



Arkansas River Power Authority
2016 Budget
Adopted December 10, 2015

P O Box 70
3409 South Main
Lamar, CO 81052

The governing body of the Arkansas River Power Authority (ARPA) is a Board of Directors in which all legislative power of the Authority is vested. Each Municipality appoints 2 representatives to the ARPA Board of Directors.

The ARPA Board of Directors is as follows:

Holly:

Bradley Simon

David Willhite

La Junta:

Allen Hill

P. Lorenz Sutherland

Lamar:

Houssin Hourieh

John Sutherland

Las Animas:

Ron Clodfelter

Rick Stwalley

Springfield:

Darwin Hansen

Vacant

Trinidad:

Pat Fletcher

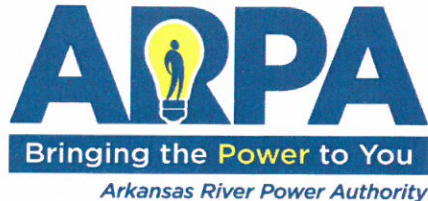
Michelle Miles

ARPA Staff:

Rick Rigel, General Manager

Arvenia Morris, Office Manager

Aarin Ritter, Manager of Finance and Accounting



Rick Rigel, *General Manager*
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Budget Message for 2016

The Arkansas River Power Authority ("ARPA" or the "Authority") is a political subdivision of the State of Colorado established by its municipal members in 1979 under provisions of an intergovernmental cooperation statute, CRS section 29-1-204. The Authority's primary purpose is to supply the wholesale electric power and energy requirements of its Member Municipalities - Holly, La Junta, Lamar, Las Animas, Trinidad and Springfield, Colorado.

ARPA carries out its mission by obtaining wholesale power supply from a variety of sources and delivering it to the ARPA Member Municipalities who in turn provide retail electric service to their consumers. ARPA's wholesale power sources include purchases of federal hydropower from the Western Area Power Administration ("Western"), energy generated from 5 wind turbines owned by ARPA and the Lamar Utilities Board, and purchases via a long term purchase power agreement with Twin Eagle Resource Management. It is expected the ARPA owned and member owned natural gas and diesel generation will operate for emergency backup only.

The Authority obtains operating revenue through a wholesale rate that is applied to its sale of electric power to the ARPA members. The wholesale power rate recovers the Authority's cost of obtaining and delivering wholesale power while maintaining the debt service coverage ratio as defined in the bond covenants, and payment of the principal and interest on outstanding bonds. ARPA uses the accrual basis in its financial accounting.

The Authority has implemented a straight line method of depreciation for its assets.

The primary source for power supply for ARPA for 2016 will be purchased from Twin Eagle Resource Management. It is projected that Twin Eagle will provide approximately 63% of the ARPA member's required power supply and the Western federal hydro allocation will provide approximately 29% of the power needs. The balance of the power supply is anticipated to be provided by wind generation.

The 2016 Budget includes no rate increase which will mark the fifth consecutive year without an increase to the wholesale power cost paid by ARPA's members. The budget includes the continued use of a Debt Service Coverage Adder that collects revenue required to meet the Debt Service Coverage in ARPA's bond covenants. The revenues collected through this tariff are subject to the Return of Reserves program used to stabilize member's rates.

The 2016 budget includes expenditures relative to the ongoing disposition of the Lamar Repowering Project ("LRP"). The LRP was not able to meet its air quality emissions requirements and other contract performance guarantees. As a result, the Authority filed suit

ARPA Member Municipalities: Holly ♦ La Junta ♦ Lamar ♦ Las Animas ♦ Springfield ♦ Trinidad

against the boiler manufacturer, Babcock and Wilcox, in early 2014. The 2016 LRP operating budget has been reduced to reflect minimal operating and maintenance costs that are consistent with the non-operational status of the plant.

There is no rate increase expected from the Western contracts. Western provides, through long-term power supply contracts with both ARPA (Loveland Area Projects) and ARPA member, Lamar Utilities Board (Colorado River Storage Project), an allocation of federal hydro-power. The ARPA contract with Western has been extended through 2054.

