

Arkansas River Power Authority  
2020 Budget  
Adopted December 5, 2019

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:

Calvin Melcher

David Willhite

La Junta:

Gary Cranson

P. Lorenz Sutherland

Lamar:

Houssin Hourieh

Roger Stagner

Las Animas:

Ron Clodfelter

Rick Stwalley

Springfield:

vacant

Trinidad:

Carlos Lopez

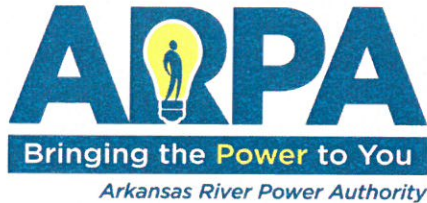
Mike Valentine

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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Lamar, Colorado 81052  
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## **Budget Message for 2020**

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.

The Authority 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. The Authority's wholesale power sources include purchases of federal hydropower from the Western Area Power Administration ("WAPA"), energy generated from 5 wind turbines owned by ARPA and the Lamar Utilities Board, and purchases via a long-term purchase power agreement with the Public Service Company of Colorado ("PSCo"). ARPA and its members also own a small amount of natural gas and diesel generation. This generation is operated 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 Authority's primary source for power supply in 2020 will be purchased from PSCo. It is projected that PSCo will provide approximately 64% of the power required by the ARPA members. The PSCo contract goes through January of 2025.

WAPA provides approximately 28% of the power needs for the Authority through an allocation of federal hydro-power via two long-term contracts. ARPA's contract, through the Loveland Area Projects (LAP), extends through 2054 and the second contract, between WAPA-CRSP (Colorado River Storage Project) and the Lamar Utilities Board, extends through 2057.

The balance of ARPA's power supply needs are provided by wind generation from the Lamar and Springfield wind turbines.

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. In addition, it has a handful of sub-transmission agreements with a variety of providers for service to its members.

The 2020 Budget will maintain rates at their 2019 level. In 2019, the Authority decreased its energy rate 2%. That lower energy rate will remain in effect for the 2020 budget year. The rate decrease in 2019 followed several years of no rate changes for the Authority. ARPA has managed to keep its rates stable dating back to 2012; however, it was able to lower the energy rate in 2019 and believes that lower rate is sustainable through the foreseeable future.

Budgeted revenues for 2020 include the final settlement payment from Babcock and Wilcox. In 2018, the Authority was awarded damages from a lawsuit it filed against B&W for contract performance guarantees for a boiler manufactured by B&W. The settlement included annual payments from B&W in 2018, 2019, and 2020.

The 2020 budget includes expenditures relative to the ongoing disposition and decommissioning of the Lamar Repowering Project ("LRP") as well. In 2017, the Board entered into a "Sales Agency Agreement" with an equipment broker to sell the plant; however, that effort has not been successful to date. If the plant does not have a firm buyer by the first quarter of 2020, the Authority will begin demolition and removal of certain pieces of equipment located on City of Lamar property.

The Authority's Board of Directors implemented a long-term financial plan in 2018 that includes accruing sufficient funds to retire ARPA's 2010 bond series. The 2010 bonds become eligible for retirement in the 4<sup>th</sup> quarter of 2020. Retiring the debt will result in a significant savings and may result in a rate decrease in 2021.

The Authority's improved financial position and long-term planning resulted in an upgrade of the Authority's credit rating. In 2018, S&P Global Ratings upgraded the Authority's credit rating to a BBB with a stable outlook. That credit rating was reaffirmed in 2019. In addition, the Authority also received an investment grade credit rating from Fitch in 2018 that was updated and reaffirmed in 2019.

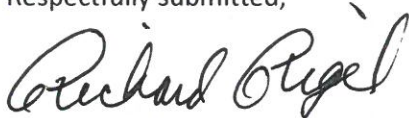
The Authority believes it has positioned itself well going forward and has reason to be optimistic about its ability to bring its long term planning to fruition. The future rate trajectory for the Authority is stable to declining rates over the next few years.

