

ARKANSAS RIVER POWER AUTHORITY | eNews

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GET THE FACTS ABOUT ARPA: In recent weeks, there has been misleading information reported and inaccurate assertions made regarding the Arkansas River Power Authority (ARPA) in local news coverage. The following provides factual information about ARPA for the member communities who receive their electric power from ARPA.

Financial Information:

- ARPA has a positive cash flow and is financially stable.
- The reported financial loss in February was budgeted and anticipated. We budgeted an operating loss of about \$195,000. The actual operating loss was about \$179,000.
- The wholesale electric supply business is cyclical and typically generates higher revenues in summer months.

Controlling Costs:

- Recent media stories implied that ARPA could save money if it postponed or stopped work on the Lamar Repowering Project or halted operations altogether. The Repowering Project is a critical component of ARPA's long-term plan to supply its members with electricity at stable and competitive prices.
- "Mothballing" the plant would not improve ARPA's financial situation; it would actually be detrimental. Members would be walking away from an \$155 million investment and still have an obligation to repay the outstanding bonds over the next 30+ years. Costs to restart the plant, once "mothballed," would be significant and permitting may be a challenging issue as well.
- The Repowering Project is currently operating under the Construction Permit. The permanent Title V Air Permit application is pending at CDPHE. The State will not issue the Title V Air Permit until the Project is re-started and meets all permit requirements. In other words, the State will not issue the permanent Title V Air Permit for the Repowering Project if we shut down the plant now. Without the Title V Air Permit, the value of ARPA's investment in the Repowering Project will be greatly de-valued.
- If ARPA were to dissolve, ARPA members would still be liable for the repayment of the principal and interest on the outstanding bonds to the bondholders with the revenues from the sale of electricity to their respective retail customers.

Payments to Lamar Light and Power:

- ARPA owns the Lamar Repowering Project. ARPA contracts with Lamar Utilities Board/Lamar Light and Power to operate the plant. The monthly payments ARPA makes to Lamar Light and Power are to cover the monthly operations and maintenance expenses, including all employee and fuel-related expenses. Employees of the Repowering Project are managing repairs and preparing to bring the plant back online.
- Portions of repairs caused by the boiler malfunction late last year will be covered by insurance, which will defray a portion of these expenses to ARPA members.
- The boiler manufacturer is responsible for the cost of the remedies to bring the plant into full environmental compliance.

- Much of the work currently being performed is to improve plant efficiencies and will result in not only more efficient operations, but more reliable operations as well.

Availability of Hydropower:

- ARPA supplies about one-quarter of its members' electricity requirements using hydropower purchased from the Western Area Power Administration (WAPA). ARPA purchases the full amount of hydropower it is permitted through its contracts with WAPA. In high snowpack years, such as this year, excess water flow produces additional energy during the heavy runoff months (May/June). This excess energy can be bought at low rates for a very limited period of time.
- WAPA has offered to sell excess energy this spring and ARPA has agreed to buy it. However, low cost hydropower is only available for a limited time. Further, hydropower can't meet all of the ARPA communities' long-term energy needs. That's why renewable energy sources such as water and wind must be supplemented by the Lamar Repowering Project, which will produce about 70 percent of the energy needed to supply members.

Rates Comparisons:

- When comparing rates between ARPA member communities and other utilities in the state, it's important to compare apples to apples. Electric rates in Lamar versus Denver are not comparable for a variety of reasons. First, a community's physical distance from transmission grids/lines increases its rates. ARPA member communities must pay a third-party provider to transmit their electricity. Second, due to the size of the local communities, there are far fewer customers to pay for these fixed costs, which increases the per kilo-watt hour cost. That makes electricity more expensive in rural areas than urban areas.
- ARPA provides wholesale electric energy to each of its members at the same wholesale rate. The member municipalities –Holly, La Junta, Lamar, Las Animas, Springfield and Trinidad -- set their own retail rates that they charge their customers. Retail electric rates may be higher or lower in one community in comparison to another due each community's special needs or requirements.
- ARPA members' retail rates are comparable with those of other utilities in this part of the state. Sometimes our rates are higher than regional prices; other times they are lower. Overall, they will remain stable over time.

Importance of Investing in the Lamar Repowering Project

- Without a guaranteed long-term energy source such as the Lamar Repowering Plant, ARPA would be forced to pursue other alternatives for current and future electric supplies. These alternatives would cost more in the long run and be less reliable than self-generation.
- Getting the Lamar Repowering Project up and running is essential to ARPA. ARPA member communities have already made a significant investment in their energy future through the Repowering Project. To stop now would mean losing the benefits of that critical investment and still having to pay for it. Put it another way, the costs already incurred to build the Repowering Project would still have to be paid by ARPA members regardless of whether the plant is working or not.

How Member Communities Benefit from ARPA

- ARPA serves a rural part of the state that would otherwise be challenged to obtain competitively priced long-term power from regional or out-of-state suppliers. Local electric supply is so important to Colorado's communities that the right of communities to provide it was written into our state constitution. Here are some of the benefits for ARPA members:
 - Unlike larger, investor-owned power suppliers - which enter and exit contracts when it suits their business needs – ARPA communities own their energy source and know where their energy is coming from for decades to come.
 - Regional power supply prices fluctuate based on national supply and demand. ARPA's energy portfolio provides energy at stable prices. ARPA's members' retail rates are consistent with those of other utilities in this part of the state.
 - By generating their electricity locally, our members have full oversight and involvement in the process.

ARPA | eNews is an electronic newsletter designed to keep member communities and the public up to date on developments associated with the Arkansas River Power Authority. Please forward it to anyone you think would be interested. Contact Arvenia Morris at <arvenia.morris@centurytel.net> to subscribe or unsubscribe.

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