



BUSINESS OPERATIONS – APRIL 10, 2016

Strategic Planning: At its March meeting, the ARPA Board of Directors reviewed the implementation of action plans that are consistent with its efforts to reduce costs and continue to provide rate stability to its members. Through its strategic planning process, the Board identified a handful of objectives that, when accomplished, will result in making ARPA a stronger entity and help maintain stable rates while building necessary reserves.

A component of strategic planning includes financial projections and rate modeling and as such, the Board reviewed long term financial projections at its March meeting. **ARPA has had no rate increase since 2011** and the projection indicates it can hold rates stable through at least 2018. The primary components that determine ARPA's rate are power supply and debt service. Reducing power supply costs by cutting costs relative to the Lamar Repowering Project (LRP) and reducing debt service through debt restructuring and/or refinancing may well prove to be the cost reductions necessary to provide longer term rate stability.

Maintenance Agreement Provides Cost Savings Opportunities: ARPA executed an agreement to provide maintenance and equipment preservation services for the LRP with Savage Services of Midvale, Utah. The agreement will provide an opportunity to reduce costs for the plant which is currently for sale and has been idle since December 2011. The contract is for one-year, but includes provisions for an extension and early termination, if necessary. The contract identifies a series of tasks that will ensure the integrity and preservation of the plant equipment during the sales process.

The contract, valued at an estimated \$190,000, represents a significant savings from the previous agreement which was terminated as of February 29.

Engagement of Goldman Sachs: The ARPA Board continues to explore the potential for cost savings for its bond debt by approving a proposal for underwriting services with Goldman Sachs. ARPA's financial adviser, the PFM Group (Public Financial Management), solicited proposals from underwriting firms for a potential transaction that would refund and/or restructure certain outstanding ARPA bonds. Following evaluation of Request for Qualifications and Proposals for Underwriting Services, the PFM Group recommended Goldman Sachs as Senior Manager for the action. The ARPA Board unanimously approved authorizing the banking committee to execute a contract with Goldman Sachs as managing underwriter, and if appropriate, a co-manager for any potential refinancing opportunities.

Banking Team: President Willhite appointed a banking team comprised of himself, Board Member Michelle Miles; Beritt Odom, Town Manager of the Town of Springfield; outside counsel Craig Johnson; ARPA General Manager Rick Rigel; Manager of Finance and Accounting, Aarin Ritter; and PFM. The Board authorized the banking committee to engage Goldman Sachs as Senior Manager for underwriting services.

Summary of February 2016 Financial and Operating Statements: During the month of February total revenues were slightly better than budget. Total costs of goods sold were over budget 22.1%, and total A&G expenses for the month were under budget by \$153,187. There were net losses of \$355,189 for the month of February which included a payment of \$320,000 for the separation settlement with LUB. Year to date net loss is \$186,310. Member sales were 1.1% better than budget for February and are at budget year to date.

Next ARPA Meeting: The next regularly scheduled meeting of the ARPA Board of Directors is Thursday, April 28, 2016, beginning at 9:00 a.m. via WebCast. If anyone wishes to attend, please contact the ARPA office (719) 336-3496 for additional details.