



Arkansas River Power Authority
2022 Proposed Budget
December 2, 2021

P O Box 70
3409 South Main
Lamar, CO 81052

The governing body of the Arkansas River Power Authority (ARPA) is a Board of Directors in which all legislative power of the Authority is vested. Each Municipality appoints 2 representatives to the ARPA Board of Directors.

The ARPA Board of Directors is as follows:

Holly:

Calvin Melcher

Mike Tanner

La Junta:

Gary Cranson

P. Lorenz Sutherland

Lamar:

Houssin Hourieh

Roger Stagner

Las Animas:

Ron Clodfelter

Rick Stwalley

Springfield:

Darwin Hansen

Jay Suhler

Trinidad:

Carlos Lopez

Mike Valentine

ARPA Staff:

Rick Rigel, General Manager

Arvenia Morris, Office Manager

Aarin Ritter, Manager of Finance and Accounting



Rick Rigel, *General Manager*
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Budget Message for 2022

The Arkansas River Power Authority (“ARPA” or the “Authority”) is a political subdivision of the State of Colorado established by its municipal members in 1979 under provisions of an intergovernmental cooperation statute, CRS section 29-1-204. The Authority’s primary purpose is to supply the wholesale electric power and energy requirements of its Member Municipalities - Holly, La Junta, Lamar, Las Animas, Trinidad and Springfield, Colorado.

The Authority carries out its mission by obtaining wholesale power supply from a variety of sources and delivering it to the ARPA Member Municipalities who in turn provide retail electric service to their consumers. The Authority’s wholesale power sources include purchases of federal hydropower from the Western Area Power Administration (“WAPA”), energy generated from 5 wind turbines owned by ARPA and the Lamar Utilities Board, and purchases via a long-term purchase power agreement with the Public Service Company of Colorado (“PSCo”). ARPA and its members also own a small amount of natural gas and diesel generation. This generation is operated for emergency backup only.

The Authority obtains operating revenue through a wholesale rate that is applied to its sale of electric power to the ARPA members. The wholesale power rate recovers the Authority’s cost of obtaining and delivering wholesale power while maintaining the debt service coverage ratio as defined in the bond covenants, and payment of the principal and interest on outstanding bonds. ARPA uses the accrual basis in its financial accounting.

The Authority has implemented a straight line method of depreciation for its assets.

The Authority’s primary source for power supply in 2022 will be purchased from PSCo. It is projected that PSCo will provide approximately 65% of the power required by the ARPA members. The PSCo contract goes through January of 2025.

WAPA provides approximately 28% of the power needs for the Authority through an allocation of federal hydro-power via two long-term contracts. ARPA’s contract, through the Loveland Area Projects (LAP), extends through 2054 and the second contract, between WAPA-CRSP (Colorado River Storage Project) and the Lamar Utilities Board, extends through 2057.

The balance of ARPA’s power supply needs are provided by wind generation from the Lamar and Springfield wind turbines.

The Authority has two Network Integration Transmission Service agreements for transmission service to its members, one with the Tri-State Generation and Transmission Association and one with the Black Hills Colorado Electric Utility Company. In addition, it has a handful of sub-transmission agreements with a variety of providers for service to its members.

The 2022 Budget will include the continuation of a 3.57% energy rate decrease which was taken in 2021. The rate decrease in 2021 followed a rate decrease of 2% in 2019 which followed several years of no rate changes for the Authority. ARPA has managed to keep its rates stable dating back to 2012; however, it was able to lower the energy rate in 2019 and believes the lower rate beginning in 2021 is sustainable through the term of its current power supply contract with PSCo.

The Authority's Board of Directors implemented a long-term financial plan in 2018 that included accruing sufficient funds to retire ARPA's 2010 bond series. The 2010 bonds became eligible for retirement on October 1, 2020. These bonds were retired in January 2021 which resulted in a significant savings of approximately \$1.3 million annually and was a critical element for the 2021 rate decrease.

The Authority's improved financial position and long-term planning resulted in an upgrade of the Authority's credit rating. In 2018, S&P Global Ratings upgraded the Authority's credit rating to a BBB with a stable outlook. That credit rating was reaffirmed in 2019, 2020 and 2021. In addition, the Authority also received an investment grade credit rating from Fitch in 2018 that was updated and reaffirmed in 2019, 2020 and 2021.

The Authority believes it has positioned itself well going forward and has reason to be optimistic about its ability to bring its long-term planning to fruition. The future rate trajectory for the Authority is stable to declining rates over the next few years.

The Authority's Board of Directors and staff continually strive to fulfill the Authority's Mission.