The Authority's Board of Directors and staff continually strive to fulfill the Authority'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,



Richard Rigel

General Manager



	<b>Arkansas River Power Authority</b>				
	<b>Condensed Operating Budget For 2020</b>				
		<b>2018</b>	<b>2019</b>	<b>2019</b>	<b>2020</b>
		<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Projected YE</u></b>	<b><u>Budget</u></b>
		<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
	<b>Total Revenues</b>	47,734,852	33,182,684	32,105,567	31,045,620
	<b>Operating Expenses</b>				
	Power Supply	13,607,177	14,283,938	14,003,410	14,381,818
	Transmission	3,018,944	3,258,000	3,233,738	3,345,370
	Administrative & General	5,259,035	1,686,656	1,006,606	1,862,866
	<b>Total Operating Expenses</b>	21,885,156	19,228,594	18,243,754	19,590,054
	<b>Net Operating Income</b>	25,849,696	13,954,090	13,861,812	11,455,567
	<b>Interest Expenses</b>	7,955,205	6,665,763	6,665,763	6,553,425
	<b>Depreciation/Amortization</b>	266,305	268,426	257,855	268,711
	<b>Total</b>	8,221,510	6,934,189	6,923,618	6,822,136
	<b>Net Income</b>	17,628,186	7,019,901	6,938,194	4,633,431
	<b>Non Operating Expenses</b>				
	Return of Reserves	(2,280,864)	(2,237,855)	(2,380,622)	(2,383,668)
	Depreciation/Amortization	266,305	268,426	257,855	268,711
	Amortization Income	(3,421,314)	(455,822)	(455,821)	(455,822)
	City of Lamar Settlement	(119,280)	(124,450)	(124,450)	(129,843)
	B & W Settlement Misc. A/R	(4,500,000)	-	2,500,000	2,000,000
	Principal Payments	(2,870,992)	(2,867,502)	(2,867,502)	(2,981,247)
	Capital Purchases/ Contingency	(7,227)	(300,000)	(21,064)	(565,000)
	<b>Total Non Operating Expenses</b>	(12,933,373)	(5,717,203)	(3,091,604)	(4,246,869)
	<b>Net Cash from Operations</b>	4,694,813	1,302,698	3,846,590	386,561

