



Arkansas River Power Authority
2015 Budget
Adopted November 20, 2014

P O Box 70
3409 South Main
Lamar, CO 81052

The governing body of the Arkansas River Power Authority (ARPA) is a Board of Directors in which all legislative power of the Authority is vested. Each Municipality appoints 2 representatives to the ARPA Board of Directors.

The ARPA Board of Directors is as follows:

Holly:
Currently vacant
David Willhite

La Junta:
Allen Hill
P. Lorenz Sutherland

Lamar:
Houssin Hourieh
John Sutherland

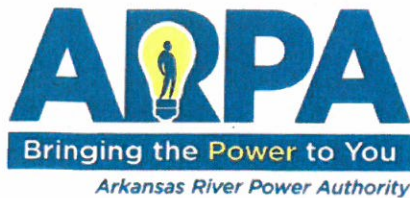
Las Animas:
Ron Clodfelter
Rick Stwalley

Springfield:
Darwin Hansen
Dusty Turner

Trinidad:
Pat Fletcher
Michelle Miles

ARPA Staff:
Rick Rigel, General Manager
Arvenia Morris, Office Manager
Aarin Ritter, Manager of Finance and Accounting

Outside General Counsel:
Craig Johnson, Fairfield and Woods, PC



Rick Rigel, General Manager
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Budget Message for 2015

The Arkansas River Power Authority (ARPA or the Authority) is a political subdivision of the State of Colorado established by its municipal members in 1979 under provisions of an intergovernmental cooperation statute, CRS section 29-1-204. The Authority's primary purpose is to supply the wholesale electric power and energy requirements of its Member Municipalities - Holly, La Junta, Lamar, Las Animas, Trinidad and Springfield, Colorado.

ARPA carries out its mission by obtaining wholesale power supply from a variety of sources and delivering it to the ARPA Member Municipalities who in turn provide retail electric service to their consumers. ARPA's wholesale power sources include purchases of federal hydropower from the Western Area Power Administration ("Western"), energy generated from 5 wind turbines owned by ARPA and the Lamar Utilities Board ("LUB"), and purchases via a long term purchase power agreement with Twin Eagle Resource Management. It is expected the ARPA owned and member owned natural gas and diesel generation will operate for emergency backup only.

The Authority obtains operating revenue through a wholesale rate that is applied to its sale of electric power to the ARPA members. The wholesale power rate recovers the Authority's cost of obtaining and delivering wholesale power while maintaining the debt service coverage ratio as defined in the bond covenants, and payment of the principal and interest on outstanding bonds. ARPA uses the accrual basis in its financial accounting.

The Authority has implemented a straight line method of depreciation for the majority of its assets; however, it has implemented a production method of depreciation for the Lamar Repowering Project ("LRP").

The primary source for power supply for ARPA for 2015 will be purchased from Twin Eagle Resource Management. It is projected that Twin Eagle will provide approximately 65% of the ARPA member's required power supply and the Western federal hydro allocation will provide approximately 27% of the power needs. The balance of the power supply is anticipated to be provided by wind generation.

The 2015 Budget includes no rate increase which will mark the fourth consecutive year without an increase to the wholesale power cost paid by ARPA's members. The budget includes the continued use of a Debt Service Coverage Adder that collects revenue required to meet the Debt Service Coverage in ARPA's bond covenants. The revenues collected through this tariff are subject to the Return of Reserves program used to stabilize member's rates.

The 2015 budget includes expenditures relative to the ongoing analysis for the disposition of the LRP. The LRP was not able to meet its air quality emissions requirements and other contract performance guarantees. As a result, the Authority filed suit against the boiler manufacturer, Babcock and Wilcox, in early 2014. The 2015 LRP operating budget has been reduced to reflect minimal operating and maintenance costs that are consistent with the non-operational status of the plant.

ARPA Member Municipalities: Holly ♦ La Junta ♦ Lamar ♦ Las Animas ♦ Springfield ♦ Trinidad

There is no rate increase expected from the Western contracts. Western provides, through long-term power supply contracts with both ARPA (Loveland Area Projects) and ARPA member, Lamar Utilities Board (Colorado River Storage Project), an allocation of federal hydro-power. The current contracts with Western extend through 2024.

