



Arkansas River Power Authority
2023 Proposed Budget
December 1, 2022

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:

Randy Holland

Blaine Ice

La Junta:

Gary Cranson

P. Lorenz Sutherland

Lamar:

Houssin Hourieh

Roger Stagner

Las Animas:

Ron Clodfelter

Rick Stwalley

Springfield:

Heath Piper

Jay Suhler

Trinidad:

Carlos Lopez

Aaron Williamson

ARPA Staff:

Rick Rigel, General Manager

Arvenia Morris, Office Manager

Aarin Ritter, Manager of Finance and Accounting



Rick Rigel, *General Manager*
P O Box 70
Lamar, Colorado 81052
Phone: (719) 336-3496
Fax: (719) 336-5966
E-mail: rrigel@arpapower.org

Budget Message for 2023

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 2023 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 2023 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. The 2023 budget is consistent with the Authority's strategy of maintaining its current rate through 2024. ARPA anticipates, with a new power supply contract beginning early in 2025, that there is a potential to decrease rates for the years 2025-2026.

ARPA's 2023 budget includes a 4.2% increase in operating expenses due largely to an increase in power supply costs of 5.4%. This includes a 16.4% increase in ARPA's WAPA-LAP allocation primarily due to a "drought adder" that WAPA is forced to implement due to declining water levels for its hydro-generation. Power supply costs amount to about 50% of ARPA's operating expenses. The budget also includes a 3% increase in its transmission costs due to an increase in its Black Hills Network Transmission rate. These increases are partially offset by a decrease in A & G expenses of 4.6%.

The Authority's improved financial position and long-term planning has earned it a rating of BBB with a stable outlook from S&P Global Ratings, which was reaffirmed in 2021 and an investment grade credit rating from Fitch, which was reaffirmed in 2022.

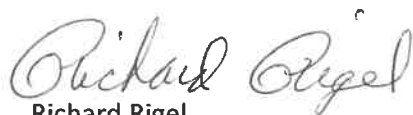
The Authority believes it has positioned itself well going forward and has reason to be optimistic about its ability to bring its long-term planning to fruition. The future rate trajectory for the Authority is stable to declining rates over the next few years.

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 2023				
	2021	2022	2022	2023
	Actual	Budget	Projected YE	Budget
	(\$)	(\$)	(\$)	(\$)
Total Revenues	30,398,961	30,456,224	32,253,849	30,666,659
Operating Expenses				
Power Supply	13,538,227	14,229,505	14,016,526	14,990,139
Transmission	3,482,430	3,480,959	3,200,338	3,584,364
Administrative & General	1,299,462	1,273,536	996,009	1,214,668
Total Operating Expenses	18,320,119	18,984,000	18,212,873	19,789,171
Net Operating Income	12,078,842	11,472,224	14,040,976	10,877,488
Interest Expenses	5,563,033	5,413,632	5,413,632	5,291,106
Depreciation/Amortization	272,288	268,711	272,400	267,576
Total	5,835,321	5,682,343	5,686,032	5,558,682
Net Income	6,243,521	5,789,881	8,354,945	5,318,806
Non Operating Expenses				
Return of Reserves	(2,095,213)	(2,068,721)	(2,066,230)	(2,065,277)
Depreciation/Amortization	272,288	268,711	272,400	267,576
Amortization Income	(959,099)	(455,822)	(428,976)	(428,976)
City of Lamar Settlement	(141,341)	(141,341)	(141,341)	(147,466)
Principal Payments	(17,525,000)	(2,861,250)	(2,861,250)	(2,970,000)
Capital Purchases/ Contingency	(1,671,895)	(192,018)	(192,018)	(140,000)
Total Non Operating Expenses	(22,120,259)	(5,450,441)	(5,417,415)	(5,484,143)
Net Cash	(15,876,739)	339,440	2,937,529	(165,337)

