

RESOLUTION NO. A-_____

1 WHEREAS, Lincoln Electric System (LES) is contractually entitled to 30 percent of the
2 output of the Sheldon Station Power Plant (Sheldon), which is operated by the Nebraska Public
3 Power District (NPPD), for the life of the plant; and

4 WHEREAS, in absence of extraordinary circumstances, LES recognizes its share of
5 capital acquisition costs and debt service payments at Sheldon as power costs in the period the
6 costs are billed; and

7 WHEREAS, after completing its 2008 budget LES received a revised capital budget from
8 NPPD for Sheldon that was approximately \$9.7 million greater than the costs LES had included
9 for Sheldon in the 2008 budget; and

10 WHEREAS, LES management made a decision to defer the \$9.7 million difference and
11 amortize the expense over a five-year period essentially treating the expense as a deferred capital
12 asset rather than as an operating expense; and

13 WHEREAS, this accounting decision was made in order to spread the impacts to
14 customers over a longer period of time and avoid significant rate impacts; and

15 WHEREAS, this type of accounting treatment is allowed under Financial Accounting
16 Standard No. 71 (FAS71) “Accounting for the Effects of Certain Types of Regulation”, subject
17 to certain requirements; and

18 WHEREAS, LES’s external auditor, Virchow Krause, has advised LES that FAS 71
19 requires that LES’s rate-setting body approve capital treatment and amortization of this Sheldon
20 \$9.7 million cost including a plan for recovering such costs through future rates; and

1 WHEREAS, recovery of this amortized cost is currently included in the rates that were
2 approved by the City Council on August 8, 2008; and

3 WHEREAS, on March 20, 2009, the LES Administrative Board unanimously approved
4 the utilization of the FAS 71 procedure to defer approximately \$9.7 million of 2008 costs related
5 to Sheldon Station and recover the costs through LES rates and amortizing such costs over five
6 years; and

7 WHEREAS, the LES Administrative Board recommends approval of this accounting
8 action by the Lincoln City Council.

9 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln,
10 Nebraska that the FAS 71 procedure to defer approximately \$9.7 million of 2008 costs related to
11 Sheldon Station and recover the costs through LES rates and amortizing such costs over five
12 years, be and it hereby is approved.

Introduced by:

Approved as to Form & Legality:

City Attorney

Approved this ____ day of _____, 2009: _____ Mayor
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