



ARKANSAS RIVER POWER AUTHORITY | eNews  
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## ARPA Bond Rating Lowered

Standard & Poor's Ratings Services ("S&P") recently downgraded by one notch, to 'BBB-', its rating on the Arkansas River Power Authority's ("ARPA") power revenue bonds and revised their outlook from stable to negative.

"The downgrade is related to a recent trend of debt service coverage slipping below the 1.25x annual debt service rate covenant," said Standard & Poor's credit analyst Theodore Chapman. "While coverage has always been at least sufficient and never required the use of the reserve fund, and attributable mainly to nonrecurring items that have hampered ARPA's budget, the downgrade also reflects the potential challenges ARPA faces in the near term, including restoring its main baseload asset to full commercial operations as well as addressing ongoing member discord."

Credit ratings are forward-looking opinions about credit risk. Standard & Poor's credit ratings express the agency's opinion about the ability and willingness of the bond issuer to meet its financial obligations in full and on time.

ARPA General Manager Rick Rigel stated, "While we are disappointed in the S&P action we feel very optimistic about ARPA's future and our ability to address the challenges we are facing." ARPA has implemented a number of measures in the past year which have improved its financial position and adopted a budget that will hold rates steady for 2012 and restore its debt service coverage. In addition, ARPA is negotiating a new power supply agreement that will help stabilize rates. Rigel went on to say that "even with the downgrade the ARPA bonds remain investment grade."

According to the S&P report, a significant factor in the downgrade is the ongoing litigation with the City of Trinidad, a member of ARPA. "Trinidad's actions are simply driving rates higher and harming ARPA's credit rating," Rigel stated. "Our hope is that the Trinidad officials reconsider their current path and focus with our other members on developing solutions that will help stabilize power supply and electric rates. Dollars spent on legal fees by both parties only hamper our ability to stabilize rates and improve all our financial positions."

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 [amorris@arpapower.org](mailto:amorris@arpapower.org) to subscribe or unsubscribe.

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For more information, please contact us:

Arkansas River Power Authority  
P.O. Box 70  
Lamar, CO 81052  
Phone: (719) 336-3496  
Fax: (719) 336-5966  
Email: [arpa@arpapower.org](mailto:arpa@arpapower.org)