Arkansas River Power Authority						
Expenses for 2023 Budget						
	2021	2022	2022	2023	Difference	% of
	Actual	Budget	Projected YE	Budget	From Projected	Difference
	(\$)	(\$)	(\$)	(\$)	(\$)	(%)
Power Supply Costs						
O & M Expenses	10,619	13,500	28,333	13,500	(14,833)	-52.4%
Fuel (Non-LRP)	12,408	14,400	7,288	14,400	7,112	97.6%
WAPA LAP	2,415,483	2,424,229	2,412,218	2,824,004	411,786	17.1%
WAPA CRSP	218,125	216,809	208,156	212,132	3,976	1.9%
ARPA Wind	109,693	85,114	143,047	128,400	(14,647)	-10.2%
Lamar Wind	680,599	667,889	679,522	667,889	(11,633)	-1.7%
Purchased Power	10,091,302	10,807,564	10,537,962	11,129,814	591,852	5.6%
Total Power Supply Costs	13,538,227	14,229,505	14,016,526	14,990,139	973,613	6.9%
Transmission Costs						
Tri-State G & T	2,701,714	2,565,582	2,380,099	2,453,608	73,509	3.1%
SECPA	25,796	35,457	28,521	35,194	6,673	23.4%
San Isabel	207,609	210,824	206,631	214,881	8,250	4.0%
Lamar Light & Power	88,457	41,355	38,074	41,014	2,940	7.7%
Black Hills	65,163	242,829	223,219	454,755	231,536	103.7%
OATT Transmission	154,677	82,650	66,542	82,650	16,108	24.2%
Ancillary Services- Xcel	239,015	302,261	257,251	302,261	45,010	17.5%
Total Transmission Costs	3,482,430	3,480,959	3,200,338	3,584,364	384,027	12.0%
Administrative & General Expenses						
Dues & Subscription	30,683	35,979	33,492	37,479	3,987	11.9%
Employee Expenses	403,845	413,354	415,209	431,795	16,586	4.0%
Insurance Expenses	96,131	85,874	59,295	66,429	7,134	12.0%
City of Lamar Settlement	214,530	208,659	208,659	202,534	(6,125)	-2.9%
Lease Exp - LRP City Land	1,000	-	-	-	-	0.0%
Lease Exp - Willow Creek	2,643	2,643	2,723	2,804	82	3.0%
Members Services	7,467	8,800	6,070	10,400	4,330	71.3%
Office Expenses	23,814	21,687	22,211	21,687	(524)	-2.4%
Professional & Outside Svcs	477,820	456,300	212,778	401,300	188,522	88.6%
LRP Engineer and Contractor	28,922	-	-	-	-	0.0%
Safety Program	2,286	15,240	15,240	15,240	-	0.0%
Travel, Meals & lodging	10,322	25,000	20,333	25,000	4,667	23.0%
Total A & G Expenses	1,299,462	1,273,536	996,009	1,214,668	218,658	22.0%
Total Operating Expenses	18,320,119	18,984,000	18,212,873	19,789,171	1,576,298	8.7%
Interest Expenses	5,563,033	5,413,632	5,413,632	5,291,106	(122,526)	-2.3%
Depreciation/Amortization	272,288	268,711	272,400	267,576	(4,824)	-1.8%
Total Expenses	24,155,441	24,666,343	23,898,905	25,347,853	1,448,948	6.1%
Capital Outlays						
Wind Farm Metering	-	25,000	-	85,000	85,000	0.0%
Wind Turbine Upgrades	-	67,018	67,018	-	(67,018)	-100.0%
LRP Demolition Costs	1,671,895	-	-	-	-	-
Contingency	-	100,000	125,000	55,000	(70,000)	100.0%
Total Capital/ Contingency	1,671,895	192,018	192,018	140,000	(52,018)	-27.1%
Total Expenses (Incl. Capital)	25,827,336	24,858,361	24,090,923	25,487,853	1,396,930	5.8%

