



BUSINESS OPERATIONS – MAY 10, 2014

Trinidad Settlement – ARPA, the City of Trinidad, and ARPA’s bond insurer, Syncora Guarantee, Inc., have executed a Basic Terms of Settlement memorandum to resolve pending litigation regarding the Lamar Repowering Project. The Trinidad City Council approved the Settlement memorandum at a special meeting on April 17, 2014, and the ARPA Board will consider the agreement at a special meeting scheduled for May 12 in La Junta. If the ARPA Board approves the terms they will be forwarded to Syncora.

A central issue in the litigation with Trinidad has been continued funding for the Lamar Repowering Project. In February, ARPA filed a lawsuit for damages against Babcock & Wilcox, the boiler manufacturer for the project. Due to the inability of the boiler to meet its emission requirements the ARPA Board has been forced to re-evaluate its options regarding the plant.

Summary of March 2014 financial and operating statements – Total revenues for March exceeded budget projections by 2.1% and the total Cost of Goods Sold which includes purchased power, transmission, and wind turbine costs are 7.1% over budget. Purchased power costs continue to remain significantly higher than anticipated. There was positive net revenue of \$143,000 for the month.

Did March seem windier than usual? Typically ARPA wind generation production is about 7% of its power supply needs; however, wind generation for March provided 10% of the total.

ARPA Annual Meeting: Tami Tanoue, General Counsel/Claims Manager for CIRSA, addressed a variety of issues relative to board governance including best practices in the role of governing boards. **Dan Walter**, Senior Manager of Energy Markets, Tri-State Generation and Transmission, shared Tri-State’s experiences with renewable resources and the renewable state mandates.

Notes from the General Manager: ARPA Office Building – Ten windows in the ARPA office were replaced with new Energy Star efficiency rated windows early in the month of April. The windows replaced were original to the building which was built in 1985.

Automated/Smart Metering - ARPA submitted a request for information from an automated metering company for a centralized metering system that may result in significant savings to ARPA members. The project is in the evaluation stage.

Projected Market Prices for 2014 – Because the purchased power market has continued to be higher than anticipated, ARPA is analyzing opportunities to fix or hedge its power costs for the second half of 2014. ARPA will try to implement a financial option that will mitigate its market risk.

Granada Election – The town of Granada voted to retain ownership of their electric system at its recent election. The town voters decided that maintaining ownership provided local control of its rates and power system operations.