



Arkansas River Power Authority
2021 Adopted Budget
December 3, 2020

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:

Calvin Melcher

Mike Tanner

La Junta:

Gary Cranson

P. Lorenz Sutherland

Lamar:

Houssin Hourieh

Roger Stagner

Las Animas:

Ron Clodfelter

Rick Stwalley

Springfield:

Darwin Hansen

Jay Suhler

Trinidad:

Carlos Lopez

Mike Valentine

ARPA Staff:

Rick Rigel, General Manager

Arvenia Morris, Office Manager

Aarin Ritter, Manager of Finance and Accounting



Rick Rigel, *General Manager*
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Budget Message for 2021

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.

The Authority 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. The Authority’s wholesale power sources include purchases of federal hydropower from the Western Area Power Administration (“WAPA”), energy generated from 5 wind turbines owned by ARPA and the Lamar Utilities Board, and purchases via a long-term purchase power agreement with the Public Service Company of Colorado (“PSCo”). ARPA and its members also own a small amount of natural gas and diesel generation. This generation is operated 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 its assets.

The Authority’s primary source for power supply in 2021 will be purchased from PSCo. It is projected that PSCo will provide approximately 64% of the power required by the ARPA members. The PSCo contract goes through January of 2025.

WAPA provides approximately 28% of the power needs for the Authority through an allocation of federal hydro-power via two long-term contracts. ARPA’s contract, through the Loveland Area Projects (LAP), extends through 2054 and the second contract, between WAPA-CRSP (Colorado River Storage Project) and the Lamar Utilities Board, extends through 2057.

The balance of ARPA’s power supply needs are provided by wind generation from the Lamar and Springfield wind turbines.

The Authority has two Network Integration Transmission Service 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. In addition, it has a handful of sub-transmission agreements with a variety of providers for service to its members.

The 2021 Budget will include a 3.57% energy rate decrease. The rate decrease in 2021 follows a rate decrease of 2% in 2019 which followed several years of no rate changes for the Authority. ARPA has managed to keep its rates stable dating back to 2012; however, it was able to lower the energy rate in 2019 and believes the lower rate in 2021 is sustainable through the term of its current power supply contract with PSCo.

The 2021 budget includes Non-Operating expenditures relative to the demolition of the Lamar Repowering Project (“LRP”) as well. Beginning in the Fourth Quarter of 2020, demolition of the LRP will begin. The demolition is scheduled for completion no later than July of 2021.

The Authority’s Board of Directors implemented a long-term financial plan in 2018 that included accruing sufficient funds to retire ARPA’s 2010 bond series. The 2010 bonds became eligible for retirement on October 1, 2020. The 2021 Budget includes funding for the retirement of the debt which results in a significant savings of approximately \$1.3 million annually, and is a critical element for the 2021 rate decrease.

The Authority’s improved financial position and long-term planning resulted in an upgrade of the Authority’s credit rating. In 2018, S&P Global Ratings upgraded the Authority’s credit rating to a BBB with a stable outlook. That credit rating was reaffirmed in 2019 and 2020. In addition, the Authority also received an investment grade credit rating from Fitch in 2018 that was updated and reaffirmed in 2019 and 2020.

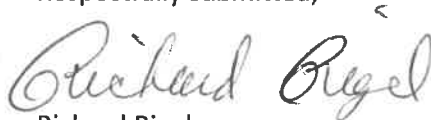
The Authority believes it has positioned itself well going forward and has reason to be optimistic about its ability to bring its long term planning to fruition. The future rate trajectory for the Authority is stable to declining rates over the next few years.

The Authority’s Board of Directors and staff continually strive to fulfill the Authority’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 cursive script that reads "Richard Rigel".

