year in which the allowances become eligible for use. Accordingly, $773,000 was recorded as revenue in 2009, $3,275,000 was recorded as revenue in 2008 and $7,997,000 was recorded as revenue in years prior to 2008. The balance in the deferred credit account at December 31, 2009 and 2008 was $0 and $773,000, respectively.

10. Invested in Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, is comprised of the following as of December 31, 2009 and 2008:

	2009	2008
	(In thousands)	
Electric utility plant	**$582,922**	$552,177
Unspent Series HH Bond proceeds	**63,177**	–
Unamortized bond issuance costs	**1,834**	1,043
Long-term debt, net	**(296,595)**	(273,226)
Capitalized lease obligation	**(20,925)**	(22,943)
Other long-term debt payable	**(468)**	(533)
Accounts payable incurred for capital assets	**(11,462)**	(3,903)
	$318,483	$252,615

11. 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 from 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, 2009, the annual pension cost and required contribution by Platte River was $2,867,000. There was no net pension obligation for the years ended December 31, 2009 and 2008.

The annual required contribution for the current year was determined as part of the January 1, 2008, 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)		
2007	$2,737	100.0%	$–
2008	2,673	100.0	–
2009	**2,867**	**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)			
1/1/07	$51,102	$51,102	$–	100.0%	$15,290	–
1/1/08	55,964	55,964	–	100.0	16,320	–
1/1/09	**52,989**	**52,989**	**–**	**100.0**	**18,521**	**–**

12. Contribution of Fiber Optic Network to Municipalities

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.

13. 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 $135,000 per person per incident. A liability was recorded for estimated medical and dental claims that have been incurred but not reported of $253,000 at December 31, 2009 and $313,000 at December 31, 2008. 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 the medical claims liability during 2009 and 2008 were as follows:

	2009	2008
	(In thousands)	
Medical claims liability, beginning of year	**$313**	$226
Current year claims and changes in estimates	**1,981**	2,125
Claim payments	**(2,041)**	(2,038)
Medical claims liability, end of year	**$253**	$313

14. 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 2009, Platte River purchased $16,593,000 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. The original contract provided delivery of specified amounts of coal to each Yampa Participant through 2014. In September 2009, the contract was extended through 2020. 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 2009, coal purchases totaled $8,016,000 from Trapper Mine and $5,511,000 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 2009, Platte River purchased $24,262,000 under these agreements.

Platte River has committed to purchase Renewable Energy Credits (RECs) for the years 2010 through 2024 with minimum future payments of $7,830,000. During 2009, Platte River purchased $471,000 under these REC agreements. In addition, Platte River has committed to purchase renewable wind energy from Clipper Windpower Inc. through 2014 with a minimum future payment of $1,499,000 and Silver Sage Windpower, LLC through 2027 with a minimum future payment of $41,760,000. During 2009, Platte River purchased $768,000 under these renewable wind energy 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.

Supplementary Information

Budgetary Comparison Schedule—*unaudited*

	Year ended December 31, 2009		
	Budget	Actual	Variance Favorable/ (Unfavorable)
		(In thousands)	
Revenues			
Operating revenues:			
Municipal sales	$134,458	**$127,142**	$(7,316)
Contract surplus sales	8,445	**6,229**	(2,216)
Short-term surplus sales	35,691	**37,569**	1,878
Total operating revenues	178,594	**170,940**	(7,654)
Nonoperating revenues *(1)*:			
Interest income	7,235	**6,041**	(1,194)
Other income	1,205	**1,366**	161
Total nonoperating revenues	8,440	**7,407**	(1,033)
Total revenues	187,034	**178,347**	(8,687)
Funds provided from prior reserves	84,872	**37,555**	(47,317)
Total sources	$271,906	**$215,902**	$(56,004)
Expenditures			
Operating expenses *(2)*:			
Purchased power	$21,884	**$21,850**	$34
Fuel expense	47,773	**46,342**	1,431
Production expenses	37,749	**36,429**	1,320
Transmission expenses	5,497	**4,372**	1,125
Administrative and general	12,063	**11,297**	766
Total operating expenses	124,966	**120,290**	4,676
Debt service expenditures *(3)*:			
Interest expense	18,213	**14,638**	3,575
Principal	21,463	**21,121**	342
Allowance for funds used during construction	(4,520)	**(3,355)**	(1,165)
Total debt service expenditures	35,156	**32,404**	2,752
Capital additions:			
Production	14,040	**6,038**	8,002
Transmission	94,660	**53,783**	40,877
General	3,084	**3,387**	(303)
Total capital	111,784	**63,208**	48,576
Total expenditures	$271,906	**$215,902**	$56,004

(1) Interest income excludes unrealized 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.

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
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