



BUSINESS OPERATIONS – September 2022

ARPA Board Reviews Preliminary 2023 Budget: A preliminary budget was presented to the ARPA Board of Directors at its August 25 meeting. The budget includes total revenues of \$30.6 million, power supply costs of \$14.9 million, transmission costs of \$3.5 million, A&G costs of \$1.2 million, and debt service costs of \$8.3 million. The budget also includes achieving a 1.29x debt service coverage and full funding for bond reserve accounts as required by ARPA’s bond covenants. There is no rate increase included in the 2023 budget. ARPA adopted a rate decrease in 2021 that is carried forward in its 2023 budget, and the lower rate is projected to remain in effect through 2024. The budget hearing and final approval of the 2023 budget is scheduled for December 1 at the Board of Directors meeting to be held in La Junta.

FitchRatings Reaffirms ARPA’s Investment Grade Credit Rating of BBB- with Stable Outlook: Fitch Ratings recently affirmed its investment grade BBB- long-term rating on the Arkansas River Power Authority’s power revenue bonds. The outlook is stable. The rating reflects ARPA’s strong revenue defensibility and strong operating risk profile. ARPA’s strong revenue defensibility is derived from its all-requirements long-term wholesale power supply contracts and the independent legal ability of ARPA, and its members, to raise electric rates if necessary. Operating risk is characterized by a low operating cost burden, reflecting ARPA’s low purchased power costs. ARPA’s power supply is provided primarily through a purchase contract through January 31, 2025. The Rating weaknesses identified included ARPA’s debt service being elevated due to the issuance of debt related to revenue bonds associated with the Lamar Repowering Project. The full Fitch rating report can be viewed [here](#).

Summary of July 2022 Financial and Operating Statements: During the month of July, revenue from power sales were 0.5% under budget and total cost of goods sold were under budget by 5.9%. Net Revenue for the month was \$803,576. Year to Date revenues from power sales are 0.5% less than budget and cost of goods sold are 4.4% under budget. Net Revenues YTD are \$4.53 million. Member Energy sales were 1.1% less than budget in July and 1.4% less when compared to July 2021. Member Sales YTD are 0.7% less than budget and 0.9% better than 2021.

Western Area Power Administration Drought Impact on Hydro-Electric Facilities Update: The current ongoing drought has severely impacted the hydro generation allocations ARPA has with the Western Area Power Administration (WAPA). ARPA has an allocation of hydropower generated by the Loveland Area Projects (WAPA-LAP) and the Lamar Utilities Board has an allocation from the Colorado River Storage Projects (WAPA-CRSP). These two allocations collectively, provide approximately 28% of ARPA’s power supply.

WAPA-LAP (the significantly larger of the two allocations) has provided notice of implementing a “Drought Adder” to its rate effective January 1, 2023. The rate adjustment will increase the WAPA-LAP rate to ARPA by approximately 16%. ARPA is absorbing the increase and does not anticipate a rate increase resulting from the WAPA rate adjustment.

WAPA-CRSP has had to increase its rate and reduce deliveries to its customers due to declining water levels that provide hydro-generation from its Glen Canyon Dam facility. WAPA-CRSP implemented a “Deliverable Sales Amount” (DSA) program effective December 1, 2021, that reduced deliveries of power to its customers by approximately 30% and increased rates 11%. ARPA is providing the delivery shortfall to Lamar as WAPA evaluates the impact of the two-year program and its long-term options for meeting its hydro-electric delivery obligations.

Next ARPA Meeting: The next regularly scheduled meeting of the ARPA Board of Directors is Thursday, October 27, 2022. The meeting will be held at the Otero Junior College Student Center, 2001 San Juan in La Junta, CO. The meeting notice and agenda will be posted on ARPA’s website (arppower.org) under [Public Notices](#) and will also be posted in a designated location in each of the member cities at least 24 hours in advance of the meeting. *ARPA board meetings are open to the public.*