

ARPA Board Approves 2013 Budget Maintains Current Rate

During the annual rate review and budget hearing at its November meeting, the ARPA Board of Directors approved its 2013 Budget that included *no rate increase* for the coming year. This is the second consecutive year that ARPA has not increased its rate. In fact, the 2012 power cost to ARPA members was about 4.5% less than in 2011.

The 2013 budget includes:

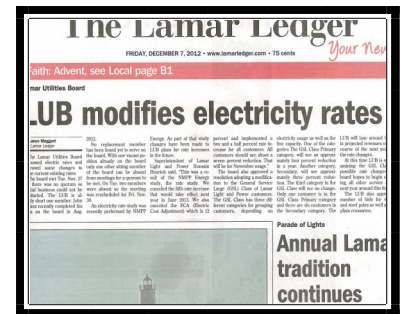
- Revenue requirements of \$30.3 million of which approximately \$29 million is from member's sales;
- Power Supply budget of \$12.8 million;
- Transmission budget of \$2.9 million;
- Administrative and General budget of \$1.5 million;
- Capitalized Expenses budget of \$3.8 million.

The Budget includes costs for further testing and tuning for the Lamar Repowering Project. The testing/tuning is scheduled for mid-year 2013 and is anticipated to meet all regulatory requirements and result in full environmental compliance for the power plant.



ARPA and Its Members Work to Provide Affordable Electric Rates

ARPA and its members continually strive to maintain affordable electric rates for their citizens. One needs to look no far-



ther for evidence of that commitment than recent actions taken by ARPA members. The Lamar Utilities Board and the City of Las Animas reduced residential rates by over 6% for 2013. The City of La Junta also implemented a rate reduction for its citizens and the City of Trinidad is poised to implement a rate reduction of its own. The Town of Holly implemented a financial plan that will reduce transfers from its electric fund that will help control its electric rates, and the Town of Springfield reduced electric expenditures in a successful effort to maintain its current electric rates for 2013.

Maintaining stable, affordable electric rates in an environment of regulatory uncertainty and rising costs will continue to be a challenging task for City Councils and Power Boards in our communities.

Challenges of Implementing New Regulations

The cost and implementation of the newly released Reciprocating Internal Combustion Engine (RICE) rules may prove to challenge conventional operation of our utility members' standby-emergency generation and most certainly has increased the cost of operations for the units.

In a recent meeting with the Air Pollution Control Division (APCD) of the Colorado Department of Public Health and Environment, ARPA members were advised of APCD's interpretation of what constitutes "emergency" generation. If a storm roars through the area and damages power lines and equipment such as the one experienced by Lamar last spring, the utilities are allowed to operate their emergency generation for as long as it takes to make the necessary repairs. The same holds true for a

transmission grid outage similar to the widespread outage the ARPA members encountered in July of 2011. However, for events such as "planned" equipment upgrades or repairs, the rules have changed. The current position of APCD, as directed by EPA, is that even though a planned repair or necessary maintenance may require an outage to the city/town, it may be considered a non-emergency event by RICE definitions. The rules regulating utility generation during "non-emergency" events will be more restrictive. They will be subject to a restricted number of operating hours and depending on the reason for the outage, may require a permit modification to operate at all.

The implementation of the new rules has also greatly increased the permit renewal cost for these small plants. A permit renewal fee that was less than \$1,500 five years ago is now running more than \$10,000. These additional regulatory impositions continue to challenge our member utilities to maintain stable, electric service at affordable rates.

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Call 719-336-3496 to Register!

Enterprise Risk Management Workshop

Wednesday, **February 6** in Rocky Ford, Colorado (Encore Event Center, 400 Chestnut)

Registration begins at 8:00 a.m.

Workshop 8:30 a.m.-4:30 p.m.

Registration Fee: \$35 (includes lunch, refreshments and course materials).

See Page 4 for more information



FEMA



LUB and ARPA Finalize a Compliance Order on Consent for 2011 Plant Testing, Penalty Dollars to be Used for Water Quality Improvements

The Lamar Utilities Board (LUB) and ARPA finalized an agreement with the APCD regarding the testing and tuning that occurred in 2011 for the Lamar Repowering Project. During the 2011 testing, due to boiler design issues, the plant was not able to make emissions compliance at loads above 60%. As a result, APCD issued a Compliance Order on Consent (COC) to address emission exceedances that occurred during the testing.

The COC included a financial penalty of \$39,650 which will be used for a Supplemental Environmental Project (SEP) for water quality improvements to the Sheridan Lake Community. The project was undertaken in connection with the settlement of an enforcement action taken by the Colorado Department of Public Health and Environment, Air Pollution Control Division, for violations of air quality laws and regula-

tions. The SEP funds will be managed by Prowers County Public Health and Environment and will fund activities such as locating and acquiring water rights and pipeline easements, preparing plans and specifications for new well(s) and associated connections, and for water testing and additional planning.



Third Quarter Income Statement

3rd Quarter Income Statement for 2012	
Ordinary Income/Expense	July-Sept 2012
Income	\$ 9,947,658
Cost of Goods Sold	\$ 5,227,900
Gross Profit	\$ 4,719,757
A & G Expenses	\$ 3,478,892
Net Income	\$ 1,240,865

ARPA's financial performance for 2012 remained strong through the 3rd quarter. Revenues were 3% above budget; at the same time rates for 2012 are 4% lower than in 2011. The Cost of Goods Sold, which is primarily purchased power, was 12% less than budget, gross profit was 20% better than budget, and net income was over \$2.9 million through the 3rd quarter.

ARPA Holds Safety Training on October 31, 2012 in La Junta

On October 31, 2012 ARPA hosted a safety training workshop on pole



top and bucket truck rescue. The training was held in La Junta and was attended by 23 line crew personnel

from ARPA member utilities.

The training included both classroom and hands-on

field instruction and required the participants to rescue an injured party (played by Randy the manikin) from both a pole top and bucket truck.

This type of training helps our utilities' employees spotlight the hazards they encounter on a daily basis and the need for them to constantly focus on the job at hand. Rescuing Randy off the top of the pole was a stark reminder that our line crews must work in a safe and sound manner and know how to respond if something does go wrong.

Thank You!

Thank you to the City of La Junta for your assistance in providing the facility and equipment to make the training possible.

Randy (manikin) was on loan from the City of Lamar Fire Department.

Thank you Lamar Fire Department.

CIRSA, the insurance carrier for ARPA and the ARPA member cities, provided funding for the safety training.

Thank you CIRSA.



ARPA to Host Enterprise Risk Management Workshop for Public Utilities on February 6

Today's public power utilities face an increasingly complex business, regulatory and political environment. Customers are making new demands to keep their rates and our costs low, even as they expect new services. Our workforce is aging and will need replacing and retraining. The economic downturn exposed our operations to financial risks many of us have not seen in our careers. We will need to invest in new technology to maintain our competitive edge. Federal and state regulations require investment in renewable energy resources while regulations may impact our efforts to hedge our commodity and financial market risks.

ARPA is hosting a workshop on *February 6* that will provide a foundation in enterprise risk management and provide tools to evaluate the risks utilities face that, if left unaddressed, could pose risks to their economic viability.

This workshop is *sponsored by* the American Public Power Association (APPA), George Mason University and Federal Emergency Management Agency (FEMA).

If you are interested in learning more about this workshop contact:

**Arvenia Morris—(719) 336-3496 Or
amorris@arpapower.org.**