



BUSINESS OPERATIONS – MARCH 10, 2015

ARPA Board Approves “Write Down” of the Lamar Repowering Project (LRP): Earlier this year, ARPA was notified by its auditor that the Lamar Repowering Project (LRP) meets the description of an “Impaired Asset” for accounting purposes because the plant cannot meet the emission requirements of its air permit. The LRP has been unable to operate since 2011 and ARPA is currently involved in a lawsuit with its boiler manufacturer because the boiler cannot meet its air emissions performance guarantees. At its February meeting, the ARPA Board of Directors approved the December financial statement that reflected the Impaired Asset Write-Down. The Board’s action has no practical impact on ARPA’s financial well-being regarding its cash flow or its ability to meet its financial obligations, including debt service payments and bond reserve account requirements. ARPA continues to meet all its debt service coverage and bond reserve account obligations, and absent the write-down, realized net operating revenues of \$1.67 million in 2014.

Summary of January 2015 financial and operating statements: Total revenues for January were very close to budget and the total Cost of Goods Sold, which includes purchased power, transmission, and wind turbine costs are under budget by 13%. Sixty-seven percent of the energy supplied to ARPA members was market power from Tri-State and 27% of the power supply mix was provided from ARPA’s federal hydro-power allocation. Wind generation accounted for the balance of the power supply needs. The blended rate from all sources (market power, hydropower and wind generation) for January (2015) was about 33% lower than the blended rate in 2014. Member sales for January was about 0.8% higher than in 2014. Net income for the month was \$244,585.

Twin Eagle Resource Management Began Providing ARPA’s Power Supply on February 1: Nearly 2 years ago the ARPA Board of Directors 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, commenced on February 1, 2015 and will provide power supply, scheduling, and transmission services to the Authority through January 31, 2025.

Strategic Plan: The ARPA Board of Directors continues to prepare for a formal strategic planning process. Several months ago the Board took steps related to both short-term and long-term financial planning and during the discussion identified the need for a long term planning effort. The Board believes risk management will be a priority as it goes through the process and directed staff to focus efforts on engaging a facilitator to assist the Board in the planning process. The intended outcome of a strategic plan is to strengthen operations, with a focus on the future of providing dependable and competitively priced wholesale electric power to the ARPA member owners.

Wholesale Rate Review: The ARPA Board authorized the General Manager to engage JK Energy Consulting to perform a detailed analysis of ARPA’s rate structure, and to include an analysis of an incremental rate that would encourage load growth. ARPA has not increased its base rate since 2011 and the Board has expressed a long term goal of continued rate stability for its members.

Next ARPA meeting: The next ARPA board meeting is scheduled for Thursday, March 26, 2015, beginning at 10:00 a.m. at the Otero Junior College Student Center, 2001 San Juan in La Junta. ARPA board meetings are open to the public.