



## BUSINESS OPERATIONS – OCTOBER-NOVEMBER 2018

**ARPA Board Reviews 2019 Budget and Financial Planning:** The ARPA Board of Directors reviewed its proposed 2019 budget at both its September and October meetings that includes a 2% *rate decrease* in ARPA’s wholesale energy rate. This reduction was made possible due to ARPA’s reducing its debt service costs through the refunding of a significant portion of its debt this past summer. In addition to the savings in debt service, ARPA has also significantly reduced other expenses in its Admin and General fund. The total savings of approximately \$1.1 million more than offsets anticipated increases in power supply and transmission expense. The proposed 2019 budget includes:

- Power Sales Revenues of \$27.8 million
- Power Supply costs of \$14.3 million
- Transmission costs of \$ 3.1 million
- A&G costs of \$ 1.7 million
- Debt Service costs of \$ 9.5 million

The Board also discussed its strategy for retiring its 2010 bonds. The 2019 budget, (as will the 2020 budget), is designed to accrue additional cash sufficient to retire the 2010 bonds of approximately \$14.8 million when they become “callable” in 2020. Retiring the bonds will reduce ARPA’s annual debt service by \$1.2 million. This reduction in costs is anticipated to result in an additional rate decrease in the 2021-2022 time frame. ARPA’s 2019 Budget Hearing is scheduled for December 6, in La Junta.

**ARPA Board Discusses Distributed Generation (DG) Policy:** Recent trends have promoted expanded deployment of a wide variety of renewable and distributed generation (DG) technologies. This has come at a time when tax incentives and improved technologies have reduced the cost of renewable energy including solar and wind generation. In recognition of this, the ARPA Board has been working to develop a policy to address the many facets of DG.

Key points of the policy include net metering, a process to account for installations less than 25 kW (10 kW residential) that is owned by a retail customer and is “behind the retail meter”. Net metering allows a retail customer to offset their consumption by power generated by the renewable facility. For installations larger than 25 kW, it is anticipated that either ARPA, or its member utility, will purchase all the output from the installation at a predetermined price. The policy discussions also include the type of reporting and metering that will be necessary, how the invoicing, payments and credits for the generation output will be handled, and the total amount of renewables ARPA and its members can install without violating existing power supply agreements.

**Summary of Year to Date Financial and Operating Statements:** Revenues from Power Sales are better than budget by almost 8%, and better than 2017 sales by 4.2%. Total Cost of Operations, including Admin and General are about 1% over budget. Net Revenue from Operations are \$4.2 million YTD.

**Next ARPA Meeting:** The next regularly scheduled ARPA board meeting is Thursday, December 6, 2018. The meeting will be held in La Junta at the Otero Junior College Student Center, 2001 San Juan, and will begin at 10:00 AM. ARPA board meetings are open to the public.