**Arkansas River Power Authority
2023 Proposed Budget Recap**

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2023	2022	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	Budget	Projected	Budget
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Power Supply Costs															
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	28,333	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	7,288	14,400
WAPA LAP	210,628	188,754	196,237	251,427	256,944	275,070	309,747	275,070	238,029	204,296	204,296	213,506	2,824,004	2,412,218	2,424,229
WAPA CRSP	18,901	17,851	18,409	15,183	16,306	17,519	18,329	17,947	16,089	18,599	18,143	18,855	212,132	208,156	216,809
ARPA Wind	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	10,700	128,400	143,047	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	679,522	667,889
Purchased Power	903,153	899,458	881,036	701,063	794,147	1,001,952	1,210,813	1,220,095	1,036,363	810,541	793,762	877,431	11,129,814	10,537,962	10,807,564
Total Power Supply Costs	1,201,019	1,175,074	1,164,476	1,036,308	1,136,261	1,363,488	1,607,595	1,581,894	1,359,157	1,101,959	1,084,659	1,178,248	14,990,139	14,016,526	14,229,505
Transmission Costs															
Tri-State G & T	213,353	212,851	193,983	192,764	195,960	193,244	219,003	218,717	176,293	213,773	212,541	211,125	2,453,608	2,380,099	2,565,582
SECPA	2,715	2,745	2,500	2,262	2,528	3,391	4,213	4,052	3,073	2,484	2,441	2,790	35,194	28,521	35,457
San Isabel	19,929	18,061	17,856	16,025	15,834	17,125	19,423	19,239	16,933	16,834	17,681	19,944	214,881	206,631	210,824
Lamar Light & Power	2,219	2,466	2,417	3,010	3,405	5,111	5,630	5,457	4,221	2,640	2,095	2,343	41,014	38,074	41,355
Black Hills	30,413	30,718	30,461	27,819	38,944	51,670	54,699	51,287	48,245	32,279	27,738	30,481	454,755	223,219	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	66,542	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	257,251	302,261
Total Transmission Costs	297,465	295,025	272,011	268,972	291,478	310,629	343,825	335,310	286,331	295,502	291,302	296,515	3,584,364	3,200,338	3,480,959
Administrative & General Expenses															
Dues & Subscription	9,371	341	284	13,956	831	435	3,629	265	1,765	1,963	4,274	365	37,479	33,492	35,979
Employee Expenses	35,970	35,970	35,970	35,970	35,970	35,970	35,970	35,970	35,970	35,970	36,050	36,050	431,795	415,209	413,354
Insurance Expenses	12,228	4,516	4,516	4,516	4,516	4,516	4,516	9,046	4,516	4,516	4,516	4,516	66,429	59,295	85,874
City of Lamar Settlement	17,115	17,073	17,030	16,987	16,944	16,900	16,857	16,813	16,770	16,726	16,682	16,637	202,534	208,659	208,659
Lease Exp - LRP City Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease Exp - Willow Creek	2,804	-	-	-	-	-	-	-	-	-	-	-	2,804	2,723	2,643
Members Services	1,800	1,800	400	400	400	400	400	400	1,800	1,800	400	400	10,400	6,070	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	22,211	21,687
Professional & Outside Svcs	44,500	50,500	26,000	26,000	37,300	43,500	33,500	26,000	31,000	31,000	26,000	26,000	401,300	212,778	456,300
Safety Program	-	-	-	-	-	-	-	-	-	15,240	-	-	-	15,240	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	20,333	25,000
Total A & G Expenses	127,678	114,089	88,090	101,719	99,850	105,612	98,761	92,385	95,711	111,104	91,811	87,859	1,214,668	996,009	1,273,536
Total Operating Expenses	1,626,162	1,584,188	1,524,576	1,406,999	1,527,589	1,779,729	2,050,181	2,009,589	1,741,199	1,508,564	1,467,772	1,562,622	19,789,171	18,212,873	18,984,000
Interest Expenses	443,642	443,642	443,642	443,642	443,642	443,642	443,642	443,642	443,642	432,776	432,776	432,776	5,291,106	5,413,632	5,413,632
Depreciation/Amortization	22,298	22,298	22,298	22,298	22,298	22,298	22,298	22,298	22,298	22,298	22,298	22,298	267,576	272,400	268,711
Total Expenses	2,092,102	2,050,128	1,990,516	1,872,939	1,993,529	2,245,669	2,516,121	2,475,529	2,207,139	1,963,638	1,922,846	2,017,696	25,347,853	23,898,905	24,666,343

