

PRESS RELEASE

For questions regarding this press release, please contact Bill Leung, ARPA General Manager, at (719)336-3496.

Trinidad Lawsuit Is Without Merit

The Arkansas River Power Authority (ARPA) received a Complaint filed by the City of Trinidad, one of its member municipalities, on March 3, 2011. The Complaint seeks to terminate Trinidad's relationship with ARPA, which has been supplying the city's wholesale energy requirements since 1979. As grounds, Trinidad claims that ARPA has "mismanaged" the Lamar Repowering Project, a joint project between ARPA and the Lamar Utilities Board to refurbish an existing electric generation facility in Lamar, Colorado to serve the long-term electricity requirements of ARPA's member municipalities.

Higher than projected equipment procurement and construction costs coupled with faulty engineering by ARPA's contractors resulted in cost overruns and delays in the initial startup date for the Lamar Repowering Project. The project commenced commercial operation in 2009, and has been providing a significant portion of the electricity consumed by ARPA's member municipalities since then. ARPA has been working with its boiler manufacturer and other consultants to optimize the facility's performance and to reduce emissions, which has required periodic shut downs. ARPA hopes to have the remaining engineering issues fully resolved by next month.

"We are very disappointed that Trinidad has chosen to pursue this route," said ARPA General Manager Bill Leung. "No one is happy about the problems the Lamar Repowering Project has experienced, but the fact is Trinidad chose to proceed with the Project, approved the bond financing to construct it, and they have been involved with the Project decisions and progress every step of the way," said Leung. He added that "Trinidad knew all along what the Project involved and now they want to leave it up to the ratepayers of the other five ARPA member municipalities to pay for the costs of the Project".

ARPA was formed in 1979 to provide wholesale electricity to several southeastern Colorado communities, including Lamar, La Junta, Las Animas, Springfield, Holly and Trinidad. The Lamar Repowering Project was initially approved by ARPA's board of directors in 2005. Since that time, ARPA has issued approximately \$150 million in bonds to finance the construction and completion of the facility.

ARPA Board President Bob Freidenberger added that "It is too bad Trinidad chose to sue ARPA rather than work through the difficult issues we face in achieving long term stability in our rates. Trinidad's officials seem to forget that for many years the ARPA communities were blessed with some of the lowest rates in Colorado according to semiannual studies conducted by the Colorado Association of Municipal Utilities. They also forget that Trinidad's municipal system was in extreme danger and faced

extraordinary higher costs from regional power suppliers in the late 1970's when ARPA invited Trinidad to join, which immediately reduced the City's electric rates. Now when the going gets a little tough, they want to abandon those communities who welcomed them into the organization."

The ARPA Board indicated it will vigorously defend Trinidad's claims and is studying bringing counterclaims against Trinidad for damages incurred by ARPA over their decision to sue.