



BUSINESS OPERATIONS – MAY 10, 2017

2016 Year in Review: 2016 was a successful year for the Arkansas River Power Authority, especially financially. ARPA, for the 5th consecutive year, had no rate increase in 2016. Our cash position showed an increase of \$951,504. Net revenues for the year were \$3.6 million. Sales were 1% better than 2015 and 2.5% better than 2014. S&P re-affirmed our credit rating and we ended the year with a debt service coverage of 1.39x.

ARPA Holds its Election of Officers: The Board held officer elections at its meeting on April 27. Board Members, by resolution, voted to retain the current slate of officers for the next 12 months. Those officers include: David Willhite (Holly), President; Rick Stwalley (Las Animas), Vice President; Michelle Miles (Trinidad), Treasurer; and Arvenia Morris, (Staff), Secretary.

Meet ARPA's Newest Board Member: Gary Cranson was appointed by the City of La Junta to serve on the ARPA Board for a 2-year term ending December 31, 2018. Gary was appointed to the position previously held by long-time member, A.W. Hill. Gary has an extensive background in electric utility operations having recently retired from a career in the electric utility industry. We'd like to welcome Gary and hope he finds his time on the ARPA Board educational and rewarding. We would also like to thank A.W. for his many years of service (2008-2016).

ARPA Holds its Annual Pole Top and Aerial Lift (Bucket Truck) Rescue Training: The annual safety training was recently held at La Junta and Las Animas. Staff Members from the La Junta Municipal Utilities led the pole top and bucket truck rescue training which was held on April 19 at the training center north of La Junta. Twenty-one line workers attended the training from the cities and towns of Holly, La Junta, Lamar and Trinidad. On April 25 the City of Las Animas Municipal Utilities led the bucket truck rescue training. This training is held for personnel from the members' electric and parks departments, and other personnel who operate bucket trucks. There were twenty-one people who attended the training on April 25 including those from the City of Lamar Parks Department and Lamar Light & Power, Town of Springfield, City of Las Animas and Prowers County Road & Bridge Department.

Standard & Poor's Ratings Services ("S&P") Affirms ARPA's Credit Rating: S&P's Ratings Services affirmed its 'BBB-' long-term rating and underlying rating on the Arkansas River Power Authority's power revenue bonds. The outlook is stable. S&P's view is that during the next two years, member rates and energy demand will remain relatively stable given ARPA's long-term power supply contracts in place. The rating further reflected ARPA's strengths and weaknesses. Weaknesses included the continued inability to operate the LRP; member rates that are above state averages (although management projects that rate increases over the next few years will be minimal); the loss of load represented by the City of Raton; high debt ratios, and participating member municipalities' limited service area economies. Strengths identified included a debt service coverage (DSC) that has been restored to covenanted levels in fiscal years 2011 to 2015, improved liquidity and unrestricted cash that is bolstered by a \$1.5 million line of credit, currently untapped; a recently signed purchased power agreement that will provide power at a competitive rate through at least 2024; and cost certainty given that most expenses are known and fixed for the next several years. To view the full Standard & Poor's Rating Report go to: http://www.arpapower.org/docs/Standard & Poors_ARPA_28-March_2017.pdf.

Western Area Power Administration – Loveland Area Projects (WAPA-LAP) to Reduce Rates in 2018: ARPA recently learned that WAPA anticipates reducing rates for its LAP customers by 14% effective January 2018. WAPA implemented a drought-adder component to its rate several years ago to repay costs incurred due to drought conditions at its hydro facilities. It was able to reduce that drought-adder rate in 2017 and now anticipates reducing it further beginning 2018. The hydro allocation from WAPA provides approximately 25% of ARPA's power supply.

Summary of March 2017 Financial and Operating Statements: During the month of March, total operating revenues were better than budget by \$42,362. Total cost of goods sold were just over budget 0.2%, and A & G expenses for the month were under budget by \$405,617. There were net revenues of \$203,163 for the month. Total Revenues YTD are better than budget by \$97,964. Member sales for March were 2.4% better than March of 2016 and better than budget by 4.1%. Member Sales YTD are about 2.5% better than budget.

Next ARPA Meeting: The next regularly scheduled ARPA board meeting is Thursday, May 25, 2017 in Holly, CO. beginning at 10:00 a.m. ARPA board meetings are open to the public.