			kWh	Rate	Amount (\$)										
Avg Composite Rate	\$ 0.10119		272,641,160	0.08836	\$24,090,573										
			570,973	5.49	\$3,134,642	Energy Rate									
			272,641,160	0.00000	\$0	DSC Adder									
			364,101	1	\$364,101	Reimb Transmission									
					\$27,589,316										
Arkansas River Power Authority															
Revenues for 2023 Proposed Budget															
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	2023 Total	2022 Budget	
Members	22,137,131	20,464,253	20,295,464	19,368,954	21,156,886	25,999,795	30,106,498	28,728,918	23,525,005	19,826,085	19,552,221	21,479,952	272,641,160	271,580,311	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Sales to Members	2,240,056	2,070,778	2,053,698	1,959,944	2,140,865	2,630,919	3,046,477	2,907,079	2,380,495	2,006,202	1,978,489	2,173,556	27,588,559	27,467,633	
Lamar CRSP	44,099	41,836	42,404	30,467	28,527	29,988	33,840	31,516	30,903	40,973	44,812	47,022	446,387	430,949	
Debt Service Adder	172,161	172,161	172,161	172,161	172,161	172,161	172,161	172,161	172,161	171,944	171,944	171,944	2,065,277	2,068,721	
Interest Income	9,188	6,563	350	350	355	859	2,632	20,164	950	350	350	350	42,460	33,100	
Amortization	35,748	35,748	35,748	35,748	35,748	35,748	35,748	35,748	35,748	35,748	35,748	35,748	428,976	455,822	
Miscellaneous Income	11,250	8,750	8,750	7,500	5,000	7,500	7,500	7,500	5,000	6,250	8,750	11,250	95,000	0	
Total Revenues	2,512,501	2,335,835	2,313,111	2,206,170	2,382,656	2,877,175	3,298,357	3,174,168	2,625,257	2,261,466	2,240,094	2,439,871	30,666,659	30,456,224	
	8.2%	7.6%	7.5%	7.2%	7.8%	9.4%	10.8%	10.4%	8.6%	7.4%	7.3%	8.0%	100.0%	100.0%	

ARPA BUDGET AND APPROPRIATION RESOLUTION OF 2023
RESOLUTION No. 04 -22

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 2023; and

WHEREAS, following advance published notice in accordance with Colorado law, a hearing was held on the proposed 2023 budget at a regular meeting of the Board of Directors on December 1, 2022, 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 1, 2022

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


(1) Title

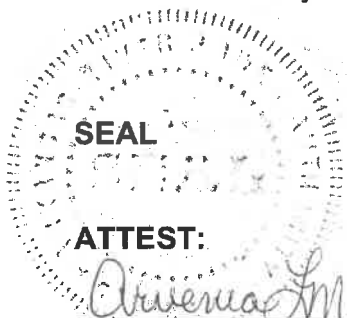
This Resolution shall govern the expenditure of funds by general purpose and amount for the calendar year 2023 commencing January 1 and ending December 31 and may be cited as "ARPA Budget and Appropriation Resolution of 2023".

(2)

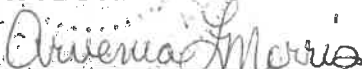
The 2023 Budget presented to the Board on December 1, 2022, is hereby approved and there is budgeted and appropriated from revenues, assessments and other funds available to ARPA, the sum of Twenty-five million, Four hundred eighty-seven thousand, eight hundred fifty-three (\$25,487,853) dollars or so 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 1st day of December, 2022.


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



ATTEST:



Arvenia L. Morris
Secretary