

ARPA Board Approves Power Sales Agreement with Twin Eagle Resource Management, LLC

The Board of Directors of the Arkansas River Power Authority, on February 28, 2013, approved a resolution to enter into a Power Sales Agreement with Twin Eagle Resource Management, LLC (Twin Eagle), headquartered in Houston, Texas. The Agreement which is for the purchase and sale of electricity and related support functions begins February 1, 2015 and extends until February 1, 2022. Twin Eagle will provide power supply, scheduling, and transmission services to the Authority. Under the agreement, Twin Eagle will also schedule the Authority's federal hydropower resources.



The Authority obtains electric power and energy for its member municipalities from a variety of sources, including federal hydro power from the Western Area Power Administration, wind generation, and power supply agreements. The ARPA Board of Directors determined that, given market conditions, it was in the best interest of the member municipalities to secure reliable electric power at fixed rates for an extended period of time. The Board considered a number of alternative sources of electric power and energy and determined that the agreement with Twin Eagle was in the best interest of the member municipalities and its ratepayers.

"We believe this is a very positive agreement for the Authority's member communities in that it will allow us to manage rate stability in an evolving and unpredictable energy environment," said Rick Rigel, general manager of the Power Authority. Rigel went on to say that "the ratepayers of the Authority's member communities will benefit from securing reliable electric power at fixed rates for the term of the Agreement."

Twin Eagle is a natural gas and electricity marketing, logistics and trading organization headquartered in Houston, Texas. In natural gas, the company specializes in aggregation of supply, management of transport, management of storage and selling to end-users. In electricity, the company specializes in commercial management of power generation; physical supply and services to retailers and end-users; and value-added risk management services.



Standard and Poor's Ratings Services Affirms ARPA's Investment Grade Rating

In late March ARPA received an updated rating analysis from Standard and Poor's Ratings Services. S&P affirmed ARPA's investment grade rating for the underlying rating on the Arkansas River Power Authority's Power Revenue Bonds.

S&P recognized the strong debt service coverage requirement of 1.25x and the fact that ARPA has met or exceeded the rate covenant in 2011 and 2012. The rebound in financial performance follows 2 consecutive years (2009-2010) of debt service coverage being below its rate covenant.

S&P's rationale for its rating for the Authority sites challenges related to a single baseload generation asset and bringing the Lamar Repowering Project back into service; member city discord, and weak liquidity.

Additional rating factors include member municipalities' limited service area economies; ARPA's risk exposure to having a single baseload resource; and the monopolistic position of each of the member cities, as well as the rate autonomy that insulates each one from competitive pressures.

While S&P relies on issuers and their agents and advisors, and other sources it believes to be reliable, Rating's Services does not perform an audit or other verification, of any of the information it receives. Therefore, credit ratings and other views of S&P's Ratings Services are statements of opinion and not statements of fact.

ARPA Holds Its Annual Meeting in La Junta on April 25

The Arkansas River Power Authority Board of Directors held its annual meeting on April 25. The General Manager, in his annual report, noted certain accomplishments in 2012.

- ARPA commenced implementation of a Power Supply Services Agreement with Tri-State Generation and Transmission Association.
- ARPA filed its five-year Integrated Resource Plan (IRP) that identified resources and power supply projections. The IRP included action plans to address various issues.
- ARPA's financial position was greatly improved in 2012 and rates to members were approximately 4.5% less than in 2011.
- There was a renewed emphasis on member services with training, permit compliance support and mutual aid training.

The ARPA Board held its annual election of officers and voted to retain the current slate to serve into the 2013-2014 term. The officers include President—Robert L. (Bob) Freidenberger; Vice President—Richard Stwalley; Treasurer—Marsha Willhite; Secretary—Arvenia Morris and General Manager—Rick Rigel.

Bob Freidenberger represents the City of La Junta and has served on the Board since December 1998, serving as President since December 2007.

Richard Stwalley was appointed by the City of Las Animas to the ARPA Board in January 2010, serving as Vice President since April 2011.

Marsha Willhite was appointed to the ARPA Board by the Town of Holly in September 2005, and has served as Treasurer since April 2011.

Governor Hickenlooper Signs SB13-210

On May 24 at the Fort Lyon facility in Las Animas, Governor Hickenlooper signed SB13-210. This bill will repurpose the Fort Lyon Correctional Facility into a facility for the homeless. The historical veterans' facility in Bent County will begin serving veterans and chronically homeless individuals from across the state in late August.

