



BUSINESS OPERATIONS – SEPTEMBER 15, 2017

ARPA Board Reviews Preliminary 2018 Budget- No Rate Increase for the 7th Straight Year: A preliminary budget was presented to the ARPA Board of Directors at its August 31 meeting that includes no rate increase for 2018. This will be the 7th consecutive year of no power supply cost increase for the ARPA member utilities. The budget includes total revenues of \$32.5 million, power supply costs of \$13.3 million, transmission costs of \$2.9 million, and A&G costs of \$2.9 million. Debt service, absent a refinancing, will continue at an annual cost of \$10.2 million. The budget also includes achieving a 1.28x debt service coverage and full funding for bond reserve accounts as required by ARPA's bond covenants.

Budget Hearing: The proposed 2018 budget for the Arkansas River Power Authority will be available for inspection beginning November 8th at the City Clerk's office in each member city. Any interested elector in an ARPA member community or electricity consumer of an ARPA member (Holly, La Junta, Lamar, Las Animas, Springfield and Trinidad, Colorado) may register objections to the proposed Budget prior to its final adoption. The ARPA Board of Directors will hold a public hearing on the proposed Budget at the Otero Junior College Student Center, 2001 San Juan, La Junta, CO., on Thursday, December 7, 2017.

Financial Projection for YE 2017: During the course of the last few years ARPA has developed financial benchmarks to help measure its progress and to use in future planning. The benchmarks not only include available working capital and reserves, but also a tracking of debt service coverage. 2017 is shaping up to be another financially successful year for ARPA as we are projecting an increase in our *Cash in Bank* of almost 10% by year's end and net revenues well in excess of \$2 million. Our bond reserve accounts are fully funded and debt service coverage at the end of July is 1.37x.

Summary of July 2017 Financial and Operating Statements: During the month of July, total operating revenues were better than budget by 12.2%. Total cost of goods sold were over budget 6.8% and A & G expenses for the month were right on budget. There were net revenues of \$826,916 for the month. Total Revenues YTD are better than budget by 4.4%. Member sales for July were 0.1% less than July of 2016, but remain better than budget by 11.9%. Member Sales YTD are also about 4.4% better than budget and total net revenues of \$2.01 million YTD, are well above budget.

Wind Turbine Operations and Maintenance (O&M): At the August meeting, the ARPA Board reviewed its O&M agreement with the Lamar Utilities Board (LUB) for its wind turbines. The ten-year agreement was initiated in April of 2009 and appoints LUB operating agent regarding the ARPA wind turbines. Included in the services provided by LUB are annual and semi-annual servicing of the equipment (filters, oil, lubrication, etc.). In addition, LUB entered into an agreement with NRG Energy for trouble shooting services for both the LUB turbines and the ARPA turbines. NRG provides similar services to the large Colorado Green wind farm south of Lamar. This partnership with the larger utility provides additional expertise and resources for our wind turbine operation. The five turbines (3-LUB and 2-ARPA) have been in operation for more than 13 years and are showing an uptick in maintenance costs as the equipment ages. The total 7.5 mega-watts of wind generation provides approximately 7% of ARPA's power supply.

Next ARPA Meeting: The next regularly scheduled ARPA board meeting is Thursday, September 28, 2017. The meeting will be held in Trinidad at the Mt. Carmel Health, Wellness and Community Center, 911 Robinson Avenue and will begin at 10:00 AM. ARPA board meetings are open to the public.