



Arkansas River Power Authority  
2019 Adopted Budget  
December 6, 2018

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:

Johnnie Lyons  
David Willhite

La Junta:

Gary Cranson  
P. Lorenz Sutherland

Lamar:

Houssin Hourieh  
John Sutherland

Las Animas:

Ron Clodfelter  
Rick Stwalley

Springfield:

Darwin Hansen  
Roman Horn

Trinidad:

Michelle Miles  
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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## **Budget Message for 2019**

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 Twin Eagle Resource Management. 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 2019 will be purchased from Twin Eagle Resource Management. It is projected that Twin Eagle will provide approximately 64% of the power required by the ARPA members. The Twin Eagle 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 2019 Budget includes a 2% decrease to ARPA's energy rate. ARPA has managed to keep its rates stable, with no rate increases (or decreases) dating back to 2012; however, this is the first time it has been able to reduce rates in several years. The ability of the Board to implement a rate decrease can be directly attributed to a reduction in operating costs. ARPA successfully refinanced its 2003, 2006, 2007, and 2008 bond series in 2018. The refinancing resulted in an immediate reduction in annual debt service cost of approximately \$660,000. In addition, ARPA settled all its outstanding litigation in late 2017 which resulted in a significant savings in legal fees and administrative costs.

One of the issues related to the Authority's litigation that was finalized in 2018 was a final settlement for payment with Babcock and Wilcox ("B&W"). The Authority was awarded damages from a lawsuit it filed against B&W for contract performance guarantees for a boiler manufactured by B&W. A final settlement was reached in 2018 which included annual payments from B&W in 2018, 2019, and 2020.

The 2019 budget includes expenditures relative to the ongoing disposition and decommissioning of the Lamar Repowering Project ("LRP") as well. In 2018, the Board entered into an agreement to sell the LRP, with a closing scheduled for the first quarter of 2019. Once the sale of the plant closes and the equipment removed, ARPA will complete final decommissioning of the site.

The Authority's Board of Directors implemented a long-term financial plan in 2018. The long-term planning includes retiring ARPA's 2010 bond series when the bonds become eligible for retirement in 2020. Retiring the debt will result in further rate decreases beginning as soon as 2021.

The Authority's improved financial position and long-term planning resulted in an upgrade of the Authority's credit rating. S & P Global Ratings upgraded the Authority's credit rating to BBB with a stable outlook. The credit rating upgrade was instrumental in securing the savings realized through the bond refunding.

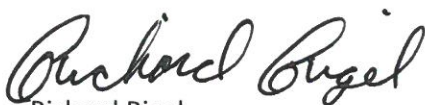
The Authority believes it has positioned itself well going forward, and has reason to be optimistic about its ability to bring its long term planning to fruition. The future rate trajectory for the Authority is stable to declining rates for the foreseeable future.

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,

A handwritten signature in black ink, appearing to read "Richard Rigel". The signature is fluid and cursive, with the first name "Richard" and last name "Rigel" clearly distinguishable.

Richard Rigel  
General Manager



**Arkansas River Power Authority**  
**Condensed Operating Budget For 2019**

	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Budget</b>	<b>Projected YE</b>	<b>Budget</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>Total Revenues</b>	33,324,710	32,616,370	42,519,339	33,182,684
<b>Operating Expenses</b>				
Power Supply	14,060,725	13,292,490	13,539,972	14,283,938
Transmission	2,093,424	2,962,758	2,935,364	3,258,000
Administrative & General	2,710,196	2,779,277	2,538,628	1,686,656
<b>Total Operating Expenses</b>	18,864,345	19,034,525	19,013,964	19,228,594
<b>Net Operating Income</b>	14,460,365	13,581,845	23,505,374	13,954,091
<b>Interest Expenses</b>	8,046,383	7,551,748	7,244,007	6,665,763
<b>Depreciation/Amortization</b>	267,878	268,426	267,797	268,426
<b>Total</b>	8,314,261	7,820,174	7,511,804	6,934,189
<b>Net Income</b>	6,146,104	5,761,671	15,993,570	7,019,902
<b>Non Operating Expenses</b>				
Return of Reserves	(2,556,241)	(2,493,561)	(2,292,782)	(2,383,316)
Depreciation/Amortization	267,878	268,426	267,797	268,426
Amortization Income	(256,431)	(256,431)	(5,178,247)	(455,822)
City of Lamar Settlement	-	-	(2,619,280)	(124,450)
Principal Payments	(2,150,000)	(2,422,494)	(2,669,994)	(2,867,502)
Capital Purchases	-	(415,000)	(50,000)	(300,000)
<b>Total Non Operating Expenses</b>	(4,694,793)	(5,319,059)	(12,542,506)	(5,862,664)
<b>Net Cash from Operations</b>	1,451,310	442,612	3,451,065	1,157,237