Richard Rigel

General Manager

Arkansas River Power Authority
Condensed Operating Budget For 2021

	2019	2020	2020	2021
	Actual	Budget	Projected YE	Budget
	(\$)	(\$)	(\$)	(\$)
Total Revenues	32,161,484	31,045,620	32,079,986	30,407,821
Operating Expenses				
Power Supply	13,999,019	14,381,818	13,913,469	14,054,341
Transmission	3,240,467	3,345,370	3,315,325	3,582,634
Administrative & General	936,416	1,862,866	1,446,941	1,356,672
Total Operating Expenses	18,175,902	19,590,054	18,675,736	18,993,646
Net Operating Income	13,985,582	11,455,566	13,404,250	11,414,174
Interest Expenses	6,665,763	6,553,425	6,553,425	5,527,767
Depreciation/Amortization	269,617	268,711	268,709	268,711
Total	6,935,380	6,822,136	6,822,134	5,796,478
Net Income	7,050,202	4,633,430	6,582,116	5,617,696
Non Operating Expenses				
Return of Reserves	(2,390,588)	(2,383,668)	(2,384,199)	(2,069,130)
Depreciation/Amortization	269,617	268,711	268,709	268,711
Amortization Income	(455,822)	(455,822)	(455,821)	(455,822)
City of Lamar Settlement	(124,450)	(129,843)	(129,843)	(135,470)
B & W Settlement Misc. A/R	2,500,000	2,000,000	2,000,000	-
Principal Payments	(2,867,502)	(2,981,247)	(2,981,247)	(16,276,027)
LRP Demolition	-	-	(250,709)	(1,389,513)
Capital Purchases/ Contingency	(21,064)	(565,000)	(165,000)	(165,000)
Total Non Operating Expenses	(3,089,809)	(4,246,869)	(4,098,110)	(20,222,251)
Net Cash	3,960,393	386,561	2,484,006	(14,604,555)

Arkansas River Power Authority
Expenses for 2021 Budget

	2019	2020	2020	2021	Difference	% of
	Actual	Budget	Projected YE	Budget	From Projected	Difference
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
Power Supply Costs						
LLP- LRP	408,239	900,000	353,526	-	(353,526)	-100.0%
O & M Expenses	2,850	13,500	3,802	13,500	9,698	255.1%
Fuel (Non-LRP)	7,059	14,400	3,595	14,400	10,805	300.5%
WAPA LAP	2,418,171	2,424,229	2,416,237	2,424,229	7,992	0.3%
WAPA CRSP	236,332	236,288	234,832	221,362	(13,470)	-5.7%
ARPA Wind	84,665	85,114	84,853	85,114	261	0.3%
Lamar Wind	650,437	641,187	675,438	667,889	(7,549)	-1.1%
Purchased Power	10,191,264	10,067,100	10,141,186	10,627,847	486,661	4.8%
Scheduling Service	-	-	-	-	-	0.0%
Spinning Reserve	-	-	-	-	-	0.0%
Total Power Supply Costs	13,999,016	14,381,818	13,913,469	14,054,341	140,872	1.0%
Transmission Costs						
Tri-State G & T	2,466,061	2,389,217	2,529,928	2,665,430	135,502	5.4%
SECPA	27,916	35,103	28,461	35,457	6,996	24.6%
San Isabel	243,874	248,394	219,648	212,651	(6,997)	-3.2%
Lamar Light & Power	55,969	41,355	40,922	41,355	433	1.1%
Black Hills	149,165	246,399	167,942	242,829	74,887	44.6%
OATT Transmission	30,743	82,650	74,253	82,650	8,397	11.3%
Ancillary Services- Xcel	266,737	302,251	254,172	302,261	48,090	18.9%
Total Transmission Costs	3,240,467	3,345,370	3,315,325	3,582,634	267,308	8.1%
Administrative & General Expenses						
Bond Issue Expense	-	-	-	-	-	-100.0%
Dues & Subscription	31,187	35,880	28,746	35,979	7,233	25.2%
Employee Expenses	363,753	427,230	418,795	420,560	1,765	0.4%
Insurance Expenses	40,949	44,932	44,006	44,932	926	2.1%
City of Lamar Settlement	196,383	214,530	219,203	214,530	(4,673)	-2.1%
Lease Exp - LRP City Land	1,000	1,000	1,000	1,000	-	0.0%
Lease Exp - Willow Creek	2,492	2,566	2,566	2,643	77	3.0%
Members Services	13,272	8,800	8,457	8,800	343	4.1%
Office Expenses	23,789	21,687	22,200	21,687	(513)	-2.3%
Professional & Outside Svcs	197,156	566,000	520,890	566,300	45,410	8.7%
LRP Engineer and Contractor	39,536	500,000	170,685	-	(170,685)	-100.0%
Safety Program	6,062	15,240	1,200	15,240	14,040	1170.0%
Travel, Meals & lodging	20,837	25,000	9,193	25,000	15,807	172.0%
Total A & G Expenses	936,416	1,862,866	1,446,941	1,356,672	(90,270)	-6.2%
Total Operating Expenses	18,175,899	19,590,054	18,675,736	18,993,646	317,910	1.7%
Interest Expenses	6,665,763	6,553,425	6,553,425	5,527,767	(1,025,658)	-15.7%
Depreciation/Amortization	269,617	268,711	268,709	268,711	2	0.0%
Total Expenses	25,111,279	26,412,190	25,497,870	24,790,124	(707,745)	-2.8%
Capital Outlays						
Willow Creek T-Line	-	-	-	-	-	0.0%
Misc. Capital Exp.	21,064	165,000	165,000	165,000	-	0.0%
LRP Contingency	-	400,000	-	-	-	100.0%
Total Capital/ Contingency	21,064	565,000	165,000	165,000	-	0.0%
Total Expenses (Incl. Capital)	25,132,343	26,977,190	25,662,870	24,955,124	(707,745)	-2.8%

