



Legislation Text

File #: 2020-461, Version: 1

Resolution - Approval of 2020 Operations Budget Amendment - Depreciation Asset Changes - C Bhandari / R Kruger

Submitted By: Robyn Miller on behalf of Claudine M Bhandari

Department: Financial Services

Financial Impact and Cost/Benefit Considerations: Expenditure of Cooperative funds and expenditures of staff time not impacted.

PEC engaged Alliance Consulting Group in 2019 to conduct a depreciation study of the Cooperative's Transmission, Distribution, and General Utility depreciable assets. The valuation was completed using capital assets of \$1.8 billion at year end December 2018. The consulting study was concluded at the end of 2019 after the annual budget cycle was completed. The study recommended an increase of approximately \$5.8 million in annual depreciation expense effective in 2020. The proposed depreciation amounts consist of an increase of approximately \$0.5 million for Transmission assets, an increase of \$5.5 million for Distribution assets, and a decrease of \$0.2 million for General Utility assets.

PEC management is also requesting an additional \$1.1 million in annual depreciation expense based on the 2019 asset additions not included in the \$1.8 billion of assets for the depreciation study.

The change in annual depreciation expense is largely driven by the inclusion of net salvage in the proposed depreciation rates and updated useful lives.

In order to support the change in the capitalization and depreciation policies, the operational expense budget amendment of \$6.9 million is requested.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOPERATIVE, that the Board approve an amendment to the Cooperative's 2020 Operating Budget for asset depreciation expenses of \$6.9 million; and

BE IT FURTHER RESOLVED, that the Chief Executive Officer, or designee, is authorized to take such actions as needed to implement this resolution.