The Authority has two Network Integration Transmission Service (NITS) agreements for transmission service to its members, one with the Tri-State Generation and Transmission Association and one with the Black Hills Colorado Electric Utility Company. The Authority is budgeting for slightly higher transmission costs relative to these services.

The Authority's goals and services for 2015 remain much the same as 2014 as ARPA continues to plan and prepare for the challenges the electric industry is experiencing. While the challenges are many, the Authority has managed to benefit from certain market opportunities that have allowed it to maintain stable rates and services that benefit all ARPA members.

The ARPA Board of Directors and staff continually strive to fulfill ARPA's Mission.

Mission Statement

We are committed to work together to promote the long term economic well-being of our municipal members and their consumers by providing a dependable and competitively priced supply of wholesale electric power in an environmentally sound manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard Rigel". The signature is written in a cursive, flowing style.

Richard Rigel

General Manager

Arkansas River Power Authority
Condensed Operating Budget For 2015

	<u>2013 Actual</u>	<u>2014 Budget</u>	<u>2014 Projected YE</u>	<u>2015 Budget</u>
	(\$)	(\$)	(\$)	(\$)
Total Revenues	31,119,630	30,280,728	31,122,509	31,098,718
Operating Expenses				
Power Supply	14,375,932	13,261,443	14,357,027	13,667,337
Transmission	2,547,313	2,679,062	2,394,796	2,661,322
Administrative & General	1,240,498	1,305,084	1,673,202	1,351,311
Total Operating Expenses	18,163,743	17,245,589	18,425,025	17,679,971
Net Operating Income	12,955,887	13,035,139	12,697,484	13,418,747
Interest Expenses	8,353,190	8,254,998	8,254,998	8,154,519
Depreciation/Amortization	868,633	1,043,393	1,043,393	868,769
Total	9,221,823	9,298,391	9,298,391	9,023,288
Net Income	3,734,064	3,736,748	3,399,093	4,395,459
Non Operating Expenses				
Return of Reserves	(1,767,148)	(1,692,198)	(2,551,860)	(2,555,508)
Depreciation/Amortization	868,633	1,043,393	1,043,393	868,769
Amortization Income	(256,431)	(256,431)	(256,431)	(256,431)
Principal Payments	(1,860,000)	(1,968,747)	(1,968,747)	(2,067,501)
Capital Purchases	(164,130)	(262,500)	(10,000)	(162,500)
Total Non Operating Expenses	(3,179,075)	(3,136,482)	(3,743,645)	(4,173,171)
Net Cash from Operations	554,988	600,266	(344,552)	222,289