**Arkansas River Power Authority
2021 Proposed Budget Recap**

	Jan (\$)	Feb (\$)	Mar (\$)	Apr (\$)	May (\$)	June (\$)	July (\$)	Aug (\$)	Sep (\$)	Oct (\$)	Nov (\$)	Dec (\$)	2021 Budget (\$)	2020 Projected (\$)	2020 Budget (\$)	
Power Supply Costs																
LLP - LRP	-	-	-	-	-	-	-	-	-	-	-	-	-	353,526	-	900,000
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	3,802	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	3,595	14,400	
WAPA LAP	180,811	162,031	168,456	215,833	220,569	236,132	265,903	236,132	204,330	175,375	175,375	183,282	2,424,229	2,416,237	2,424,229	
WAPA CRSP	20,543	19,460	19,694	15,659	16,023	17,006	18,138	17,520	16,284	19,773	20,131	20,931	221,362	234,832	236,288	
ARPA Wind	7,359	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	85,114	84,853	85,114	
Lamar Wind	55,312	55,986	55,610	55,610	55,839	55,922	55,681	55,757	55,651	55,433	55,433	55,431	667,889	675,438	641,187	
Purchased Power	873,209	807,291	854,088	678,357	746,386	968,259	1,167,531	1,100,613	1,007,874	786,201	770,241	867,597	10,627,847	10,141,186	10,067,100	
Scheduling Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Spinning Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Power Supply Costs	1,139,559	1,054,162	1,107,601	974,853	1,048,411	1,286,713	1,516,647	1,419,416	1,293,533	1,046,241	1,030,574	1,136,635	14,054,341	13,913,469	14,381,818	
Transmission Costs																
Tri-State G & T	222,350	221,966	219,139	219,782	221,846	222,453	223,237	222,255	221,425	224,411	223,850	222,716	2,665,430	2,529,928	2,389,217	
SECPA	2,953	2,512	2,525	2,307	2,528	3,405	4,357	3,802	3,098	2,564	2,544	2,862	35,457	28,461	35,103	
San Isabel	19,924	17,108	17,504	16,027	15,900	17,112	19,255	18,289	16,705	16,827	17,755	20,250	212,651	219,648	248,394	
Lamar Light & Power	2,276	2,276	2,573	2,837	3,627	5,176	5,638	5,176	4,580	2,606	2,310	2,310	41,355	40,922	41,355	
Black Hills	17,574	16,111	16,905	14,725	18,652	27,017	29,571	26,141	24,575	17,253	16,750	17,556	242,829	167,942	246,399	
OATT	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	82,650	74,253	82,650	
Ancillary Services: Xcel	21,949	21,297	17,906	20,205	27,920	33,201	33,969	29,671	30,679	20,604	21,919	22,944	302,261	254,172	302,251	
Total Transmission Costs	293,912	288,156	283,439	282,770	297,360	315,251	322,914	312,221	307,919	291,152	292,015	295,525	3,582,634	3,315,325	3,345,370	
Administrative & General Expenses																
Bond Issue Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Subscription	9,371	341	284	13,956	831	435	2,129	265	1,765	1,963	4,274	365	35,979	28,746	35,880	
Employee Expenses	35,342	34,997	34,997	34,997	34,997	34,997	34,997	34,997	34,997	34,997	35,123	35,123	420,560	418,795	427,230	
Insurance Expenses	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	3,744	44,932	44,006	44,932	
City of Lamar Settlement	18,096	18,057	18,017	17,978	17,938	17,898	17,858	17,818	17,778	17,738	17,697	17,657	214,530	219,203	214,530	
Lease Exp - LRP City Land	1,000	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000	
Lease Exp - Willow Creek	2,643	-	-	-	-	-	-	-	-	-	-	-	2,643	2,566	2,566	
Members Services	1,400	1,400	400	400	400	400	400	400	1,400	1,400	400	400	8,800	8,457	8,800	
Office Expenses	1,807	1,807	1,807	1,808	1,807	1,807	1,807	1,808	1,807	1,807	1,807	1,808	21,687	22,200	21,687	
Professional & Outside Svcs	56,167	87,167	37,667	37,667	48,967	55,167	45,167	37,667	42,667	42,667	37,667	37,663	566,300	520,890	566,000	
LRP Engineer and Contractor	-	-	-	-	-	-	-	-	-	-	-	-	-	170,685	500,000	
Safety Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Travel, Meals & Lodging	2,083	2,083	2,084	2,083	2,083	2,084	2,083	2,083	2,084	2,083	2,083	2,084	25,000	9,193	25,000	
Total A & G Expenses	131,653	149,596	99,000	112,633	110,767	116,532	108,186	98,782	106,242	121,639	102,796	98,844	1,356,672	1,446,941	1,862,866	
Total Operating Expenses	1,565,124	1,491,914	1,490,040	1,370,255	1,456,538	1,718,496	1,947,746	1,830,419	1,707,694	1,459,032	1,425,385	1,531,004	18,993,646	18,675,736	19,590,054	
Interest Expenses	462,985	462,985	462,985	462,985	462,985	462,985	462,985	462,985	462,985	462,985	462,985	462,985	5,527,767	6,553,425	6,553,425	
Depreciation/Amortization	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	268,711	268,709	268,711	
Total Expenses	2,050,502	1,977,292	1,975,418	1,855,633	1,941,916	2,203,874	2,433,124	2,315,797	2,193,072	1,935,059	1,901,410	2,007,028	24,790,124	25,497,870	26,412,190	

