



BUSINESS OPERATIONS – OCTOBER 2019

Future Power Supply Considerations: During the legislative session of 2019, the State legislature passed a handful of new bills that will most certainly have an impact on future power supply options and cost. The legislation included goals to reduce Green House Gas (GHG) by 26% by 2025 and 50% by 2030. It is generally believed that utilities within the state will have to consider significant reductions in generation from their coal fired power plants, to meet those goals. The legislation also included a “social cost” of carbon, which will also impact how generation from fossil fuel plants are managed. To further complicate the issue, at least in the near term, the rules that will prescribe how utilities may be able to manage the directives will not be completed until the summer of 2020 at the earliest. In light of the current level of uncertainty surrounding the implementation of the legislation, and the impact it will have on power generation within the state, the ARPA Board unanimously voted to wait 2-3 years before issuing a Request for Proposal (RFP) for future power supply options. Currently ARPA has a contract for approximately 65% of its power supply through January of 2025 with the Public Service Company of Colorado (Xcel Energy) and a long-term contract with the Western Area Power Administration for the vast majority of its remaining power supply needs.

ARPA Board Reviews 2020 Budget: The ARPA Board of Directors reviewed its proposed 2020 budget at its September meeting and will keep rates at their current level. The Board decreased its wholesale rate by 2% for 2019, after several years of stable rates with no rate increases. The Board is also evaluating opportunities to retire a portion of its long-term debt, which could trigger an additional decrease in rates for 2021.

The proposed 2020 budget includes:

- Power Sales Revenues of \$31.0 million
- Power Supply costs of \$14.4 million
- Transmission costs of \$ 3.25 million
- A&G costs of \$ 1.92 million
- Debt Service costs of \$ 9.5 million

ARPA’s 2020 Budget Hearing is scheduled for December 5, in La Junta at the Otero Junior College Student Center.

Summary of August 2019 Financial and Operating Statements: During the month of August, revenue from power sales were better than budget by 11.7% and total cost of goods sold were over budget by 7.7%. Net revenue for the month was \$726,155 which was 50% better than budget. Year to Date revenues are 4% better than budget and cost of goods sold are 1.5% over budget. Net revenues YTD are well above budget at \$3,221,761. Member Energy sales for August were 8.5% more than 2018 and 11.7% better than budget. Member Sales YTD are about 3.4% better than budget.

Next ARPA Meeting: The next regularly scheduled ARPA board meeting is Thursday, October 31, 2019. The meeting will be held by WebCast and Conference Call and will begin at 9:00 AM. ARPA board meetings are open to the public.