# Arkansas River Power Authority

## Expenses for 2020 Budget

	2018 Actual	2019 Budget	2019 Projected YE	2020 Budget	Difference From Projected	% of Difference
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
<b>Power Supply Costs</b>						
LLP- LRP	404,193	1,080,000	426,782	900,000	473,218	110.9%
O & M Expenses	27,765	13,500	5,041	13,500	8,459	167.8%
Fuel (Non-LRP)	3,431	14,400	8,794	14,400	5,606	63.8%
WAPA LAP	2,497,620	2,424,229	2,420,138	2,424,229	4,091	0.2%
WAPA CRSP	235,344	236,288	236,332	236,288	(44)	0.0%
ARPA Wind	85,044	85,114	84,690	85,114	424	0.5%
Lamar Wind	642,101	641,187	648,674	641,187	(7,487)	-1.2%
Purchased Power	9,711,681	9,789,220	10,172,958	10,067,100	(105,858)	-1.0%
Scheduling Service	-	-	-	-	-	0.0%
Spinning Reserve	-	-	-	-	-	0.0%
<b>Total Power Supply Costs</b>	13,607,177	14,283,938	14,003,410	14,381,818	378,409	2.7%
<b>Transmission Costs</b>						
Tri-State G & T	2,171,791	2,346,794	2,438,474	2,389,217	(49,257)	-2.0%
SECPA	26,082	35,103	29,983	35,103	5,120	17.1%
San Isabel	246,699	248,394	244,912	248,394	3,482	1.4%
Lamar Light & Power	39,072	40,257	41,043	41,355	312	0.8%
Black Hills	162,628	202,560	165,470	246,399	80,930	48.9%
OATT Transmission	67,226	82,650	35,613	82,650	47,037	132.1%
Ancillary Services- Xcel	305,446	302,241	278,244	302,251	24,008	8.6%
<b>Total Transmission Costs</b>	3,018,944	3,258,000	3,233,738	3,345,370	111,631	3.5%
<b>Administrative &amp; General Expenses</b>						
Bond Issue Expense	4,201,664	-	-	-	-	-100.0%
Dues & Subscription	39,715	35,880	30,749	35,880	5,131	16.7%
Employee Expenses	358,322	401,479	366,588	427,230	60,643	16.5%
Insurance Expenses	36,324	38,068	40,511	44,932	4,421	10.9%
City of Lamar Settlement	230,720	225,550	225,550	214,530	(11,020)	-4.9%
Lease Exp - LRP City Land	1,000	1,000	1,000	1,000	-	0.0%
Lease Exp - Willow Creek	2,419	2,492	2,492	2,566	75	3.0%
Members Services	9,820	8,800	13,807	8,800	(5,007)	-36.3%
Office Expenses	19,460	21,687	22,852	21,687	(1,165)	-5.1%
Professional & Outside Svcs	339,765	663,500	234,312	566,000	331,688	141.6%
LRP Engineer and Contractor	-	250,000	39,536	500,000	460,464	1164.7%
Safety Program	-	13,200	6,062	15,240	9,178	151.4%
Travel, Meals & lodging	19,826	25,000	23,147	25,000	1,853	8.0%
<b>Total A &amp; G Expenses</b>	5,259,035	1,686,656	1,006,606	1,862,866	856,260	85.1%
<b>Total Operating Expenses</b>	21,885,156	19,228,594	18,243,754	19,590,054	1,346,299	7.4%
<b>Interest Expenses</b>	7,244,007	6,665,763	6,665,763	6,553,425	(112,338)	-1.7%
<b>Depreciation/Amortization</b>	266,305	268,426	257,855	268,711	10,856	4.2%
<b>Total Expenses</b>	29,395,468	26,162,783	25,167,372	26,412,190	1,244,817	4.9%
<b>Capital Outlays</b>						
Willow Creek T-Line	-	-	-	-	-	0.0%
Misc. Capital Exp.	7,227	165,000	21,064	165,000	143,936	683.3%
LRP Contingency	-	250,000	-	400,000	400,000	100.0%
<b>Total Capital Outlays</b>	7,227	415,000	21,064	565,000	543,936	2582.3%
<b>Total Expenses (Incl. Capital)</b>	29,402,695	26,577,783	25,188,436	26,977,190	1,788,754	7.1%