The Authority has two Network Integration Transmission Service agreements for transmission service to its members, one with the Tri-State Generation and Transmission Association and one with the Black Hills Colorado Electric Utility Company.

The Authority's goals and services for 2016 remain much the same as 2015 as ARPA continues to plan and prepare for the challenges the electric industry is experiencing. While the challenges are many, the Authority has managed to benefit from certain market opportunities that have allowed it to maintain stable rates and services that benefit all ARPA members.

The ARPA Board of Directors and staff continually strive to fulfill ARPA's Mission.

Mission Statement

We are committed to work together to promote the long term economic well-being of our municipal members and their consumers by providing a dependable and competitively priced supply of wholesale electric power in an environmentally sound manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Richard Rigel".

Richard Rigel
General Manager

2016 Adopted Budget

Arkansas River Power Authority Condensed Operating Budget For 2016

	<u>2014 Actual</u>	<u>2015 Budget</u>	<u>2015 Projected YE</u>	<u>2016 Budget</u>
	(\$)	(\$)	(\$)	(\$)
Total Revenues	31,215,442	31,098,718	31,669,902	34,308,889
Operating Expenses				
Power Supply	14,031,561	13,667,337	14,038,983	13,651,788
Transmission	2,312,637	2,661,322	2,449,324	2,483,734
Administrative & General	1,700,264	1,351,311	2,073,037	3,196,691
Total Operating Expenses	18,044,462	17,679,971	18,561,344	19,332,213
Net Operating Income	13,170,980	13,418,747	13,108,558	14,976,676
Interest Expenses	8,227,998	8,154,519	8,154,519	8,046,390
Depreciation/Amortization	869,295	868,769	267,543	268,769
Total	9,097,293	9,023,288	8,422,062	8,315,159
Net Income	4,073,686	4,395,459	4,686,495	6,661,517
Non Operating Expenses				
Return of Reserves	(2,544,768)	(2,555,508)	(2,555,487)	(2,556,108)
Depreciation/Amortization	869,295	868,769	267,543	268,769
Amortization Income	(256,431)	(256,431)	(256,431)	(256,431)
Principal Payments	(1,945,000)	(2,067,501)	(2,067,501)	(2,177,502)
Capital Purchases	(10,000)	(162,500)	-	(454,500)
Total Non Operating Expenses	(3,886,903)	(4,173,171)	(4,611,875)	(5,175,772)
Net Cash from Operations	186,783	222,289	74,620	1,485,745

