



BUSINESS OPERATIONS – FEBRUARY 17, 2017

ARPA Board Reviews Power Supply Options. The ARPA Board is continually evaluating options for current and future power supply and received an update on certain options at its January Board meeting. The discussion included a review of contract terms for the Pueblo Hydro Project. The Southeast Colorado Water Conservancy District (SECWCD) has developed a plan to install a small hydro-electric power generating station at the Pueblo Dam. The ARPA Board is exploring the option of procuring 50% of the total output from the project. The Board also discussed the potential to extend its current power supply contract with Twin Eagle Resource Management. The existing agreement goes through January 31, 2025 and Twin Eagle has proposed a three-year extension to that agreement, for years 2025-2027. The Board also reviewed projections for future index pricing from JK Energy Consulting. The Board directed staff to continue contract discussions with SECWCD and Twin Eagle.

Mountain West Transmission Group (MWTG). The transmission owners in the state have been working on a project which they believe will reduce transmission costs and alleviate certain transmission constraints throughout the state. The initial goal of the group was to develop a Joint Transmission Tariff between the providers. However, after a series of meetings the group determined that the implementation of an RTO (Regional Transmission Organization) would be the most effective way to reduce costs and manage electric resources.

The RTO would manage, among other things, the operation of the transmission and electric generating assets on the grid, including ensuring the adequacy of reliability and economics of the generating resources, and develop auction based electricity products. The plan calls for the implementation of an RTO in 2019. It is difficult to determine what the impact of the RTO may have on ARPA and its members at this point, but it does represent a significant change in how electric utility transmission and generation will be managed.

Redemption of a Portion of Series 2003 Bonds. A payment in the amount of \$192,483 (\$190,000 principal redemption, \$2,483 outstanding interest) was made to ARPA's Bond Trustee, UMB Bank, to redeem a portion of the Series 2003 Bonds. The Board will evaluate its ability to retire more of these bonds later in the year. The 2003 bond series was for the ARPA wind turbine financing. Once the bonds are retired, ARPA will realize an annual debt service reduction of approximately \$256,000.

Summary of Unaudited December 2016 Financial and Operating Statements. During the month of December total operating revenues were better than budget by \$38,219. Total cost of goods sold were over budget 4%, and A & G expenses for the month were over budget by \$72,669. There were net revenues of \$207,102 for the month; year to date (YTD) net income is \$3,612,411. Member sales for December were 3.9% better than December of 2015, and YTD sales are better than 2015 by approximately 4.1%.

Wind Turbine Operations. In 2016, the 5 wind turbine generators (3 Lamar; 2 ARPA) produced 18,628 MWHs. Compare this to the year 2008 when the total generation was 24,284 MWHs. Part of the reason for the reduction in generation was mechanical failures. The Baca County turbine, typically the highest producing turbine, was off line about 14 weeks (March-June) due to a transformer failure. In Prowers County, one of the four turbines was off line for 3 months (May-July) due to a gearbox failure.

Next ARPA Meeting. The next regularly scheduled ARPA board meeting is Thursday, February 23, 2017 at the La Junta Holiday Inn Express, 27994 US Hwy 50 Frontage Road. ARPA board meetings are open to the public.