



#

BUSINESS OPERATIONS – JUNE 17, 2016

ARPA Board Reviews Policy on Distributed Generation: The ARPA Board continues to review a policy on Distributed Generation (DG). Given its commitment to not increasing rates (ARPA rates have not increased since 2011), the development of DG must ensure that there are no negative rate implications for ARPA member rate payers. This includes the impact DG installations (solar, wind, etc.) may have on both ARPA's fixed costs, and the impact it could have on its member utilities' fixed costs. The DG installation typically produces a portion of the electric needs for an electric consumer; however, there are many times that the DG unit is not producing power and the electric consumer must still rely on the electric grid for its power supply. Much of these costs are fixed costs and must be recovered by the utility regardless of the amount of energy being provided. ARPA staff will draft a DG policy for Board review at its next meeting.

ARPA Board Reviews 2015 Audit: ARPA auditor, Ronny Farmer, rfarmer, llc, presented and briefed the Board on the 2015 Audit. ARPA had an increase in unrestricted cash of \$2,002,317 from 2014 to 2015 and achieved the 1.25 times Debt Service Coverage required by its bond covenants. Net income for 2015 was \$2,015,809. There were total revenues of \$31,545,506 and total operating expenses of \$18,851,527 in 2015. Sales were up 1% compared to 2014.

ARPA Sells its Rail Facilities Associated with the Lamar Repowering Project: GP Aggregates, LLC ("GP"), a Colorado company conducting various business activities, including aggregate mining operations in and around Lamar has purchased rail facilities and a rail spur that formerly served the Lamar Repowering Project power plant. The rail facilities include track improvements connected to the main BNSF rail line that serves Lamar and a rail spur that extends from the track improvements north to the Arkansas River. The sale of the rail facilities is part of ARPA's plan to sell the Lamar Repowering Project assets for the financial benefit of the ARPA member communities. The acquisition of the rail facilities by GP will allow it to expand its industrial operation east of Lamar and enhance its burgeoning business operations.

Summary of April 2016 Financial and Operating Statements: During the month of April total revenues not including LRP Misc. Income were slightly better than budget. Total cost of goods sold was under budget 1.5%, and total A&G expenses not including LRP Engineer and Contractor for the month were over budget by \$32,534. There were net revenues of \$28,278 for the month of April. YTD net revenues are \$56,958. Member sales were about 2% better than budget for April and are 1.6% better than budget YTD.

Supplemental Environmental Project Completed: The Supplemental Environmental Project (SEP) ARPA began early in 2014 to convert lighting in public facilities to low usage LED lighting, was completed on April 15. The Project primarily consisted of converting 48" T-8 fluorescent (28-32 watt) and 48" T-12 fluorescent (40-60 watt) to LED 18 watt lamps. The conversions were performed in a total of 13 facilities in southeast Colorado including libraries, senior centers, community buildings, daycare centers and museums. A total of 3,174 LED lamps were installed for a total annual kWh savings of 186,213, or \$26,070 annually. The average annual energy cost savings realized in the facilities is in excess of 41%. ARPA expended over \$128,000.00 on the Project. ARPA member's electric departments provided in-kind labor to install the LED lighting which was valued at nearly \$16,000.

Next ARPA Meeting: The next regularly scheduled meeting of the ARPA Board of Directors is Thursday, July 28, 2016, beginning at 9:00 a.m. by WebCast. ARPA Board meetings are open to the public. If any member of the public is interested in attending please call the ARPA office for more information.