# Arkansas River Power Authority

## 2020 Budget Recap

	Jan (\$)	Feb (\$)	Mar (\$)	Apr (\$)	May (\$)	June (\$)	July (\$)	Aug (\$)	Sep (\$)	Oct (\$)	Nov (\$)	Dec (\$)	2020 Budget (\$)	2019 Projected (\$)	2019 Budget (\$)
<b>Power Supply Costs</b>															
LIP- LRP	50,000	50,000	50,000	50,000	50,000	50,000	100,000	100,000	100,000	100,000	100,000	100,000	900,000	426,782	1,080,000
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	5,041	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	8,794	14,400
WAPA LAP	180,811	162,031	168,456	215,833	220,569	236,132	265,903	236,132	204,330	175,375	175,375	183,282	2,424,229	2,420,138	2,424,229
WAPA CRSP	21,927	20,772	21,236	16,716	17,104	18,152	19,360	18,701	17,383	21,107	21,488	22,342	236,288	236,332	236,288
ARPA Wind	7,359	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	85,114	84,690	85,114
Lamar Wind	54,044	54,138	52,316	54,029	53,449	56,181	52,239	53,314	52,066	53,532	53,401	53,478	641,187	648,674	641,187
Purchased Power	833,488	787,877	830,041	658,263	721,259	905,125	1,007,112	1,039,473	917,490	752,730	761,865	852,377	10,067,100	10,172,958	9,789,220
Scheduling Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spinning Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Power Supply Costs</b>	1,149,954	1,084,212	1,131,443	1,004,235	1,071,775	1,274,984	1,454,008	1,457,014	1,300,663	1,111,138	1,121,523	1,220,873	14,381,818	14,003,410	14,283,938
<b>Transmission Costs</b>															
Tri-State G & T	205,551	206,566	206,569	203,051	200,383	200,949	200,248	200,248	200,248	188,468	188,468	188,468	2,389,217	2,438,474	2,346,794
SECPA	2,952	2,639	2,626	2,458	2,731	3,286	4,014	3,167	3,053	2,490	2,693	2,994	35,103	29,983	35,103
San Isabel	23,074	20,370	20,941	19,305	19,093	19,853	21,805	20,844	19,427	19,113	21,211	23,358	248,394	244,912	248,394
Lamar Light & Power	2,276	2,276	2,573	2,837	3,627	5,176	5,638	5,176	4,550	2,606	2,310	2,310	41,355	41,043	40,257
Black Hills	17,467	16,227	16,936	14,642	18,988	25,363	27,781	32,404	24,619	15,524	17,606	18,841	246,399	165,470	202,560
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	35,613	82,650
Ancillary Services- Xcel	21,949	21,297	17,906	20,195	27,920	33,201	31,969	29,671	30,679	20,604	21,919	22,944	302,251	278,244	302,241
<b>Total Transmission Costs</b>	280,157	276,263	274,439	269,375	279,630	294,715	300,342	298,397	289,464	255,693	261,094	265,803	3,345,370	3,233,738	3,258,000
<b>Administrative &amp; General Expenses</b>															
Bond Issue Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Subscription	8,283	341	284	14,341	831	435	2,491	465	1,765	2,005	4,274	365	35,880	30,749	35,880
Employee Expenses	35,562	35,562	35,562	35,562	35,562	35,562	35,562	35,562	35,562	35,562	35,805	35,802	427,230	366,588	401,479
Insurance Expenses	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	44,932	40,511	38,068
City of Lamar Settlement	18,096	18,057	18,017	17,978	17,938	17,898	17,858	17,818	17,778	17,738	17,697	17,657	214,530	225,550	225,550
Lease Exp - LRP City Land	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000
Lease Exp - Willow Creek	2,566	-	-	-	-	-	-	-	-	-	-	-	2,566	2,492	2,492
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	13,807	8,800
Office Expenses	1,807	1,807	1,807	1,808	1,807	1,807	1,807	1,808	1,807	1,807	1,807	1,808	21,687	22,852	21,687
Professional & Outside Svcs	56,167	87,167	37,667	37,667	48,667	55,167	45,167	37,667	42,667	42,667	37,667	37,663	566,000	234,312	663,500
LRP Engineer and Contractor	-	-	100,000	100,000	100,000	100,000	100,000	-	-	-	-	-	500,000	39,536	250,000
Safety Program	-	-	-	-	-	-	-	-	-	-	-	-	15,240	6,062	13,200
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	23,147	25,000
<b>Total A &amp; G Expenses</b>	130,709	150,161	199,566	213,583	211,033	217,098	209,113	99,548	106,808	122,246	103,478	99,523	1,862,866	1,006,606	1,686,656
<b>Total Operating Expenses</b>	1,560,819	1,510,635	1,605,447	1,487,193	1,562,437	1,786,797	1,963,462	1,854,958	1,696,934	1,489,077	1,486,095	1,586,199	19,590,054	18,243,754	19,228,594
<b>Interest Expenses</b>	548,641	548,641	548,641	548,641	548,641	548,641	548,641	548,641	548,641	548,641	548,641	548,641	6,553,425	6,665,763	6,665,763
<b>Depreciation/Amortization</b>	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,390	268,711	257,855	268,426
<b>Total Expenses</b>	2,131,853	2,081,669	2,176,481	2,058,227	2,133,471	2,357,831	2,534,496	2,425,992	2,267,968	2,050,022	2,047,038	2,147,141	26,412,190	25,167,372	26,162,783





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RESOLUTION No. 07 -19

**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 2020; and

**WHEREAS**, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2020 budget at a regular meeting of the Board of Directors on December 5, 2019, 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 5, 2019

**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 2020 commencing January 1 and ending December 31, and may be cited as "ARPA Budget and Appropriation Resolution of 2020".


(2)

The 2020 Budget presented to the Board on December 5, 2019, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA, the sum of Twenty-six million, four hundred twelve thousand, one hundred ninety (\$26,412,190) 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 5<sup>th</sup> day of December, 2019.

  
Richard Stwalley  
Vice President  
Board of Directors  
Arkansas River Power Authority

  
ATTEST:

  
Arvenia L. Morris  
Secretary