# Arkansas River Power Authority

## Expenses for 2019 Budget

	2017 Actual	2018 Budget	2018 Projected YE	2019 Budget	Difference From Projected	% of Difference
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
<b>Power Supply Costs</b>						
LLP- LRP	422,397	634,556	402,544	1,080,000	677,456	168.3%
O & M Expenses	3,145	13,500	28,769	13,500	(15,269)	-53.1%
Fuel (Non-LRP)	20,005	14,400	5,044	14,400	9,356	185.5%
WAPA LAP	2,879,007	2,424,229	2,500,162	2,424,229	(75,933)	-3.0%
WAPA CRSP	238,655	236,288	236,202	236,288	86	0.0%
ARPA Wind	84,684	85,114	85,132	85,114	(18)	0.0%
Lamar Wind	647,920	641,187	647,438	641,187	(6,251)	-1.0%
Purchased Power	8,972,106	9,243,216	9,634,680	9,789,220	154,540	1.6%
Scheduling Service	-	-	-	-	-	0.0%
Spinning Reserve	-	-	-	-	-	0.0%
<b>Total Power Supply Costs</b>	<b>13,267,920</b>	<b>13,292,490</b>	<b>13,539,972</b>	<b>14,283,938</b>	<b>743,966</b>	<b>5.5%</b>
<b>Transmission Costs</b>						
Tri-State G & T	1,961,660	2,104,747	2,140,325	2,346,794	206,469	9.6%
SECPA	28,882	42,136	28,794	35,103	6,309	21.9%
San Isabel	236,133	231,860	243,391	248,394	5,003	2.1%
Lamar Light & Power	37,056	37,725	39,643	40,257	614	1.5%
Black Hills	163,904	183,640	173,642	202,560	28,918	16.7%
OATT Transmission	-	82,650	-	82,650	82,650	0.0%
Ancillary Services- Xcel	304,886	280,000	309,570	302,241	(7,328)	-2.4%
<b>Total Transmission Costs</b>	<b>2,732,522</b>	<b>2,962,758</b>	<b>2,935,364</b>	<b>3,258,000</b>	<b>322,635</b>	<b>11.0%</b>
<b>Administrative &amp; General Expenses</b>						
Bond Issue Expense	-	-	1,408,129	-	(1,408,129)	-100.0%
Dues & Subscription	32,484	30,846	35,437	35,880	443	1.3%
City of Lamar Settlement	8,041,286	600,000	367,318	225,550	(141,768)	-38.6%
Employee Expenses	359,775	382,457	36,308	401,479	365,171	1005.8%
Insurance Expenses	40,440	38,068	230,720	38,068	(192,652)	-83.5%
Lease Exp - LRP City Land	2,817	1,000	1,000	1,000	-	0.0%
Lease Exp - Willow Creek Line	2,349	2,419	2,419	2,492	73	3.0%
Members Services	12,181	8,800	8,286	8,800	514	6.2%
Office Expenses	31,911	26,687	20,451	21,687	1,236	6.0%
Professional & Outside Svcs	1,038,501	651,200	356,237	663,500	307,263	86.3%
LRP Engineer and Contractor	17,416	1,000,000	50,000	250,000	200,000	400.0%
Safety Program	790	12,800	-	13,200	13,200	0.0%
Travel, Meals & lodging	19,429	25,000	22,323	25,000	2,677	12.0%
<b>Total A &amp; G Expenses</b>	<b>9,599,379</b>	<b>2,779,277</b>	<b>2,538,628</b>	<b>1,686,656</b>	<b>(851,972)</b>	<b>-33.6%</b>
<b>Total Operating Expenses</b>	<b>25,599,820</b>	<b>19,034,525</b>	<b>19,013,964</b>	<b>19,228,594</b>	<b>214,630</b>	<b>1.1%</b>
<b>Interest Expenses</b>	<b>7,924,946</b>	<b>7,551,748</b>	<b>7,244,007</b>	<b>6,665,763</b>	<b>(578,244)</b>	<b>-8.0%</b>
<b>Depreciation/Amortization</b>	<b>268,425</b>	<b>268,426</b>	<b>267,444</b>	<b>268,426</b>	<b>982</b>	<b>0.4%</b>
<b>Total Expenses</b>	<b>33,793,192</b>	<b>26,854,699</b>	<b>26,525,415</b>	<b>26,162,783</b>	<b>(362,632)</b>	<b>-1.4%</b>
<b>Capital Outlays</b>						
Willow Creek T-Line	-	-	-	-	-	0.0%
Misc. Capital Exp.	-	165,000	-	165,000	165,000	0.0%
LRP Contingency	-	250,000	250,000	135,000	(115,000)	-46.0%
<b>Total Capital Outlays</b>	<b>-</b>	<b>415,000</b>	<b>250,000</b>	<b>300,000</b>	<b>50,000</b>	<b>20.0%</b>
<b>Total Expenses (Incl. Capital)</b>	<b>33,793,192</b>	<b>27,269,699</b>	<b>26,775,415</b>	<b>26,462,783</b>	<b>(312,632)</b>	<b>-1.2%</b>

