



BUSINESS OPERATIONS – September 10, 2015

Distributed Generation (DG): DG can be defined as small, grid connected power generating devices that are typically renewable energy sources such as hydro, solar panels, and wind power. They are “behind the meter” and owned by the customer, rather than the utility. ARPA members, as are electric utilities nationwide, are seeing an unprecedented interest in the installation of DG systems within their service territories. The ARPA Board believes the level of interest will only continue to grow, which emphasizes the need for a comprehensive approach to the issues including policies on how to address DG installations.

DG systems typically result in excess generation, above the load being served, that is generated back to the “grid” (utilities’ distribution systems). This essentially sets in motion a process whereby at certain times of the day, the utility is now purchasing power from its customer rather than providing power.

Challenges related to DG installations are many including the impact it has on existing power supply contracts, the technical and reliability impact on distribution system operations, and impact on a utilities’ retail rate structure, just to name a few.

ARPA Teams Up with The Energy Authority: In response to the interest in DG, ARPA is teaming up with The Energy Authority (TEA), a non-profit corporation that is wholly owned by public power entities and provides a variety of services to public power utilities. TEA will be performing a solar analysis to determine the impact solar installations may have on ARPA and its members including distribution system operations and the rate impact to member utilities, and to ARPA. This study will also identify the type of policy(s) ARPA and its members will need to manage Distributed Generation most effectively.

ARPA Board Reviews Preliminary 2016 Budget: A preliminary budget was presented to the ARPA Board of Directors at its August 27 meeting. As presented, the budget includes no base rate increase for 2016. This will be the 5th consecutive year of no power supply cost increase. The budget projects the sale and demolition of the Lamar Repowering Project and also projects revenues from the sale, which will more than off-set the costs. It is anticipated ARPA will experience increases in transmission rates, health insurance costs, and a 2% increase in purchased power costs. The budget also includes achieving the 1.25x debt service coverage required by ARPA’s bond covenants.

Summary of July 2015 Financial and Operating Statements: Total revenues for July were better than budget by 5.7% with net operating revenues of \$525,844. Net revenues year to date are \$1,094,223. Power supply costs are 5.2% under budget YTD, and member sales YTD are right at budget. Wind generation year to date is down 19% compared to the same time last year.

LED Lighting Project Continues: Close to twenty people attended a lighting ceremony at the Lamar Public Library-Cultural Events Center on Thursday, August 27. It is estimated the conversion of the lighting in the library facilities will result in 17,640 kilo-watt hour savings (36%), or \$2,500 annually for the City.