



BUSINESS OPERATIONS – September 2021

ARPA Board Reviews Preliminary 2022 Budget: A preliminary budget was presented to the ARPA Board of Directors at its August 26 meeting. The budget includes total revenues of \$30.4 million, power supply costs of \$14.3 million, transmission costs of \$3.5 million, A&G costs of \$1.4 million, and debt service costs of \$8.3 million. This debt service amount is a reduction of \$1.2 million from the 2020 budget due to the retirement of the 2010 Bonds in January 2021. The budget also includes achieving a 1.29x debt service coverage and full funding for bond reserve accounts as required by ARPA’s bond covenants. There is no rate increase included in the 2022 budget. ARPA adopted a rate decrease in 2021 that is carried forward in its 2022 budget, and the lower rate is projected to remain in effect through 2024. The budget hearing and final approval of the 2022 budget is scheduled for December 2 at the Board of Directors meeting to be held in La Junta.

FitchRatings Reaffirms ARPA’s Investment Grade Credit Rating of BBB- with Stable Outlook: Fitch Ratings recently affirmed its investment grade BBB- long-term rating and underlying rating on the Arkansas River Power Authority’s power revenue bonds. The outlook is stable. The rating reflects ARPA’s strong revenue defensibility and strong operating risk profile. ARPA’s strong revenue defensibility is derived from its all-requirements long-term wholesale power supply contracts and the independent legal ability of ARPA, and its members, to raise electric rates if necessary. Operating risk is characterized by a low operating cost burden, reflecting ARPA’s low purchased power costs. ARPA’s power supply is provided primarily through a purchase contract through January 31, 2025. The Rating weaknesses identified included ARPA’s debt service being elevated due to the issuance of debt related to revenue bonds associated with the Lamar Repowering Project. The full Fitch rating report can be viewed [here](#).

Summary of July 2021 Financial and Operating Statements: During the month of July, revenue from power sales were 1.9% under budget and total cost of goods sold were under budget by 7.7%. Net Operating revenue for the month was \$870,198. Year to Date revenues from power sales are 1.5% less than budget and cost of goods sold are 3.6% under budget. Net Operating revenues YTD are \$3.27 million. Member Energy sales were 2.5% less than budget in July and 4.9% less when compared to July 2020. Member Sales YTD are 1.6% less than budget and 3.5% lower than 2020.

Western Area Power Administration CRSP Hydro Update: WAPA is currently reviewing a 24-Month Study report for the Colorado River. The Colorado River Storage Project sells hydropower generated at 11 federal dams in the Upper Colorado River Basin, including Glen Canyon Dam. The Colorado River is at historically low water levels following two decades of drought. When there is less hydropower, replacement power may need to be purchased in the open market, to fulfill contractual obligations, which is frequently more expensive than federal hydropower. WAPA is working with power customers to mitigate drought impacts and alleviate any loss of hydropower generation. Unfortunately for WAPA-CRSP customers, it appears the hydro-allocations will be reduced to reflect the decreased generation from the hydro generating resources.

Next ARPA Meeting: The next regularly scheduled meeting of the ARPA Board of Directors is Thursday, September 30, 2021. The meeting will be held at the Holly Senior and Community Center, in Holly, CO. The meeting notice and agenda will be posted on ARPA’s website (arpapower.org) under [Public Notices](#) and will also be posted in a designated location in each of the member cities at least 24 hours in advance of the meeting. ARPA board meetings are open to the public.