2016 Adopted Budget

Arkansas River Power Authority						
Expenses for 2016 Budget						
	2014 Actual	2015 Budget	2015 Projected YE	2016 Budget	Difference From Projected	% of Difference
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
Power Supply Costs						
LLP- LRP	1,114,880	955,004	1,303,942	876,000	(427,942)	-49%
Emission Allowances	-	-	-	-	-	0%
O & M Expenses	3,813	13,500	5,224	13,500	8,276	61%
Fuel (Non-LRP)	4,562	14,400	8,706	14,400	5,694	40%
WAPA LAP	3,189,384	3,024,586	3,183,702	3,194,418	10,716	0%
WAPA CRSP	236,268	236,061	235,182	236,061	879	0%
ARPA Wind	85,610	83,523	83,742	83,523	(219)	0%
Lamar Wind	652,042	644,044	645,218	641,187	(4,031)	-1%
Purchased Power	8,372,109	8,497,219	8,563,224	8,592,699	29,475	0%
Scheduling Service	228,000	19,000	-	-	-	0%
Spinning Reserve	144,893	180,000	10,043	-	(10,043)	0%
Total Power Supply Costs	14,031,561	13,667,337	14,038,983	13,651,788	(387,195)	-3%
Transmission Costs						
Tri-State G & T	1,747,536	1,951,314	1,801,828	1,895,349	93,521	5%
SECPA	25,795	41,021	29,825	40,613	10,788	27%
San Isabel	180,985	182,548	180,579	180,724	145	0%
Lamar Light & Power	35,424	34,013	35,699	35,742	43	0%
Black Hills	182,031	189,718	169,452	189,436	19,984	11%
OATT Transmission	76,166	160,708	10,763	82,650	71,888	87%
Ancillary Services- Xcel	64,701	102,000	221,178	59,220	(161,958)	-273%
Total Transmission Costs	2,312,637	2,661,322	2,449,324	2,483,734	34,410	1%
Administrative & General Expenses						
Dues & Subscription	18,811	24,559	19,522	24,559	5,037	21%
Employee Expenses	327,483	343,444	336,563	350,439	13,876	4%
Insurance Expenses	68,776	54,058	47,900	46,993	(907)	-2%
Lease Exp - LRP City Land	2,734	2,762	2,762	2,789	28	1%
Lease Exp - Willow Creek Line	2,149	2,214	2,214	2,280	66	3%
Members Services	5,072	8,800	13,894	8,800	(5,094)	-58%
Office Expenses	31,973	28,700	30,543	28,700	(1,843)	-6%
Professional & Outside Svcs	1,214,616	800,000	1,358,315	942,600	(415,715)	-44%
LRP Engineer and Contractor	-	50,000	224,657	1,752,000	1,527,343	87%
Safety Program	11,640	11,775	12,530	12,530	-	0%
Travel, Meals & lodging	17,009	25,000	24,138	25,000	862	3%
Total A & G Expenses	1,700,264	1,351,311	2,073,037	3,196,691	1,123,653	35%
Total Operating Expenses	18,044,462	17,679,971	18,561,344	19,332,213	770,869	4%
Interest Expenses	8,227,998	8,154,519	8,154,519	8,046,390	(108,129)	-1%
Depreciation/Amortization	869,295	868,769	267,544	268,769	1,225	0%
Total Expenses	27,141,755	26,703,259	26,983,407	27,647,372	663,965	2%
Capital Outlays						
Willow Creek T-Line	-	-	-	-	-	0%
Misc. Capital Exp.	10,000	162,500	-	162,500	162,500	100%
LRP Contingency	-	-	-	292,000	292,000	100%
Total Capital Outlays	10,000	162,500	-	454,500	454,500	100%
Total Expenses (Incl. Capital)	27,151,755	26,865,759	26,983,407	28,101,872	1,118,465	4%