Mission Statement

We are committed to work together to promote the long term economic well-being of our municipal members and their consumers by providing a dependable and competitively priced supply of wholesale electric power in an environmentally sound manner.

Respectfully submitted,



Richard Rigel
General Manager

Arkansas River Power Authority
Condensed Operating Budget For 2022

	2020	2021	2021	2022
	Actual	Budget	Projected YE	Budget
	(\$)	(\$)	(\$)	(\$)
Total Revenues	31,911,638	30,407,821	30,306,172	30,456,224
Operating Expenses				
Power Supply	13,727,986	14,054,341	13,841,909	14,229,505
Transmission	3,298,127	3,582,634	3,424,002	3,480,959
Administrative & General	1,434,213	1,356,672	1,438,858	1,273,536
Total Operating Expenses	18,460,326	18,993,646	18,704,769	18,984,000
Net Operating Income	13,451,312	11,414,174	11,601,403	11,472,224
Interest Expenses	6,553,425	5,527,767	5,563,033	5,413,632
Depreciation/Amortization	268,713	268,711	268,709	268,711
Total	6,822,138	5,796,478	5,831,742	5,682,343
Net Income	6,629,174	5,617,696	5,769,661	5,789,881
Non Operating Expenses				
Return of Reserves	(2,384,119)	(2,383,668)	(2,095,088)	(2,068,721)
Depreciation/Amortization	268,713	268,711	268,709	268,711
Amortization Income	(455,822)	(455,822)	(455,821)	(455,822)
City of Lamar Settlement	(129,843)	(135,470)	(135,470)	(141,341)
B & W Settlement Misc. A/R	2,000,000	-	-	-
Principal Payments	(2,864,997)	(16,276,027)	(16,276,027)	(2,861,250)
LRP Demolition	-	(1,389,513)	(1,614,469)	-
Capital Purchases/ Contingency	(15,963)	(165,000)	(165,000)	(192,018)
Total Non Operating Expenses	(3,582,032)	(20,536,789)	(20,473,166)	(5,450,441)
Net Cash	3,047,142	(14,919,093)	(14,703,505)	339,440

Arkansas River Power Authority
Expenses for 2022 Budget

	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>	<u>Difference</u>	<u>% of</u>
	<u>Actual</u>	<u>Budget</u>	<u>Projected YE</u>	<u>Budget</u>	<u>From Projected</u>	<u>Difference</u>
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
Power Supply Costs						
LLP- LRP	332,046	-	-	-	-	0.0%
O & M Expenses	1,602	13,500	13,910	13,500	(410)	-3.0%
Fuel (Non-LRP)	1,195	14,400	4,097	14,400	10,303	251.4%
WAPA LAP	2,415,420	2,424,229	2,419,197	2,424,229	5,032	0.2%
WAPA CRSP	232,064	221,362	220,997	216,809	(4,188)	-1.9%
ARPA Wind	84,860	85,114	110,714	85,114	(25,600)	-23.1%
Lamar Wind	682,759	667,889	677,181	667,889	(9,292)	-1.4%
Purchased Power	9,978,039	10,627,847	10,395,812	10,807,564	411,752	4.0%
Scheduling Service	-	-	-	-	-	0.0%
Spinning Reserve	-	-	-	-	-	0.0%
Total Power Supply Costs	13,727,986	14,054,341	13,841,909	14,229,505	387,597	2.8%
Transmission Costs						
Tri-State G & T	2,556,401	2,665,430	2,661,781	2,565,582	(96,199)	-3.6%
SECPA	25,933	35,457	28,656	35,457	6,801	23.7%
San Isabel	211,050	212,651	212,871	210,824	(2,047)	-1.0%
Lamar Light & Power	40,334	41,355	94,482	41,355	(53,127)	-56.2%
Black Hills	153,059	242,829	91,318	242,829	151,511	165.9%
OATT Transmission	69,898	82,650	74,236	82,650	8,414	11.3%
Ancillary Services- Xcel	241,452	302,261	260,657	302,261	41,605	16.0%
Total Transmission Costs	3,298,127	3,582,634	3,424,002	3,480,959	56,957	1.7%
Administrative & General Expenses						
Bond Issue Expense	-	-	-	-	-	-100.0%
Dues & Subscription	25,161	35,979	32,124	35,979	3,855	12.0%
Employee Expenses	413,073	420,560	414,958	413,354	(1,605)	-0.4%
Insurance Expenses	44,320	44,932	177,902	85,874	(92,028)	-51.7%
City of Lamar Settlement	220,154	214,530	214,490	208,659	(5,831)	-2.7%
Lease Exp - LRP City Land	1,000	1,000	1,000	-	(1,000)	-100.0%
Lease Exp - Willow Creek	2,566	2,643	2,643	2,643	-	0.0%
Members Services	8,687	8,800	9,667	8,800	(867)	-9.0%
Office Expenses	21,459	21,687	24,053	21,687	(2,366)	-9.8%
Professional & Outside Svcs	559,634	566,300	503,778	456,300	(47,478)	-9.4%
LRP Engineer and Contractor	123,457	-	28,922	-	(28,922)	-100.0%
Safety Program	9,021	15,240	16,492	15,240	(1,252)	-7.6%
Travel, Meals & lodging	5,681	25,000	12,829	25,000	12,171	94.9%
Total A & G Expenses	1,434,213	1,356,672	1,438,858	1,273,536	(165,323)	-11.5%
Total Operating Expenses	18,460,326	18,993,646	18,704,769	18,984,000	279,231	1.5%
Interest Expenses	6,553,425	5,527,767	5,563,033	5,413,632	(149,401)	-2.7%
Depreciation/Amortization	268,713	268,711	268,709	268,711	2	0.0%
Total Expenses	25,282,464	24,790,124	24,536,511	24,666,343	129,832	0.5%
Capital Outlays						
Wind Farm Metering	-	-	-	25,000	25,000	0.0%
Wind Turbine Upgrades	-	165,000	165,000	67,018	(97,982)	-59.4%
Contingency	15,963	400,000	-	100,000	100,000	100.0%
Total Capital/ Contingency	15,963	565,000	165,000	192,018	27,018	16.4%
Total Expenses (Incl. Capital)	25,298,427	25,355,124	24,701,511	24,858,361	156,850	0.6%

