# DEBT RETIREMENT RESERVE ACCOUNT

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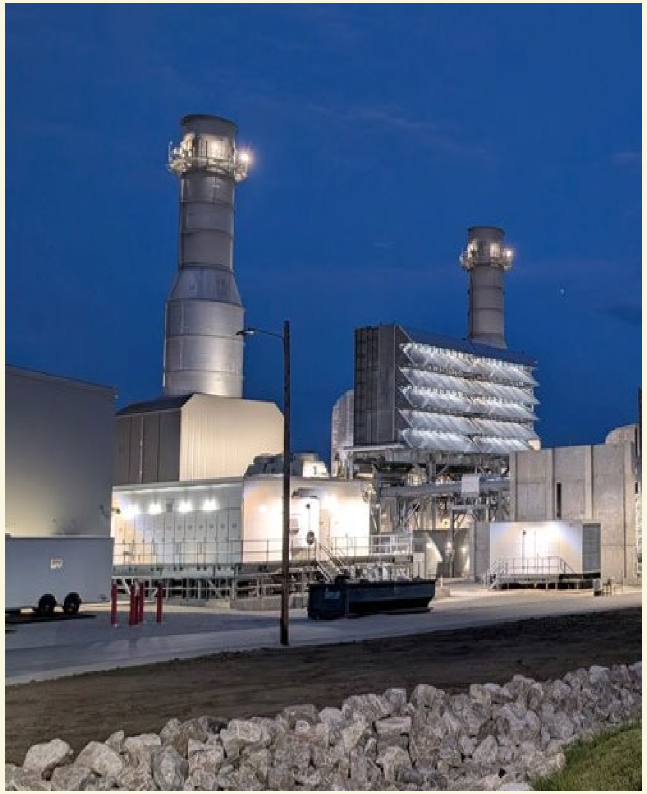

# Background

- In 2004, the Board of Directors approved the use of regulatory accounting to establish a Debt Retirement Reserve Account (DRRA) to meet the financial challenges associated with reducing future debt including the maintenance of adequate debt service coverage ratios during a period of capital growth.
- In 2016, the Board of Directors approved the repurposing of the DRRA to establish the Decommissioning and Benefits Reserve Account, which is still currently in use.

# Background

- During this current period of growth, re-establishing the DRRA will allow the District to offset higher debt service in future years while supporting gradual rate increases and maintaining rate stability.
- Governmental Accounting Standards allow for the use of regulatory accounting to include revenues or costs in a period other than the period in which the revenues or costs would have been recognized by an unregulated entity, with Board of Directors approval.
- The establishment of the DRRA results in a reduction of revenues and an increase in a regulatory liability, whereas utilization of the DRRA results in an increase in revenue and a decrease in a regulatory liability.

# Management's Recommendation

- Management recommends and seeks approval to utilize regulatory accounting to re-establish the Debt Retirement Reserve Account. This action will provide Management more ability for rate stability during a period of increasing debt load associated with expansive electric system growth.