



BUSINESS OPERATIONS – AUGUST 15, 2017

US District Court (USDC) Files an Amended Final Judgment in ARPA’s Favor: In November 2016, a federal jury in the USDC ruled in ARPA’s favor in a lawsuit filed by ARPA against the boiler manufacturer, Babcock and Wilcox (B&W). The B&W furnished coal fired steam boiler was unable to meet performance and emissions standards according to the contract, and as a result the jury in the trial awarded ARPA \$4.19 million in damages. On July 21, 2017, the presiding judge in the case granted ARPA’s motion for pre-and-post Judgment interest and entered an amended Final Judgment that increased the damage award by \$3.7 million. B&W has until August 21, 2017 to appeal the verdict in the case.

Mountain West Transmission Owners- RTO Implementation: The Mountain West Transmission Group, consisting of the transmission owners across Colorado, have commenced discussions with the Southwest Power Pool (SPP) to explore the potential benefits of forming an RTO (Regional Transmission Organization) in the West. The formation of an RTO is projected to reduce both transmission and power supply costs; however, there will be cost shifts in the Mountain West service area and those cost shifts could impact ARPA’s costs. ARPA has participated in meetings hosted by the Colorado Public Utilities Commission, the Western Area Power Administration, and SPP regarding the RTO implementation. ARPA will continue to evaluate the impact the RTO may have on operations and prepare for the implementation date, projected to be in the fall of 2019.

Western Area Power Administration Update: A representative from the Western Area Power Administration (WAPA) provided its annual update at a meeting of the Colorado Association of Municipal Utilities (CAMU). As one might expect, the report on reservoir in-flows and storage levels are much improved over past years. WAPA expects the Colorado River Storage Project (CRSP-Lamar allocation) will have excess energy available in 2018. The contract extension/renewals for the CRSP contract will most likely be ready for review and execution by this fall. Renewal of this contract, which terminates in 2024, will extend the contract for another 40 years, or through 2064.

WAPA also provided some positive news as it has notified its customers that as of January 1, 2018, it will take a 14% *rate reduction* for its WAPA-LAP (Loveland Area Projects-ARPA allocation) service area. This will be the 2nd consecutive year that WAPA-LAP has reduced rates due to a reduction in the “drought adder” component of its power supply costs. Because of the large snowfall amounts this past winter, ARPA was also able to purchase “excess” energy from WAPA, above its monthly allocation, for the months of May and June. The Lamar Utilities Board also benefited from the high snow pack as it also received excess energy above its WAPA allocation for the month of May. The cost of the excess energy was well below market prices.

Trial Judge Orders Settlement Mediation in City of Lamar Case: In late July, the trial judge for the ARPA-City of Lamar lawsuit ordered the parties to engage in a mediation to be completed no later than August 31. This represents a second opportunity for the two sides to reach a settlement that would eliminate a costly trial. If the mediation is not successful, a 4-week jury trial will take place in Pueblo beginning March 5, 2018.

Summary of June 2017 Financial and Operating Statements: During the month of June, total operating revenues were better than budget by 8.2%. Total cost of goods sold were right on budget and A & G expenses for the month were under budget by 1.7%. There were net revenues of \$681,891 for the month. Total Revenues YTD are better than budget by 2.7% as Member sales for June were 0.5% better than June of 2016 and better than budget by 6.7%. Member Sales YTD are about 2.9% better than budget and total net revenues YTD are well above budget at \$1.18 million.

Next ARPA Meeting: The next regularly scheduled ARPA board meeting is Thursday, August 31, 2017. The meeting will be held in Lamar at the Cultural Events Center and will begin at 10:00 a.m. ARPA board meetings are open to the public.