Arkansas River Power Authority
Expenses for Budget 2015

	2013	2014	2014	2015	Difference	% of
	Actual	Budget	Projected YE	Budget	From Projected	Difference
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
Power Supply Costs						
LLP- LRP	2,325,384	1,342,600	1,437,266	955,004	(482,262)	-50%
Emission Allowances	3	-	-	-	-	0%
O & M Expenses	66,245	13,500	7,046	13,500	6,454	48%
Fuel (Non-LRP)	2,204	14,400	7,150	14,400	7,250	50%
WAPA LAP	3,199,729	3,208,551	3,193,375	3,024,586	(168,789)	-6%
WAPA CRSP	250,865	236,288	236,268	236,061	(207)	0%
ARPA Wind	82,975	83,523	85,744	83,523	(2,221)	-3%
Lamar Wind	641,985	644,044	650,180	644,044	(6,136)	-1%
Purchased Power	7,400,530	7,310,537	8,352,790	8,497,219	144,429	2%
Scheduling Service	228,000	228,000	228,000	19,000	(209,000)	-1100%
Spinning Reserve	178,011	180,000	159,207	180,000	20,793	12%
Total Power Supply Costs	14,375,932	13,261,443	14,357,027	13,667,337	(689,690)	-5%
Transmission Costs						
Tri-State G & T	2,054,844	2,023,568	1,820,956	1,951,314	130,358	7%
SECPA	27,565	42,101	29,192	41,021	11,829	29%
San Isabel	186,943	187,164	182,238	182,548	310	0%
Lamar Light & Power	33,888	28,652	33,934	34,013	79	0%
Black Hills	106,622	185,375	170,980	189,718	18,738	10%
OATT Transmission	37,576	110,201	77,223	160,708	83,485	52%
Ancillary Services- Xcel	99,874	102,000	80,273	102,000	21,727	21%
Total Transmission Costs	2,547,313	2,679,062	2,394,796	2,661,322	266,526	10%
Administrative & General Expenses						
Dues & Subscription	17,368	23,548	15,686	24,559	8,873	36%
Employee Expenses	313,469	327,442	329,810	343,444	13,633	4%
Insurance Expenses	57,338	62,821	55,941	54,058	(1,883)	-3%
Lease Exp - LRP City Land	2,707	2,844	2,734	2,762	27	1%
Lease Exp - Willow Creek Line	2,087	2,150	2,149	2,214	64	3%
Members Services	4,087	8,800	7,272	8,800	1,528	17%
Office Expenses	22,720	28,700	30,788	28,700	(2,088)	-7%
Professional & Outside Svcs	789,275	800,004	1,196,332	850,000	(346,332)	-41%
Safety Program	11,775	11,775	11,775	11,775	-	0%
Travel, Meals & lodging	19,671	37,000	20,715	25,000	4,285	17%
Total A & G Expenses	1,240,498	1,305,084	1,673,202	1,351,311	(321,891)	-24%
Total Operating Expenses	18,163,743	17,245,589	18,425,025	17,679,971	(745,054)	-4%
Interest Expenses	8,353,190	8,254,998	8,254,998	8,154,519	(100,479)	-1%
Depreciation/Amortization	868,633	1,043,393	1,043,393	868,769	(174,624)	-20%
Total Expenses	27,385,566	26,543,980	27,723,416	26,703,259	(1,020,157)	-4%
Capital Outlays						
Willow Creek T-Line	-	-	-	-	-	0%
Misc. Capital Exp.	12,500	162,500	10,000	162,500	152,500	94%
LRP	151,630	100,000	-	-	-	#DIV/0!
Total Capital Outlays	164,130	262,500	10,000	162,500	152,500	94%
Total Expenses (Incl. Capital)	27,549,696	26,806,480	27,733,416	26,865,759	(867,657)	-3%