The 550-acre facility, which served as a U.S. Department of Veterans Affairs hospital, sanatorium and prison before it closed in 2012, will offer partici-

pants supportive housing, health services, substance abuse treatment, counseling and job training to enable them to transition successfully into independent living in the community of their choice.

Those referred to Fort Lyon will have access to the support they need to maintain housing and a healthy lifestyle as they make the transition off the streets and back into their communities.

Fort Lyon will begin housing 80 clients by late fall; this will increase to 200 by July 2014, and could maintain a maximum capacity of 300 by July 2015.

The program at Fort Lyon will provide the opportunity to lower the public cost for supporting the chronically homeless by more than 60 percent.

According to the Colorado Coalition for the Homeless, individuals who live on the street cost taxpayers \$43,240 each year.

Whereas, individuals who elect to stay at Fort Lyon will cost only \$16,813.

The facility is served by Las Animas Municipal Light and Power and represents one of the largest loads within the ARPA member's service territory.

The program is estimated to generate over \$2.3 million annually to the local economy, and at the onset, create 40 new jobs.

2012 Y E A R E N D P O S I T I O N	<p>ARPA was able to improve its financial position significantly in 2012. Revenues were about 2% over budget even though rates to members were 4.5% less than in 2011. A new power supply contract allowed ARPA to reduce its operating costs significantly as power supply costs and costs for the Lamar Repowering Project were appreciably under budget.</p> <p>ARPA's cash position improved by approximately \$3.0 million in 2012 as the Authority realized an increase in Net Assets of approximately \$7.0 million. ARPA met or exceeded its bond covenants in 2012 as all bond reserve accounts remain fully funded and revenues exceeded the 1.25x rate covenant.</p>
2012 A U D I T	<p>The ARPA Board of Directors at their May 30 meeting approved their 2012 Audited Financials which were presented by Ronny Farmer of rfarmer, llc. The 2012 Audit and quarterly financials can be viewed on our website @ www.arpapower.org.</p>



1st Quarter Income Statement—2013

Ordinary Income/Expense Jan-Mar 2013

Income	\$ 7,190,685
Cost of Goods Sold	\$ 4,005,899
Gross Profit	\$ 3,184,786
A & G Expenses	\$ 2,634,068
Net Income	\$ 550,718

Revenues were right at budgeted levels. The Cost of Goods Sold and Gross Profits are 3% under budget. A&G expenses are 11% less than budget. Net income is \$550,718 through the 1st quarter.

ARPA Holds Substation Inspection and Maintenance Training on April 23, 2013 in Trinidad

On April 23 ARPA hosted a training workshop on substation inspection and maintenance. The training was held in Trinidad and was attended by 23 electric utility personnel from ARPA member utilities as well as personnel from other utilities in the state.

The training was conducted by LeDale Besler of Electro-Test and Maintenance. LeDale has over 25 years of experience in substation inspection and maintenance. Electro-Test and Maintenance, Inc., was created in 1980 to provide a wide range of high volt-

age electrical testing and maintenance services. Electro-Test provides substation inspections for many Colorado electric transmission providers as well as providers in neighboring states.

The training included classroom instruction on substation safety, substation inspection, substation maintenance, transformer testing, and infrared thermography theory and applications. The instructor provided illustrations demonstrating actual infrared camera scans for an in-depth inspection.

This type of training is critical in reducing costly substation repairs and reducing or eliminating outages.

Thank you to the City of



Trinidad for providing the meeting location to make the training possible.

CIRSA, the insurance carrier for ARPA and the ARPA member cities, provided funding for the substation training.

Thank you
CIRSA.



Enterprise Risk Management Workshop for Public Utilities

ARPA hosted an Enterprise Risk Management Workshop on February 6 in Rocky Ford, CO. Individuals from 8 municipal utilities and 3 Joint Action Agencies took advantage of this unique opportunity.

The workshop was presented by Dan Steiner, Manager in the Risk Advisory Services Group, Baker Tilly Virchow Krause LLP., and was sponsored by the American Public Power Association (APPA), George Mason University and Federal Emergency Management Agency (FEMA).

Enterprise Risk Management is a formalized approach for the management of public power utilities to evaluate risk and uncertainties facing their utilities. It is a process to determine what risks are acceptable, and which are not. The utility can then proactively take the necessary steps to mitigate the risks that are unacceptable.

Developing a risk management strategy will ultimately provide economic stability and reliable service to the utility's consumers.