



L A M A R
P O W E R
P L A N T



2002 ANNUAL REPORT

Board Members



Bob Schemahorn

Board Chairman

Board Member since August of 1986.

Chairman of the Board since 1995.



Bill Wootten

Board Member 1988 to 1998.

2nd term began October of 2003.



Charles Kelley

Board Member — term began August of 2004.



Don Steerman

Board Member — term began February of 2006.



John Munez

Board Member — term began January of 2008.

The following citizens have previously
devoted their time and energy to serving as
Members of the City of Lamar Utilities Board

(* denotes Chairman)

Ralph Eaton
Elbert Anderson*
James Loutzenhiser*
Roland Green*
Walter Moyer
Leon Butler
Lyle Colean
Bernis Nunnery*
Howard Ragsdale*
King Collins
George Baker*
Gene Clay*

Harold Thurman
George McLachlan
Charles Gard
Donald Ater
Darrell Bailey
Richard Pelley
Joe Reichard*
Valentino Vallejos
Albert Schroeder*
Ernest Hofmeister
Larry Manning
Sandy Crow

Joe Garbacz
George Demas
John Geddes*
Keith Nidey
Lee Lirley
Bill Wootten
Karen Voepel
Ed Harms
Larry Bauer
Ron Anderson
Judy Douglass



Message From The Superintendent

The Annual Report figures and tabulations contained herein for the Lamar Utilities Board operation for 2008 are in compliance with the requirements of Article VII, Paragraph 5-K of the Home Rule Charter of the City of Lamar, adopted in 1962.

2008 was a very demanding year for the Lamar Light and Power staff and operations. The construction of the Lamar Repowering Project was basically completed towards the end of 2008 and the commissioning efforts began even as the construction ended. By the end of 2008 the commissioning team had been assembled and start-up activities for the boiler and steam systems were well under way.

In the spring of 2008 the final completion bonds were sold for the Project. The Arkansas River Power Authority (ARPA) sold approximately \$20 million in additional bonds, exclusive of bond issuance and reserve costs, to complete the \$130 million project. The vast majority of the positions for the plant operating staff were filled by late fall of 2008 and the training effort for the operating staff were well underway. Of the fourteen new employees we hired in 2008, twelve of them are directly related to the Repowering Project.

Sales for 2008 remained steady although down a little less than one half of one percent when compared to 2007. We provided in excess of 88,500 mega-watt hours to our approximately 5700 meters in 2008. Our total number of meters increased from 2007 which reversed a trend of declining numbers that began in 2003. Although the increase was small, it was across all customer classes and provided a positive sign for the future.

In 2008 the Lamar Wind Farm generated over 13,700 megawatt-hours of energy that resulted in a capacity factor for the wind farm of 34.9 % for the year. Both statistics are records for wind turbine production for our wind farm and a testament to the reliable operation of the turbines.

During 2008 we continued our partnership with the Business and Education Talent Readiness Project (BETR). This is a cooperative project between several entities including the State of Colorado whose common goal is to provide additional training opportunities for teachers. In addition, participation in the program allows us to visit with the teachers and identify those skills we believe our future work force will need.

We completed the second year of our Summer Youth Employment Program in 2008. We once again employed four young people from the area. The electric utility industry is one of many industries that are being challenged by the retirement of the Baby Boomer Generation. We will literally be losing decade's worth of training and experience during the next few years. In response to this issue Lamar Light and Power launched a program that provides jobs and training to a handful of qualified young people. Our goal is to raise awareness of our operations with our future work force, and encourage a work force from within our community.

The high cost of natural gas used for power generation continued to apply pressure on electric rates. During the summer of 2008 the electric market prices hit record or near record highs consistently, driving up the cost of purchased power to Lamar Light and Power. In an effort to mitigate the impact on our consumers the Lamar Utilities Board continued a rate stabilization program that provided a modicum of control and relief over the ever increasing costs. Despite the Board's efforts, power rates continued to increase during the year.