# Arkansas River Power Authority 2019 Budget Recap

	Jan (\$)	Feb (\$)	Mar (\$)	Apr (\$)	May (\$)	June (\$)	July (\$)	Aug (\$)	Sep (\$)	Oct (\$)	Nov (\$)	Dec (\$)	2019 Budget (\$)	2018 Projected (\$)	2018 Budget (\$)
<b>Power Supply Costs</b>															
L.P. - LRP	43,333	43,333	43,333	43,333	43,333	13,333	-	150,000	250,000	250,000	100,000	100,000	1,080,000	402,544	634,556
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	5,040	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	28,769	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	2,500,162	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	236,202	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	85,132	85,114
Lamar Wind	54,044	54,138	52,316	54,029	53,449	56,181	52,239	53,314	52,066	52,532	53,401	53,478	641,187	647,438	641,187
Purchased Power	804,269	766,659	807,688	640,536	701,836	880,750	979,990	1,011,480	892,782	735,459	741,348	829,423	9,789,220	9,634,680	9,243,216
Scheduling Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spinning Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Power Supply Costs</b>	1,114,068	1,056,327	1,102,423	979,841	1,045,685	1,213,942	1,326,886	1,479,021	1,425,955	1,240,867	1,101,006	1,197,919	14,283,938	13,539,972	13,292,490
<b>Transmission Costs</b>															
Tri-State G & T	191,163	193,347	195,304	195,714	202,007	203,111	200,248	200,248	200,248	188,468	188,468	188,468	2,346,794	2,140,325	2,104,747
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	28,794	42,136
San Isabel	23,074	20,370	20,941	19,305	19,093	19,853	21,805	20,844	19,427	19,113	21,211	21,358	248,394	243,391	231,860
Lamar Light & Power	2,408	2,310	2,540	2,705	3,001	5,012	5,308	5,045	4,616	2,474	2,342	2,496	40,257	39,643	37,725
Black Hills	13,594	13,782	13,203	11,800	15,210	19,560	21,496	26,291	19,663	11,513	17,606	18,841	202,560	173,642	183,640
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	-	82,650
Ancillary Services- Xcel	21,949	21,297	17,906	20,185	27,920	33,201	33,969	29,671	30,679	20,604	21,919	22,944	302,241	309,570	280,000
<b>Total Transmission Costs</b>	262,027	260,632	259,408	259,054	276,850	290,910	293,727	292,153	284,574	251,550	261,126	265,989	3,258,000	2,935,364	2,962,758
<b>Administrative &amp; General Expenses</b>															
Bond Issue Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	1,408,129	-
Dues & Subscription	8,283	341	284	14,341	831	435	2,491	465	1,765	2,005	4,274	365	35,880	35,437	30,846
City of Lamar Settlement	18,996	18,960	18,924	18,888	18,851	18,815	18,778	18,742	18,705	18,668	18,630	18,593	225,550	367,318	600,000
Employee Expenses	33,419	33,419	33,419	33,419	33,419	33,419	33,419	33,419	33,419	33,419	33,419	33,419	401,479	36,308	382,457
