

ARPA Reaches Settlement Agreement With WildEarth Guardians

Two lawsuits, the first filed late in 2009 and the second in March 2011 by the WildEarth Guardians (WEG) against ARPA and the Lamar Utilities Board (LUB) have been settled through a Consent Decree filed in the United States District Court of Colorado.

The litigation involved the operations and permitting of the Lamar Repowering Project (LRP), a 44 mega-watt coal fired plant owned by ARPA and operated by LUB.

The Consent Decree provides that WEG will dismiss all its litigation against ARPA/LUB and outlines testing and operational restrictions of the LRP. It also requires ARPA/LUB to pay attorney fees to WEG and the Denver University Law Clinic totaling \$325,000 and pay \$125,000 toward a Supplemental Environmental Project (SEP) that will be performed in the ARPA member communities.

On January 16th an agreement was reached between the parties to implement a SEP that will convert lighting in community facilities such as libraries and community centers to more efficient LED lighting.

The Prowers County Development, Inc., (PCDI) has been selected to serve as the Third Party Administrator for the SEP as required by the Consent Decree. PCDI is a non-profit corporation that represents business and economic development interests within the Prowers County area.

Lance Benninghoff, Executive Director for PCDI, said that he believed this was a great opportunity for PCDI to become more involved with communities both inside and outside the Prowers County area. Lance has expressed a strong interest in bringing a rural perspective for developing alternative energy into Southeast Colo-

rado and feels a project to reduce energy consumption in the public sector is a factor in energy management.

The ARPA member utilities, in an effort to make more efficient use of the SEP funding, have agreed to perform the installation of the lighting fixtures at no cost to the SEP. This represents a significant savings for the Project and will maximize the use of Project funds.

The SEP is expected to be in full swing by the fall of 2014 and has a scheduled completion date of December 17, 2015.

ARPA Board Authorizes Litigation Against Boiler Vendor

Stating that the Babcock & Wilcox Company (B&W) has failed to deliver a fully functioning Boiler for the Lamar Repowering Project and failed to meet the requirements of its contract, the ARPA Board of Directors authorized its legal counsel, Fairfield and Woods, to initiate litigation against B&W.

In the resolution directing the litigation, the Board stated that as a result of B&W's failure to deliver a fully functioning Boiler, ARPA has been unable to operate the Project and has incurred substantial losses.

Rick Rigel, ARPA's General Manager reported that it is unfortunate that the matter could not be settled in an amicable manner; however, this action has come after multiple attempts at a negotiated settlement failed. The litigation is anticipated to be filed in U.S District Court within the next few weeks.

ARPA and Black Hills Enter Into New Transmission Agreement

During the first quarter of 2013 Black Hills Colorado Electric Utility Company, LP served notice to ARPA of its intent to terminate the transmission agreement serving the City of Las Animas.

The transmission world has changed tremendously since the former agreement was first implemented in the early 1980's. These "grandfathered" agreements are now being transitioned to industry standard "Open Access Transmission" agreements. Under the new agreement ARPA became a network transmission customer of Black Hills for service to Las Animas. As a network customer, ARPA was required to enter into a Network Integrated Transmission Service Agreement and a Network Operating Agreement.

A third agreement for distribution services over Black

Hill's 69 kV line into Las Animas was also executed in conjunction with the network transmission agreements.

All three agreements became effective on October 1, 2013 and extend through December 31, 2017 subject to automatic renewal and termination notice provisions.

Unfortunately, the transition to network service will result in additional cost to both ARPA and Las Animas as the agreements are subject to Open Access Transmission Tariffs which are higher than the former contract price.

ARPA also has network transmission agreements for service over the Tri-State Transmission and Generation system as well as a handful of agreements with utilities for sub-transmission service for its other members.

ARPA Board of Directors Approves 5-Year Strategic Plan

The Arkansas River Power Authority Board of Directors adopted a 5-Year Strategic Plan in an effort to effectively plan for the changing energy environment while maintaining stable rates. The plan is intended to:

- Achieve financial targets and stabilize rates;
- Maintain financial and regulatory compliance;
- Meet member services needs.

The Plan established year end financial targets for a five year planning horizon through 2018 and reviewed rate planning necessary to achieve the targets while providing rate stabilization.

The planning process included recognition of ARPA's bond covenant requirements to maintain bond reserve accounts equal to one full year of debt service and revenues equal to 1.25x the Debt Service Coverage for its power revenue bonds.

ARPA, through the efforts of its Environmental Compliance Manager, will continue to support ARPA members in maintaining regulatory compliance for their plant and

distribution system operations, as well as keeping abreast of new and upcoming regulations concerning the power industry.

The Strategic Plan also calls for ARPA staff to continually analyze opportunities to improve services to its members in areas such as mutual aid, safety, and training.

In 2014, ARPA will also develop a risk management plan and evaluate areas for improving communication to members through social media and other forms of communication.

The Plan is viewed as a dynamic, living document that will be reviewed periodically by staff and the Board. The Board recognizes that the Plan will need to be modified from time to time to ensure current challenges and opportunities are being addressed, and that the planning process address and develop a means for dealing with future challenges and opportunities.