Arkansas River Power Authority															
2022 Proposed Budget Recap															
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2022	2021	2021
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	Budget	Projected	Budget
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Power Supply Costs															
LLP- LRP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
O & M Expenses	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	13,500	13,910	13,500
Fuel (Non-LRP)	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400	4,097	14,400
WAPA LAP	180,811	162,031	168,456	215,833	220,569	236,132	265,903	236,132	204,330	175,375	175,375	183,282	2,424,229	2,419,197	2,424,229
WAPA CRSP	19,177	18,455	19,006	15,665	17,369	17,936	18,563	18,392	16,645	18,865	18,043	18,694	216,809	220,997	221,362
ARPA Wind	7,359	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	7,069	85,114	110,714	85,114
Lamar Wind	55,312	55,986	55,769	55,610	55,839	55,922	55,681	55,757	55,651	55,498	55,433	55,431	667,889	677,181	667,889
Purchased Power	895,071	825,876	872,809	687,696	750,585	975,877	1,179,507	1,110,621	1,020,190	803,807	793,267	892,258	10,807,564	10,395,812	10,627,847
Scheduling Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spinning Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Power Supply Costs	1,160,054	1,071,742	1,125,434	984,198	1,053,755	1,295,261	1,529,047	1,430,296	1,306,210	1,062,938	1,051,511	1,159,058	14,229,505	13,841,909	14,054,341
Transmission Costs															
Tri-State G & T	211,302	212,138	215,436	215,780	211,623	213,912	223,907	224,028	211,589	210,951	206,433	208,482	2,565,582	2,661,781	2,665,430
SECPA	2,953	2,512	2,525	2,307	2,528	3,405	4,357	3,802	3,098	2,564	2,544	2,862	35,457	28,656	35,457
San Isabel	19,753	16,961	17,354	15,889	15,763	16,965	19,090	18,131	16,561	16,682	17,602	20,076	210,824	212,871	212,651
Lamar Light & Power	2,276	2,276	2,573	2,837	3,627	5,176	5,638	5,176	4,550	2,606	2,310	2,310	41,355	94,482	41,355
Black Hills	17,574	16,111	16,905	14,725	18,652	27,017	29,571	26,141	24,575	17,253	16,750	17,556	242,829	91,318	242,829
OATT	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	6,888	82,650	74,236	82,650
Ancillary Services- Xcel	21,949	21,297	17,906	20,205	27,920	33,201	33,969	29,671	30,679	20,604	21,919	22,944	302,261	260,657	302,261
Total Transmission Costs	282,693	278,182	279,586	278,630	287,000	306,563	323,419	313,836	297,940	277,547	274,444	281,118	3,480,959	3,424,002	3,582,634
Administrative & General Expenses															
Bond Issue Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues & Subscription	9,371	341	284	13,956	831	435	2,129	265	1,765	1,963	4,274	365	35,979	32,124	35,979
Employee Expenses	34,433	34,433	34,433	34,433	34,433	34,433	34,433	34,433	34,433	34,433	34,511	34,511	413,354	414,958	420,560
Insurance Expenses	12,253	23,683	4,541	4,541	4,541	4,541	4,541	9,071	4,541	4,541	4,541	4,541	85,874	177,902	44,932
City of Lamar Settlement	17,616	17,575	17,534	17,493	17,451	17,410	17,368	17,327	17,285	17,242	17,200	17,158	208,659	214,490	214,530
Lease Exp - LRP City Land	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Lease Exp - Willow Creek	2,643	-	-	-	-	-	-	-	-	-	-	-	2,643	2,643	2,643
Members Services	1,400	1,400	400	400	400	400	400	400	1,400	1,400	400	400	8,800	9,667	8,800
Office Expenses	1,807	1,807	1,807	1,808	1,807	1,807	1,807	1,808	1,807	1,807	1,807	1,808	21,687	24,053	21,687
Professional & Outside Svcs	47,000	78,000	28,500	28,500	39,800	46,000	36,000	28,500	33,500	33,500	28,500	28,500	456,300	503,778	566,300
LRP Engineer and Contractor	-	-	-	-	-	-	-	-	-	-	-	-	-	28,922	-
Safety Program	-	-	-	-	-	-	-	-	-	15,240	-	-	15,240	16,492	15,240
Travel, Meals & lodging	2,083	2,083	2,084	2,083	2,083	2,084	2,083	2,083	2,084	2,083	2,083	2,084	25,000	12,829	25,000
Total A & G Expenses	128,606	159,322	89,583	103,214	101,346	107,110	98,761	93,886	96,814	112,209	93,316	89,367	1,273,536	1,438,858	1,356,672
Total Operating Expenses	1,571,354	1,509,246	1,494,603	1,366,042	1,442,102	1,708,934	1,951,227	1,838,018	1,700,964	1,452,695	1,419,272	1,529,544	18,984,000	18,704,769	18,993,646
Interest Expenses	453,634	453,634	453,634	453,634	453,634	453,634	453,634	453,634	453,634	443,642	443,642	443,642	5,413,632	5,563,033	5,527,767
Depreciation/Amortization	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,393	22,391	22,390	268,711	268,709	268,711
Total Expenses	2,047,381	1,985,273	1,970,630	1,842,069	1,918,129	2,184,961	2,427,254	2,314,045	2,176,991	1,918,730	1,885,305	1,995,576	24,666,343	24,536,511	24,790,124