Avg Composite Rate	\$	0.10115	kWh	Rate	Amount (\$)	Energy Rate	Demand Rate
			271,580,311	0.08836	\$23,996,836		
			566,411	5.49	\$3,109,595		
			271,580,311	0.00000	\$0	DSC Adder	
			362,900	1	\$362,900	Reimb Transmission	
					\$27,469,331		

**Arkansas River Power Authority
Revenues for 2021 Proposed Budget**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2021 Total	2020 Budget
Members	22,336,437	19,606,042	20,519,473	19,434,678	20,790,582	25,953,307	30,027,957	27,372,920	23,666,912	20,024,140	19,819,546	22,028,317	271,580,311	262,253,990
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sales to Members	2,259,331	1,983,151	2,075,545	1,965,818	2,102,967	2,625,177	3,037,328	2,768,771	2,393,908	2,025,442	2,004,747	2,228,164	27,470,348	27,489,463
Lamar CRSP	27,290	25,351	26,128	20,224	20,876	22,636	24,664	23,557	21,343	25,912	26,553	27,986	292,520	296,146
Debt Service Adder	172,413	172,413	172,413	172,413	172,413	172,413	172,413	172,413	172,413	172,471	172,471	172,471	2,069,130	2,383,668
Off-system Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Income	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	420,521
Amortization	37,985	37,985	37,985	37,985	37,985	37,985	37,985	37,985	37,985	37,985	37,985	37,985	455,822	455,822
LRP Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0
B & W Settlement Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total Revenues	2,507,019	2,228,900	2,322,071	2,206,440	2,344,242	2,868,211	3,282,390	3,012,726	2,635,649	2,271,810	2,251,756	2,476,606	30,407,821	31,045,620
	8.2%	7.3%	7.6%	7.3%	7.7%	9.4%	10.8%	9.9%	8.7%	7.5%	7.4%	8.1%	100.0%	100.0%

RESOLUTION No. 06 -20

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 2021; and

WHEREAS, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2021 budget at a regular meeting of the Board of Directors on December 3, 2020, 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 December 3, 2020

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 2021 commencing January 1 and ending December 31, and may be cited as "ARPA Budget and Appropriation Resolution of 2021".

(2)

The 2021 Budget presented to the Board on December 3, 2020, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA, the sum of Twenty-four million, seven hundred ninety thousand, one hundred twenty-four (\$24,790,124) 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 3rd day of December, 2020.


Richard Stwalley
President
Board of Directors
Arkansas River Power Authority


SEAL
ATTEST:

Arvenia L. Morris
Secretary