Unfortunately we believe energy costs will continue to rise for the foreseeable future. The Western Area Power Administration that supplies us with our federal allocation of hydro-electric power increased rates by 6% in 2008 and has announced a 10.7% increase for 2009. In addition, it is becoming more difficult to permit and construct power plants and transmission lines that are becoming necessary to support Colorado's growing population and energy needs. Many projects are languishing in the planning stages due to economic and regulatory concerns.

While Lamar Light and Power remains financially strong, we are continuing to monitor our operating costs and revenues to ensure we maintain sufficient reserves for operations. We believe that with the successful commissioning and operation of the Repowering Project we will be able to stabilize our electric rates over the long term. However our ability to control rates in the short-term will be challenged. Rates will be impacted by the national economy, power markets, the ability of new power supplies and transmission lines to be brought on-line in a timely manner, and the effect of regulatory impositions such as a carbon tax and additional restrictions with regard to environmental regulations.

We look forward to 2009 and bringing the new power plant on-line, and meeting the challenges that will emerge. Our operations and activities will be consistent with our goals and Mission Statement:

The Lamar Utilities Board will continually strive to provide reliable power at competitive rates to all consumers and businesses we serve throughout Prowers and Bent Counties. We will provide professional service through a commitment to excellence and work to maintain Lamar and the surrounding area as vital progressive communities.

Respectfully Submitted,

Rick Rigel
Superintendent

2008 Fast Facts

Energy Sales 88,579,269

Total Revenue \$11,283,210

Net Income (\$323,112)

