

RESOLUTION NO. 2008-6

A RESOLUTION APPROVING THE ISSUANCE BY THE ARKANSAS RIVER POWER AUTHORITY OF COMPLETION BONDS FOR THE LAMAR REPOWERING PROJECT AND PROVIDING OTHER DETAILS IN CONNECTION THEREWITH

WHEREAS, the Town of Holly, Colorado (the “Town”) is a member of the Arkansas River Power Authority, a separate governmental entity and political subdivision of the State of Colorado (the “Authority” or “ARPA”), having heretofore executed and delivered the “Organic Contract Creating and Establishing the Arkansas River Power Authority as a Separate Governmental Entity” and amendments thereto (collectively, the “Organic Contract”); and

WHEREAS, the Authority was established by the Town; the City of La Junta, Colorado; the City of Lamar, Colorado; the City of Las Animas, Colorado; the City of Trinidad, Colorado; the Town of Springfield, Colorado; and the City of Raton, New Mexico (collectively the “Member Municipalities” or individually each a “Member Municipality”) to plan, develop and acquire the electric power resources needed by the Member Municipalities to reliably serve their respective electricity customers; and

WHEREAS, the Town has, pursuant to due notice from ARPA and by Town Ordinance, previously approved the development by ARPA of a project to repower the existing 25 megawatt steam generating unit owned by the Lamar Utilities Board from a natural gas-fired operation to a coal-fired operation with a resulting increase in net output rating to approximately 38.5 megawatts (the “Repowering Project”) and further authorized and approved, together with the governing body of each of the Member Municipalities (collectively, the “Members’ Authorization”), the Authority’s issuance of bonds to finance the Repowering Project; and

WHEREAS, pursuant to the current Members’ Authorization, the Authority issued its Power Revenue Improvement Bonds, Series 2006 (the “Series 2006 Bonds”) and its Power Revenue Improvement Bonds, Series 2007 (the “Series 2007 Bonds”) the proceeds of which (exclusive of bond issuance costs, the bond reserve fund, and capitalized interest), together with interest earnings thereon to date, provide approximately \$104.2 million for the payment of the costs of the Repowering Project; and

WHEREAS, the Authority has presented to the Town a Fourth Supplemental Notice of Intent to Commit Funds to Acquire, Construct, and Install the Lamar Repowering Project, dated May 5, 2008 (the “Fourth Supplemental Notice”) which states in part that, due to substantial upward market pressure, demand beyond initial estimates for commodities, labor and construction and future uncertainties in certain costs at the time the Series 2007 Bonds were issued, which are beyond the control of the Authority, the costs of the Repowering Project will require a the issuance of additional completion bonds generating approximately \$20 million (exclusive of bond issuance costs, a bond reserve fund and capitalized interest) (the “Third Supplemental Authorization”); and

WHEREAS, as set forth in its resolution dated May 5, 2008, the Board of Directors of the Authority has determined that the Repowering Project continues to be (a) economically feasible as the updated estimate of the bus bar power cost is 7.75 cents per kWh produced (compared to the estimate of 5.51 cents per kWh when the Series 2006 Bonds were issued in February of 2006 and 6.37 cents per kWh when the Series 2007 Bonds were issued in July of 2007), (b) necessary for the Authority to meet its commitment to supply the wholesale power needs of the Member Municipalities and (c) the best power supply alternative available to meet the long-term power needs of the Member Municipalities given operational, financial, technological and transmission considerations; and

WHEREAS, the Authority has informed its Member Municipalities that with respect to wholesale power currently purchased on the open market by the Authority, such costs continue to escalate and have reached as high as nine cents per kWh on peak and 6.3 cents per kWh off-peak, further, the Western Area Power Administration is predicting prices as high as 12.4 and 8.6 cents per kWh on peak and off-peak, respectively, at least throughout the remainder of the summer of 2008; and

WHEREAS, the Board of Trustees of the Town (the “Board of Trustees”), having reviewed the Fourth Supplemental Notice and such additional information as it deemed necessary and appropriate, now takes the following action;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE TOWN OF HOLLY, COLORADO THAT:

Section 1. Approval of Third Supplemental Authorization. The Third Supplemental Authorization is in all respects approved and authorized by the Town and such approval and authorization by the Town shall equal the Town’s percentage share of all Member Municipality energy purchases from the Authority in calendar year 2004 (the “Town’s Supplemental Participation”). The Town’s approval shall be conditioned upon approval of the Third Supplemental Authorization by Member Municipalities representing not less than sixty-five percent of the energy purchased from the Authority in calendar year 2004 (the “Minimum Member Participation”).

Section 2. Findings and Determinations. The Board of Trustees hereby finds and determines that:

(a) The Member Municipality percentage energy purchases from the Authority in calendar year 2004 were the Town of Holly, two percent (2%); the City of Lamar, twenty-nine percent (29%); the City of La Junta, twenty-two percent (22%); the City of Las Animas, nine percent (9%); the City of Raton, eighteen percent (18%); the Town of Springfield, four percent (4%); and the City of Trinidad, sixteen percent (16%); therefore, the Town’s Supplemental Participation shall be two percent (2%).

(b) The completion of the Repowering Project necessitates the approval of the Third Supplemental Authorization.

(c) Upon receiving the Minimum Member Participation, the Board of Directors of the Authority is to issue completion bonds to generate approximately \$20 million (exclusive of bond

issuance costs, a bond reserve fund and capitalized interest) and the failure of any Member Municipality to approve the Third Supplemental Authorization does not proportionately reduce the Third Supplemental Authorization or the obligation of each Member Municipality under the Organic Contract to purchase all energy and power requirements from the Authority. Further, in the event that any Member Municipality does not approve the Third Supplemental Authorization and, for whatever reason, such Member Municipality is not required to share in the costs or benefits of the Third Supplemental Authorization, the Town understands and agrees that those Member Municipalities representing the Minimum Member Participation will step up their Participation level and share such costs or benefits.

(d) This Resolution shall constitute valid and binding approval and action by the Town pursuant to the terms of the Organic Contract and, following the issuance of completion bonds by the Authority, this Resolution shall be irrevocable. The Town shall, prior to the date of the issuance of the completion bonds, provide written notice to the Authority of any repeal, revocation, amendment or rescission, by implication or otherwise, of this Resolution.

Section 3. Headings. The headings to the various sections and paragraphs to this Resolution have been inserted solely for the convenience of the reader, are not a part of this Resolution, and shall not be used in any manner to interpret this Resolution.

Section 4. Severability. If any section, paragraph, clause or provision of this Resolution shall be held invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any other provision of this Resolution.

PASSED AND APPROVED THIS 7th DAY OF MAY, 2008.

/s/ W. Bruce Roup, Mayor

ATTEST:

/s/ Mary Rushton, Town Clerk/Treasurer