Arkansas River Power Authority

2016 Budget Recap

	Jan (\$)	Feb (\$)	Mar (\$)	Apr (\$)	May (\$)	June (\$)	July (\$)	Aug (\$)	Sep (\$)	Oct (\$)	Nov (\$)	Dec (\$)	2016 Budget (\$)	2015 Projected (\$)	2015 Budget (\$)
Power Supply Costs															
LLP- LRP	97,333	97,333	97,334	97,333	97,333	97,334	97,333	97,333	97,334	-	-	-	876,000	1,303,942	955,004
Emission Allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O & M Expenses	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	13,500	5,224	13,500
Fuel (Non-LRP)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400	14,400	14,400
WAPA LAP	238,254	213,514	221,978	284,407	290,647	311,149	350,371	311,149	269,253	231,093	231,093	241,510	3,183,702	3,183,702	3,024,586
WAPA CRSP	12,927	20,772	21,218	16,716	17,104	18,152	19,360	18,701	17,383	20,998	21,388	22,342	236,061	235,182	236,061
ARPA Wind	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	83,523	83,523	83,523
Lamar Wind	54,044	54,138	52,316	54,029	53,449	56,181	52,239	53,314	52,066	52,532	53,401	53,478	641,187	645,218	644,044
Purchased Power	734,727	676,139	712,417	563,376	617,599	765,718	835,170	891,576	785,894	642,334	634,138	733,611	8,592,699	8,563,234	8,497,219
Scheduling Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spinning Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,000
														10,043	180,000
Total Power Supply Costs	1,155,570	1,071,181	1,114,548	1,025,146	1,085,417	1,257,819	1,363,758	1,381,358	1,231,215	956,242	949,305	1,060,226	13,651,788	14,038,983	13,667,337
Transmission Costs															
Tri-State G & T	149,797	151,310	150,334	146,876	145,001	168,832	168,832	168,832	168,832	158,901	158,901	158,901	1,895,349	1,801,828	1,951,314
SECPA	3,418	3,074	3,061	2,895	3,165	4,082	4,351	3,597	3,372	2,982	3,083	3,533	40,613	29,825	41,021
San Isabel	16,617	14,670	15,081	13,903	13,750	15,010	16,161	15,011	13,990	14,283	15,065	17,183	180,724	180,579	182,548
Lamar Light & Power	2,274	2,225	2,225	2,076	3,112	4,005	4,202	4,301	3,906	2,571	2,373	2,472	35,742	35,699	34,013
Black Hills	13,871	13,152	12,726	11,253	11,426	20,844	21,418	26,274	19,648	11,561	13,214	14,049	189,436	169,452	189,718
OATT	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	82,650	10,763	160,708
Ancillary Services- Xcel	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	4,935	59,220	221,178	102,000
Total Transmission Costs	197,799	196,254	195,250	188,825	188,276	224,596	226,786	229,837	221,571	202,121	204,459	207,961	2,483,734	2,449,324	2,661,322
Administrative & General Expenses															
Dues & Subscription	6,567	341	384	11,111	831	535	265	465	3,165	265	265	365	24,559	19,522	24,559
Employee Expenses	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,174	29,353	29,350	350,439	336,563	343,444
Insurance Expenses	3,916	3,916	3,916	3,916	3,916	3,916	3,916	3,916	3,916	3,916	3,916	3,916	46,993	47,900	54,058
Lease Exp - LRP City Land	2,789	-	-	-	-	-	-	-	-	-	-	-	2,789	2,762	2,762
Lease Exp - Willow Creek	2,280	-	-	-	-	-	-	-	-	-	-	-	2,280	2,214	2,214
Members Services	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	8,800	8,800	8,800
Office Expenses	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	28,700	30,543	28,700
Professional & Outside Svcs	89,667	120,667	71,166	71,167	79,267	78,666	71,167	71,167	76,166	71,167	71,167	71,166	942,600	1,358,315	800,000
LRP Engineer and Contractor	194,667	194,667	194,667	194,667	194,667	194,667	194,667	194,667	194,667	194,667	-	-	1,752,000	224,657	50,000
Safety Program	-	-	-	-	-	-	-	-	-	12,530	-	-	12,530	12,530	11,775
Travel, Meals & Lodging	2,083	2,083	2,084	2,083	2,083	2,084	2,083	2,083	2,084	2,083	2,083	2,084	25,000	24,138	25,000
Total A & G Expenses	334,518	354,222	303,765	314,492	312,312	311,416	303,646	303,846	312,546	127,510	109,159	109,256	3,196,691	2,073,037	1,351,311
Total Operating Expenses	1,687,887	1,621,657	1,613,563	1,528,464	1,586,006	1,793,831	1,894,191	1,915,042	1,765,333	1,285,873	1,262,923	1,377,443	19,332,213	18,561,344	17,679,971
Interest Expenses	672,869	672,869	672,869	672,869	672,869	672,869	672,869	672,869	672,869	663,523	663,523	663,523	8,046,390	8,154,519	8,154,519
Depreciation/Amortization	22,397	22,397	22,397	22,397	22,397	22,397	22,397	22,397	22,397	22,397	22,397	22,402	268,769	267,544	868,769
Total Expenses	2,381,153	2,316,923	2,308,829	2,223,730	2,281,272	2,489,097	2,589,457	2,610,308	2,460,599	1,971,793	1,948,843	2,063,368	27,647,372	26,983,407	26,703,259

2016 Budget

Avg Composite Rate	\$	0.10624	kWh	Rate	Amount (\$)	Energy Rate
			258,472,780	0.0935	\$24,167,205	Demand Rate
			549,570	5.49	\$3,017,139	
			258,472,780	0.00000	\$0	DSC Adder
			274,734	1	\$274,734	Reimb Transmission
					\$27,459,078	