The 2014 Budget Adopted by Board of Directors

The 2014 budget anticipates that the primary source for power supply for ARPA during the year will be purchased from the Tri-State Generation and Transmission Association with the pricing based on a power market index.

Due to a variety of factors the market index is projected to continue to provide opportunities to purchase economically priced power through 2014. This will allow ARPA to maintain stable rates for a third consecutive year.

The base rate will not be increased nor is an electric cost adjustment

anticipated. The budget recovers revenues sufficient for the Debt Service Coverage through a rate adder; however, because of the recent implementation of a "Return of Reserves" program, the adder is revenue neutral.

The 2014 budget does not include any testing or operating cost for the Lamar Repowering Project other than necessary maintenance.

The 2014 power sales envision flat sales similar to 2013 levels. The budget anticipates net revenues of approximately \$600,000.

2014 Budget Highlights

- Revenue requirements of approximately \$30 million
- Power Supply and Transmission costs of \$16 million
- Debt Service Requirements of \$10.2 million
- A&G costs of \$1.3 million

ARPA Board Receives Financial Compliance Update

Aarin Ritter, ARPA Manager of Finance and Accounting provided the Board a report on ARPA's status relative to financial compliance at its October meeting.

The report identified the fact that all ARPA's bond reserve accounts are fully funded, all debt service payments are current, and although debt service coverage is lacking a bit through November, the Authority believes it will comply with the 1.25 times debt service coverage for the third consecutive year.

Ms. Ritter also reported that all the reporting requirements have been met.

3rd Quarter Income Statement

Ordinary Income/Expense Jan-Sept. 2013

Income	\$ 23,196,929
Cost of Goods Sold	\$ 12,676,264
Gross Profit	\$ 10,520,665
A & G Expenses	\$ 8,472,369
Net Income	\$ 2,048,296

ARPA's cash position continues to improve. Cash and cash equivalents through the end of September 2013 have increased by approximately \$2.2 million from the same quarter last year. Restricted funds have increased approximately \$190,000.

Total long term liabilities have decreased \$4.7 million due to bond payments and a reduction of \$983,160 for the member's 2010 pre-payment of power agreement.

ARPA, Lamar Wind Turbines Continue to Provide Environmental Benefits

The Lamar and ARPA wind turbines produced a total of 21,930 megawatt hours of electrical power in calendar year 2013, preventing emissions of approximately 50 million pounds, (25,000 tons) of carbon dioxide (CO₂) that would otherwise have been emitted if that same power had been produced by a typical coal-fired power plant.

On average, coal fired plants emit about 2,500 pounds of CO₂ for each megawatt hour of power they produce. Natural gas fired plants produce roughly half the amount of CO₂ compared to coal plants, so about 12,500 tons of CO₂ would have been produced even if the power had come from a natural gas plant instead of a coal plant.

The federally imposed limit for sulfur dioxide (SO₂) emissions from coal plants is 1.4 pounds per megawatt hour, therefore the wind turbines also prevented emissions of nearly 31,000 pounds of SO₂ if that same power had been produced with coal.

The turbines have now been on line for ten years and have prevented emissions of approximately 250,000 tons of CO₂ and 310,000 pounds of SO₂.

Global warming researchers believe that CO₂ emissions are a chief cause of global warming, while SO₂ emissions are considered to be a major factor in acid rain.

ARPA also obtains a significant amount of its electrical power from hydroelectric sources which, like wind, are also zero emission power sources.

...Contributed by Virgil Cochran
Environmental Compliance Manager, Lamar Light and Power

Lamar Utilities' Bond Refinancing Results in Savings

The Lamar Utilities Board (LUB) recently completed a refinancing project for its wind turbines that will save its rate payers approximately \$50,000 annually in debt service costs. The Lamar wind turbines, located south-east of Lamar, were placed on-line in early 2004 and included debt service financing of approximately \$6,000,000.

With the falling interest rates the LUB analyzed the potential savings of refinancing and found that significant debt service savings could be realized. The Utilities Board worked with Wells Fargo to effect the refinancing and completed the process just prior to the end of 2013.

Lamar Utilities Board Superintendent Houssin Hourieh stated that while the utility continually searches for areas to manage and reduce its costs it's been a difficult proposition as many of its costs continue to increase. It was refreshing to implement a project that had an immediate savings for the rate payers.

The three wind turbines generated 12,300 mega-watt hours in 2013, about 13% of LUB power supply needs.

Fort Lyon is Once Again "In Service"

With the signing of Senate Bill 13-210 last May, the former correctional facility at Fort Lyon near Las Animas is once again "in service." The facility is providing support and job training skills to homeless individuals and currently has 40 employees.

Residents began arriving on September 3 and its population has grown to approximately 80 residents since. The residents engage in daily tasks that include, in part, assisting in the kitchen, dining hall and grounds maintenance. The residents attend community counseling meetings three times a week and with the arrival of the spring semester, 16 residents are enrolled in college classes through Otero Junior College.

Fort Lyon is served by the Las Animas Municipal Light and Power system and represents one of the largest loads within the ARPA members' territory.

SAVE THE DATE!

ARPA Annual Meeting

Bringing the Power to You Thursday, April 24th in La Junta

Arkansas River Power Authority