Arkansas River Power Authority
2015 Budget Recap

	Jan (\$)	Feb (\$)	Mar (\$)	Apr (\$)	May (\$)	June (\$)	July (\$)	Aug (\$)	Sep (\$)	Oct (\$)	Nov (\$)	Dec (\$)	2015 Budget (\$)	2014 Projected (\$)	2014 Budget (\$)
Power Supply Costs															
LLP- LRP	73,334	110,834	110,834	73,334	73,334	73,334	73,334	73,334	73,334	73,334	73,334	73,334	955,004	1,437,266	1,342,600
Emission Allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O & M Expenses	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	13,500	7,046	13,500
Fuel (Non-LRP)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400	7,150	14,400
WAPA LAP	234,985	201,888	200,187	257,566	255,938	300,354	350,371	292,486	246,729	222,133	220,439	241,510	3,024,586	3,193,375	3,208,551
WAPA CRSP	21,927	20,772	21,218	16,716	17,104	18,152	19,360	18,701	17,383	20,998	21,388	22,342	236,061	236,268	236,288
ARPA Wind	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	6,960	83,523	85,744	83,523
Lamar Wind	54,044	54,138	54,363	54,126	53,449	56,181	52,952	53,314	52,066	52,532	53,401	53,478	644,044	650,180	644,044
Purchased Power	736,760	666,853	674,643	560,025	615,078	760,998	816,573	886,445	780,805	638,828	630,753	729,458	8,497,219	8,352,790	7,310,537
Scheduling Service	19,000	-	-	-	-	-	-	-	-	-	-	-	19,000	228,000	228,000
Spinning Reserve	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	180,000	159,207	180,000
Total Power Supply Costs	1,164,335	1,078,770	1,085,530	986,052	1,039,188	1,233,304	1,336,875	1,348,565	1,194,602	1,032,110	1,023,600	1,144,407	13,667,337	14,357,027	13,261,443
Transmission Costs															
Tri-State G & T	147,602	145,804	146,444	145,006	145,067	182,728	182,728	182,728	182,728	163,493	163,493	163,493	1,951,314	1,820,956	2,023,568
SECPA	3,452	3,105	3,092	2,924	3,197	4,123	4,395	3,633	3,406	3,012	3,114	3,568	41,021	29,192	42,101
San Isabel	16,785	14,818	15,233	14,043	13,889	15,161	16,324	15,163	14,132	14,427	15,217	17,356	182,548	182,238	187,164
Lamar Light & Power	2,126	1,977	2,027	2,126	3,066	4,103	4,152	4,152	3,659	2,126	2,126	2,373	34,013	33,934	28,652
Black Hills	13,594	13,782	13,203	11,800	15,210	19,526	20,325	20,716	21,359	13,182	12,800	14,221	189,718	170,980	185,375
AATT	9,183	13,775	13,775	13,775	13,775	13,775	13,775	13,775	13,775	13,775	13,775	13,775	160,708	77,223	110,201
Ancillary Services- Xcel	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	102,000	80,273	102,000
Total Transmission Costs	201,242	201,761	202,274	198,174	202,704	247,916	250,199	248,667	247,559	218,515	219,025	223,286	2,661,322	2,394,796	2,679,062
Administrative & General Expenses															
Dues & Subscription	6,567	341	384	11,111	831	535	265	465	3,165	265	265	365	24,559	15,686	23,548
Employee Expenses	28,620	28,620	28,620	28,620	28,620	28,620	28,620	28,620	28,620	28,620	28,620	28,620	343,444	329,810	327,442
Insurance Expenses	4,505	4,505	4,505	4,505	4,505	4,505	4,505	4,505	4,505	4,505	4,505	4,505	54,058	55,941	62,821
Lease Exp - LRP City Land	2,762	-	-	-	-	-	-	-	-	-	-	-	2,762	2,734	2,844
Lease Exp - Willow Creek	2,214	-	-	-	-	-	-	-	-	-	-	-	2,214	2,149	2,150
Members Services	1,400	1,400	400	400	400	400	400	400	1,400	1,400	400	400	8,800	7,272	8,800
Office Expenses	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	1,975	6,975	1,975	1,975	28,700	30,788	28,700
Professional & Outside Svcs	82,000	113,000	63,500	63,500	71,000	71,000	63,500	63,500	68,500	63,500	63,500	63,500	850,000	1,196,332	800,004
Safety Program	-	-	-	-	-	-	-	-	-	11,775	-	-	11,775	11,775	11,775
Travel, Meals & Lodging	2,083	2,083	2,083	2,083	2,083	2,084	2,083	2,084	2,083	2,084	2,083	2,084	25,000	20,715	37,000
Total A & G Expenses	132,125	151,924	101,467	112,194	109,414	109,119	101,348	101,549	110,248	119,124	101,348	101,449	1,351,311	1,673,202	1,305,084
Total Operating Expenses	1,497,702	1,432,455	1,389,272	1,296,420	1,351,306	1,590,339	1,688,422	1,698,781	1,552,409	1,369,749	1,343,973	1,469,142	17,679,971	18,425,025	17,245,589
Interest Expenses	681,768	681,768	681,768	681,768	681,768	681,768	681,768	681,768	681,768	672,869	672,869	672,869	8,154,519	8,254,998	8,254,998
Depreciation/Amortization	72,397	72,397	72,397	72,397	72,397	72,397	72,397	72,397	72,397	72,397	72,397	72,402	868,769	1,043,393	1,043,393
Total Expenses	2,251,867	2,186,620	2,143,437	2,050,585	2,105,471	2,344,504	2,442,587	2,452,946	2,306,574	2,115,015	2,089,239	2,214,413	26,703,259	27,723,416	26,543,980

Avg Composite Rate	\$ 0.10629	<u>kWh</u>	<u>Rate</u>	<u>Amount (\$)</u>	
		261,083,616	0.0935	\$24,411,318	Energy Rate
		558,081	5.49	\$3,063,866	Demand Rate
		261,083,616	0.00000	\$0	DSC Adder
		275,403	1	\$275,403	Reimb Transmission
				\$27,750,588	