Arkansas River Power Authority Revenues for 2016 Budget

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2016 Total	2015 Budget
Members	21,509,799	19,105,674	19,936,169	18,879,257	20,136,947	24,439,058	26,506,034	26,101,999	21,921,164	19,209,634	19,112,286	21,614,758	258,472,780	261,083,616
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sales to Members	2,285,201	2,029,787	2,118,019	2,005,732	2,139,349	2,596,406	2,816,001	2,773,076	2,328,904	2,040,832	2,030,489	2,296,352	27,460,148	27,750,578
Lamar CRSP	27,603	25,727	26,451	20,556	21,186	22,888	24,850	23,779	21,639	26,094	26,728	28,277	295,778	295,778
Debt Service Adder	213,009	213,009	213,009	213,009	213,009	213,009	213,009	213,009	213,009	213,009	213,009	213,009	2,556,108	2,555,508
Off-system Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Income	10,000	10,000	70,212	10,000	10,000	10,000	10,000	10,000	70,212	10,000	10,000	10,000	240,424	240,424
Amortization	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	256,431	256,431
LRP Miscellaneous Income	1,500,000	-	500,000	500,000	500,000	500,000	-	-	-	-	-	-	3,500,000	-
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total Revenues	4,057,182	2,299,892	2,949,060	2,770,667	2,904,913	3,363,672	3,085,229	3,041,234	2,655,134	2,311,304	2,301,595	2,569,007	34,308,889	31,098,718
	11.8%	6.7%	8.6%	8.1%	8.5%	9.8%	9.0%	8.9%	7.7%	6.7%	6.7%	7.5%	100.0%	100.0%

Arkansas River Power Authority Fund Balance

	12/31/2015	12/31/2016	Change
Cash & Cash Equivalents, Unrestricted	\$ 4,435,580	\$ 5,921,325	\$ 1,485,745
Cash & Cash Equivalents, Restricted	15,407,526	15,639,626	232,100
Total Cash & Cash Equivalents	<u>\$ 19,843,106</u>	<u>\$ 21,560,951</u>	<u>\$ 1,717,845</u>

	Projected 12/31/2015	Projected Changes in 2016	Projected 12/31/2016
Restricted Funds			
DS Reserve (LRP Bonds)	\$ 12,046,323	-	12,046,323
Surplus DS Reserve (Interest Earned)	-	229,500	229,500
Bond Payment Fund	2,556,108	-	2,556,108
Capacity Fund	-	-	-
Working Capital Fund	-	-	-
Reserve Fund (2003 Bonds)	267,434	2,600	270,034
2010 Project Fund	537,661	-	537,661
Transmission Maintenance	-	-	-
	<u>\$ 15,407,526</u>	<u>232,100</u>	<u>15,639,626</u>

RESOLUTION No. 07-15

WHEREAS, the Arkansas River Power Authority (ARPA) was created and organized as a political subdivision of the State of Colorado; and

WHEREAS, it is necessary that the Board of Directors adopt a budget for the year 2016; and

WHEREAS, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2016 budget at a regular meeting of the Board of Directors on December 10, 2015, at which meeting a quorum of the Board was present; and

WHEREAS, the Board is now appropriately advised and desires to take action on the proposed budget dated December 10, 2015

BE IT RESOLVED By The Board of Directors of the Arkansas River Power Authority (ARPA) that:

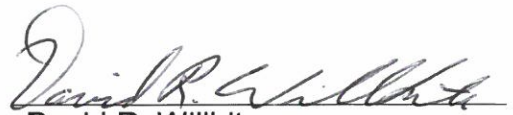
(1) Title

This Resolution shall govern the expenditure of funds by general purpose and amount for the calendar year 2016 commencing January 1 and ending December 31, and may be cited as "ARPA Budget and Appropriation Resolution of 2016".


(2)

The 2016 Budget presented to the Board on December 10, 2015, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA, the sum of Twenty-seven million, Six hundred forty-seven thousand, three hundred seventy-two (\$27,647,372) dollars or so much thereof as the General Manager shall find necessary or desirable to expend to conduct the activities of ARPA, in accordance with the budget herein adopted and the ARPA Fiscal Resolution as it currently exists or as it may subsequently be amended.

Dated this 10th day of December, 2015.


David R. Willhite
President
Board of Directors
Arkansas River Power Authority


ATTEST:


Arvenia L. Morris
Secretary