



## BUSINESS OPERATIONS – JULY 10, 2014

**Standard & Poor's Ratings Services ("S&P") Improves ARPA's Credit Rating:** S&P recently revised its outlook for ARPA improving ARPA's credit rating from negative to stable and affirmed its 'BBB-' long-term rating on the Arkansas River Power Authority's power revenue bonds.

"The outlook revision reflects our view of ARPA's improved relationships with its member cities and a recently signed purchased power agreement that will provide replacement power for the Lamar Repowering Project (LRP) at a competitive rate through at least 2022, said Standard and Poor's credit analyst Paul Dyson. "We believe these measures, in combination with improved financial metrics, will provide greater credit stability over at least the next two years."

The rating further reflected ARPA's strengths and weaknesses. Weaknesses included the continued inability to operate the LRP; member rates that are above state averages, although management projects that rate increases over the next few years will be minimal; the recent loss of the load represented by the City of Raton; and participating member municipalities' limited service area economies. Strengths identified included a debt service coverage (DSC) that has been restored to covenanted levels in fiscal years 2011 to 2013, including 1.25x DSC in fiscal 2013; improved liquidity and unrestricted cash that is bolstered by a \$1.5 million line of credit, currently untapped, and cost certainty given that most expenses are known and fixed for the next several years.

General Manager Rick Rigel said that "both the City of Trinidad and the ARPA Board of Directors have approved a Basic Terms of Settlement that when finalized, will resolve the dispute between the two parties, but more importantly, the agreement is indicative of the progress that has been made between the two entities in resolving our differences". Rigel went on to say that "the improvement in the S&P rating also demonstrates the success ARPA has had in improving its financial situation while at the same time stabilizing its rates. ARPA has not had a base rate increase since 2011 and our cost for wholesale power to our members is about 4% less now than it was in 2011".

**Summary of May 2014 financial and operating statements:** Total power sales revenues for May were less than budget by about 2.6% as member sales continue to lag; they are 3.5% less than 2013. Purchased power costs were also above budget as were the costs from the LRP. There was a net income of \$51,532 for the month.

**Notes from the General Manager:** ARPA and its member cities hosted a series of public meetings to review the status of the LRP and to provide a summary of the studies ARPA commissioned that projected the impact the plant has, and will have, on electric rates. Three public forums were held in Lamar and were attended by approximately 180 people. Public presentations were also held in Las Animas, Holly, Springfield and Trinidad. In addition, General Manager Rigel also met with the Lamar City Council, Lamar Utilities Board, Prowers County Board of Commissioners, Prowers County Development, Inc., Las Animas City Council and the Las Animas Power Board to provide information, receive comments and respond to questions.

The next ARPA board meeting will be held on Thursday, July 31 at the Fort Lyon Supportive Residential Community at 30999 County Road 15, building #401 beginning at 10:00 a.m. ARPA board meetings are open to the public.