Insurance Expenses	3,172	3,172	3,172	3,172	3,172	3,172	3,172	3,172	3,172	3,172	3,172	3,172	38,068	230,720	38,068
Lease Exp - LRP City Land	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000
Lease Exp - Willow Creek	2,492	-	-	-	-	-	-	-	-	-	-	-	2,492	2,419	2,419
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	8,286	8,800
Office Expenses	1,807	1,807	1,807	1,807	1,807	1,807	1,807	1,807	1,807	1,807	1,807	1,807	21,687	20,451	26,687
Professional & Outside Svcs	65,333	96,333	46,834	46,833	55,833	54,334	53,833	46,833	51,834	51,833	46,833	46,833	663,500	356,237	651,200
LRP Engineer and Contractor	-	-	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000	50,000	1,000,000
Safety Program	-	-	-	-	-	-	-	-	-	13,200	-	-	13,200	-	12,800
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	22,323	25,000
<b>Total A &amp; G Expenses</b>	137,985	157,516	131,925	145,945	141,397	139,467	140,984	131,922	139,186	152,587	135,844	131,898	1,686,656	2,538,628	2,779,277
<b>Total Operating Expenses</b>	1,514,080	1,474,475	1,493,756	1,384,840	1,463,932	1,644,319	1,761,597	1,903,096	1,849,715	1,645,004	1,497,976	1,595,805	19,228,594	19,013,964	19,034,525
Interest Expenses	557,760	557,760	557,760	557,760	557,760	557,760	557,760	557,760	557,760	557,760	557,760	557,760	6,665,763	7,244,007	7,551,748
Depreciation/Amortization	22,369	22,369	22,369	22,369	22,369	22,369	22,369	22,369	22,369	22,369	22,369	22,369	268,426	267,444	268,426
<b>Total Expenses</b>	2,094,209	2,054,604	2,073,885	1,964,969	2,044,061	2,224,448	2,341,726	2,483,225	2,429,844	2,216,014	2,068,986	2,166,813	26,162,783	26,525,415	26,854,699





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RESOLUTION No. 06 -18

**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 2019; and

**WHEREAS**, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2019 budget at a regular meeting of the Board of Directors on December 6, 2018, 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 6, 2018

**BE IT RESOLVED** By The Board of Directors of the Arkansas River Power Authority (ARPA) that:


(1) Title

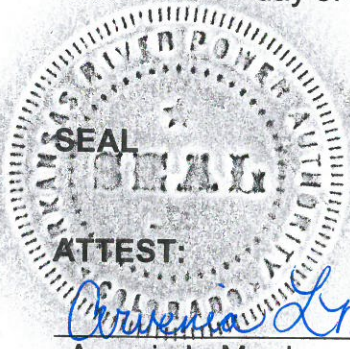
This Resolution shall govern the expenditure of funds by general purpose and amount for the calendar year 2019 commencing January 1 and ending December 31, and may be cited as "ARPA Budget and Appropriation Resolution of 2019".

(2)


The 2019 Budget presented to the Board on December 6, 2018, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA, the sum of Twenty-six million, one hundred sixty-two thousand, seven hundred eighty-three (\$26,162,783) 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 6<sup>th</sup> day of December, 2018.

  
David R. Willhite  
President  
Board of Directors  
Arkansas River Power Authority



ATTEST:

  
Arvenia L. Morris  
Secretary