



BUSINESS OPERATIONS – AUGUST 10, 2016

ARPA Board Hears Various Scenarios for Refunding/Refinancing its Bond Debt: The ARPA Board discussed various scenarios presented by Goldman Sachs for refinancing and/or restructuring ARPA's debt. The scenarios range from a traditional refunding which would take advantage of lower interest rates currently available in the market, to restructuring the debt to realize more savings in near-term years and less or no savings in later years, to extending the debt beyond the current bond retirement date which would increase annual savings, but would result in higher interest costs over the long-term. Joseph Natoli, from Goldman Sachs, is scheduled to attend the August 25th board meeting in Las Animas to review the scenarios in detail and address questions from the Board.

Policy on Distributed Generation (DG) Must Include Fixed Cost Recovery: With utilities facing an increased interest from its customers to install distributed generation, such as wind and solar, ARPA and its members are working to develop a policy to adequately address the impact that DG could have on its fixed cost. The ARPA Board is exploring rate modifications that will not increase rates, but would alter how its fixed costs are recovered through its rates. Options include implementing a fixed rate recovery charge or establishing a base rate for capacity and energy. ARPA's fixed costs include debt service, A&G, and capacity related costs, which may not be fully recovered in its current rate structure if a DG system was installed. These fixed costs differ from incremental costs such as purchased power and transmission costs that are associated with energy sales and usage. The Board will continue to analyze its options regarding fixed cost recovery.

Arbitrage Calculation Results in Refund from the IRS: ARPA's Bonds are designated as "qualified tax-exempt obligations" under the Internal Revenue Code. For tax exempt financing, bond accounts are prohibited from collecting more interest than what the bonds were issued for; you can't collect more in interest bearing accounts than you paid in interest rates on the bonds. In 2011, ARPA paid an arbitrage payment to the IRS of \$145,474 for interest collected over the interest rates of the bonds. However, since 2011, interest rates on the bond accounts have been at an all-time low creating a situation of negative arbitrage. Through a five-year arbitrage calculation performed by ARPA's Bond Counsel, it was determined that ARPA is eligible to receive a refund from the IRS for the entire amount that was paid in 2011.

Congratulations Darwin Hansen (Springfield): CAMU (Colorado Association of Municipal Utilities) held its annual conference in Aspen in July. Darwin Hansen (ARPA Board representative from Springfield and former Electric Superintendent at Springfield Municipal Utilities) was awarded the cherished "Shepherd" award by CAMU. The annual award is given to individuals that have promoted Public Power throughout the state of Colorado. It is named in honor of Darryl T. Davis, a long time Public Power advocate from Center, Colorado.

Summary of June 2016 Financial and Operating Statements: During the month of June, total revenues were better than budget by \$248,648. Total cost of goods sold was over budget 3.1%, and total A&G expenses not including LRP Engineer and Contractor for the month were over budget by \$58,426. There were net revenues of \$485,240 for the month of June. YTD net revenues are \$1,969,306. Member sales were about 8% better than budget for June and 1.3% better than budget YTD, and 2.4% higher than 2015 sales.

Next ARPA Meeting: The next regularly scheduled meeting of the ARPA Board of Directors is Thursday, August 25, 2016, in Las Animas. ARPA Board meetings are open to the public.