



BUSINESS OPERATIONS – OCTOBER 14, 2016

ARPA Board Exploring Possibility of a Purchase Power Agreement for Additional Hydro-Electric Energy: Kevin Meador, Principal Engineer for the Southeastern Colorado Water Conservancy District (SECWCD) provided a presentation to the ARPA Board of its plan to install hydro-electric power generation at the Pueblo Dam. The purpose of the Project is to take advantage of available hydropower and clean renewable energy opportunities, and to provide a long term economic benefit to power and water users in the SECWCD service area. SECWCD estimates that the project would generate an average of 28 million kWh annually, based on a “run of the river” schedule of the Arkansas River. The Arkansas River’s greatest water flows through Pueblo Dam are from March through August which coincides with the peak power summer demands for the ARPA members. SECWCD will own the facility and obtain Purchase Power Agreement(s) (PPA) for the energy output; Colorado Springs Utilities will provide operations expertise and maintain the facility. If SECWCD can secure a PPA within the next few months they will begin construction in 2017 with an estimated completion date in early to mid-2018.

The ARPA Board expressed an interest in securing a PPA with SECWCD and instructed staff to perform an evaluation of the pricing, transmission arrangements, and contract terms that would be necessary for an agreement.

ARPA Board Reviews Preliminary 2017 Budget: A preliminary budget was presented to the ARPA Board of Directors at its September 29 meeting. As presented, the budget includes no base rate increase for 2017. This will be the 6th consecutive year of no power supply cost increase. The budget projects total revenues of \$32.6 million, power supply costs of \$13.5 million, transmission costs of \$2.4 million, and A&G costs of \$2.9 million. Debt service, absent a refinancing, will continue at an annual cost of \$10.2 million and anticipates a 1.32x debt service coverage as required by ARPA’s bond covenants.

ARPA Board to Consider Retiring 2003 Bonds: In conjunction with the budget discussion, the Board also discussed retiring its 2003 bonds. The bonds are all currently callable and would reduce ARPA’s annual debt service by approximately \$256,000 and result in interest savings of approximately \$387,000. The Board will continue the discussion at its October meeting.

The proposed 2017 budget for the Arkansas River Power Authority will be available for inspection beginning November 7th at the City Clerk’s office in each member city. The ARPA Board of Directors will hold a public hearing on the proposed Budget at the Otero Junior College Student Center, 2001 San Juan, La Junta, CO., on Thursday, December 8, 2016.

Summary of August 2016 Financial and Operating Statements: During the month of August, total revenues were better than budget by \$154,872. Total cost of goods sold was under budget 5%, and total A&G expenses, not including LRP Engineer and Contractor expenses for the month, were over budget by \$74,105. There were net revenues of \$577,357 for the month of August. YTD net revenues are \$3,335,363. Member sales were about 4.7% better than budget for August and 4.5% better than budget YTD. YTD sales for 2016 are 2.2% higher than 2015 sales.

Next ARPA Meeting: The next regularly scheduled meeting of the ARPA Board of Directors is Thursday, October 27, 2016, by WebCast. If you are interested in attending the ARPA Board meeting please call the ARPA office 719-336-3496 for additional details.