Arkansas River Power Authority Budgeted Revenues for 2015

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2015 Total	2014 Budget
Members	21,727,070	19,298,661	20,137,544	19,069,957	20,340,350	24,685,917	26,773,772	26,365,656	22,142,590	19,403,671	19,305,339	21,833,089	261,083,616	261,950,141
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sales to Members	2,309,370	2,051,255	2,140,420	2,026,946	2,161,976	2,623,866	2,845,784	2,802,406	2,353,536	2,062,416	2,051,964	2,320,639	27,750,578	29,487,727
Lamar CRSP	27,603	25,727	26,451	20,556	21,186	22,888	24,850	23,779	21,639	26,094	26,728	28,277	295,778	296,146
Debt Service Adder	212,959	212,959	212,959	212,959	212,959	212,959	212,959	212,959	212,959	212,959	212,959	212,959	2,555,508	0
Off-system Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	240,424
Interest Income	10,000	10,000	70,212	10,000	10,000	10,000	10,000	10,000	70,212	10,000	10,000	10,000	240,424	256,431
Amortization	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	21,369	256,431	0
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total Revenues	2,581,301	2,321,310	2,471,411	2,291,830	2,427,490	2,891,082	3,114,962	3,070,513	2,679,715	2,332,838	2,323,021	2,593,244	31,098,718	30,280,728
	8.3%	7.5%	7.9%	7.4%	7.8%	9.3%	10.0%	9.9%	8.6%	7.5%	7.5%	8.3%	100.0%	

Arkansas River Power Authority
Fund Balance

	12/31/2014	12/31/2015	Change
Cash & Cash Equivalents, Unrestricted	\$ 2,652,756	\$ 2,875,045	\$ 222,289
Cash & Cash Equivalents, Restricted	15,551,550	15,783,650	232,100
Total Cash & Cash Equivalents	\$ 18,204,306	\$ 18,658,695	\$ 454,389

	Projected 12/31/2014	Projected Changes in 2015	Projected 12/31/2015
Restricted Funds			
DS Reserve (LRP Bonds)	\$ 12,222,583	-	12,222,583
Surplus DS Reserve (Interest Earned)	-	229,500	229,500
Bond Payment Fund	2,523,939	-	2,523,939
Capacity Fund	-	-	-
Working Capital Fund	-	-	-
Reserve Fund (2003 Bonds)	267,413	2,600	270,013
2010 Project Fund	537,615	-	537,615
Transmission Maintenance	-	-	-
	\$ 15,551,550	232,100	15,783,650

RESOLUTION No. 11 -14

WHEREAS, the Arkansas River Power Authority (ARPA) was created and organized as a political subdivision of the State of Colorado; and

WHEREAS, it is necessary that the Board of Directors adopt a budget for the year 2015; and

WHEREAS, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2015 budget at a regular meeting of the Board of Directors on November 20, 2014, at which meeting a quorum of the Board was present; and

WHEREAS, the Board is now appropriately advised and desires to take action on the proposed budget dated November 20, 2014

BE IT RESOLVED By The Board of Directors of the Arkansas River Power Authority (ARPA) that:

(1) Title

This Resolution shall govern the expenditure of funds by general purpose and amount for the calendar year 2015 commencing January 1 and ending December 31, and may be cited as "ARPA Budget and Appropriation Resolution of 2015".

(2)

The 2015 Budget presented to the Board on November 20, 2014, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA the sum of Twenty-six million, Seven hundred and three thousand, two hundred fifty-nine (\$26,703,259) dollars or so much thereof as the General Manager shall find necessary or desirable to expend to conduct the activities of ARPA, in accordance with the budget herein adopted and the ARPA Fiscal Resolution as it currently exists or as it may subsequently be amended.

Dated this 20th day of November, 2014.



David R. Willhite
President
Board of Directors
Arkansas River Power Authority

ATTEST:



Arvenia L. Morris
Secretary

AYES: 9
NAYS: 2
ABSENT: 0