ARPA BUDGET AND APPROPRIATION RESOLUTION OF 2022
RESOLUTION No. 09 -21

WHEREAS, the Arkansas River Power Authority (ARPA) was created and organized as a political subdivision of the State of Colorado; and

WHEREAS, it is necessary that the Board of Directors adopt a budget for the year 2022; and

WHEREAS, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2022 budget at a regular meeting of the Board of Directors on December 2, 2021, at which meeting a quorum of the Board was present; and

WHEREAS, the Board is now appropriately advised and desires to take action on the proposed budget dated December 2, 2021

BE IT RESOLVED By the Board of Directors of the Arkansas River Power Authority (ARPA) that:

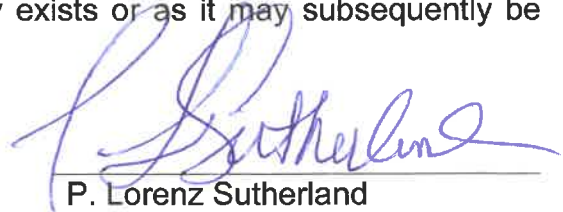
(1) Title

This Resolution shall govern the expenditure of funds by general purpose and amount for the calendar year 2022 commencing January 1 and ending December 31 and may be cited as "ARPA Budget and Appropriation Resolution of 2022".

(2)


The 2022 Budget presented to the Board on December 2, 2021, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA, the sum of Twenty-four million, Eight hundred fifty-eight thousand, three hundred sixty-one (\$24,858,361) dollars or so much thereof as the General Manager shall find necessary or desirable to expend to conduct the activities of ARPA, in accordance with the budget herein adopted and the ARPA Fiscal Resolution as it currently exists or as it may subsequently be amended.

Dated this 2nd day of December, 2021.



P. Lorenz Sutherland
President
Board of Directors
Arkansas River Power Authority



ATTEST:

Arvenia L. Morris
Secretary