Total Assets \$39,630,981

Average Rate To Consumers 12.73 cents per kWh

Number of Meters Served 5,720

Service Area Size 167 Square Miles

Peak Demand 26,300 kW July, 2008

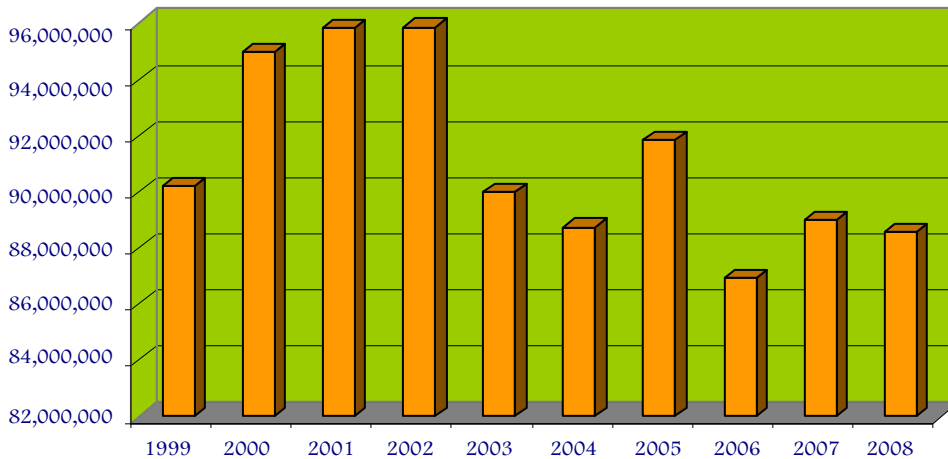
Owned Capacity 31,500 kW

Number of Employees 56

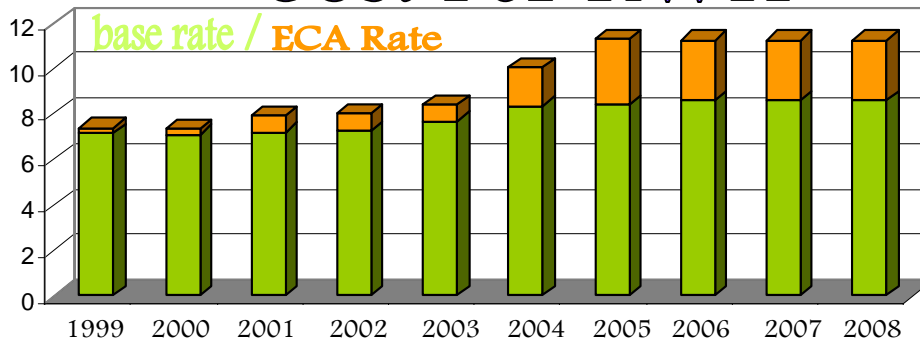


Rick Woodard
Steam Plant Operator III

K W H Sales



Cost Per KWH





Keith Dennis
Transmission & Distribution

Balance Sheet

12~31~08

ASSETS

CURRENT AND ACCRUED ASSETS

| | |
|-------------------------------------|--------------------|
| Cash and Others | \$2,496,244 |
| Capital Improvements & Reserve Fund | \$2,522,295 |
| Customer Accounts Receivable | \$822,728 |
| Other Accounts Receivable | \$285,888 |
| Due from Other Funds | \$216 |
| Inventories | \$466,361 |
| Prepayments | \$7,253 |
| Debt Service | \$228,245 |
| | \$6,829,230 |

PROPERTY & EQUIPMENT

| | |
|---------------------------------|---------------------|
| Utility Plant In Service | \$35,869,057 |
| Contract in Aid of Construction | \$157,908 |

TOTAL ASSETS

\$42,856,195

LIABILITIES & SURPLUS

CURRENT & ACCRUED LIABILITIES

| | |
|------------------------------|--------------------|
| Notes Payable | \$245,000 |
| Accounts Payable | \$1,089,775 |
| Customer Deposits | \$141,000 |
| Accrued Interest on Deposits | \$36,129 |
| Other Accrued Payables | \$15,795 |
| Accrued Payroll | \$25,762 |
| Due to Other Funds | \$14,607 |
| Deferred Revenue | \$54,143 |
| | \$1,622,211 |

OPERATING RESERVE

| | |
|-----------------------------------|---------------------|
| Sick Leave / Vacation Reserve (a) | \$289,829 |
| Depreciation (b) | \$20,055,003 |
| | \$20,344,832 |

OTHER LIABILITIES

| | |
|----------------|---------------------|
| Bonds Payable | \$4,600,000 |
| Earned Surplus | \$16,289,152 |
| | \$20,889,152 |

TOTAL LIABILITIES

AND SURPLUS

\$42,856,195

(a) Sick Leave and Vacation are balances as of 12/31/08.

(b) Depreciation is a reserve under which capital cost of equipment is charged off as an operating expense. This represents the "used up" portion of the physical plant.



Steve Hickman
Plant Maintenance

Statement Of Income 12~31~08

| Years Of Comparison | 2006 | 2007 | 2008 |
|---|--------------------|--------------------|--------------------|
| Number Of Customers | 5,695 | 5,689 | 5,720 |
| Gross Generation, KWH | 17,113,926 | 17,151,899 | 18,113,984 |
| Station Use | (1,345,966) | (1,432,836) | (1,828,354) |
| Net Generation | 15,767,960 | 15,719,063 | 16,285,630 |
| Purchased Power | 89,326,394 | 87,084,009 | 87,421,617 |
| Transmission Losses / Wheeling | (12,308,330) | (9,745,032) | (8,349,311) |
| Net Production | 92,786,024 | 93,058,040 | 95,357,936 |
| Distribution Losses | <u>(5,862,423)</u> | <u>(4,068,627)</u> | <u>(6,778,667)</u> |
| SALES OF ELECTRICITY (KWH) | 86,923,601 | 88,989,413 | 88,579,269 |
| REVENUES | | | |
| Sales Of Electricity | 7,460,712 | 7,590,806 | 7,754,279 |
| Electric Cost Adjustment Billing | <u>2,317,520</u> | <u>2,572,822</u> | <u>3,528,931</u> |
| TOTAL OPERATING REVENUE | 9,778,232 | 10,163,628 | 11,283,210 |
| OPERATING EXPENSES | | | |
| Personal Services | 993,653 | 1,113,521 | 1,523,675 |
| Purchased Power | 4,887,362 | 5,266,663 | 6,349,781 |
| Utilities | 156,382 | 141,959 | 235,778 |
| Repairs and Maintenance | 601,310 | 998,826 | 866,499 |
| Other Supplies and Expenses | 260,855 | 628,819 | 1,000,372 |
| Capital Outlay | | | 469,874 |
| Reimbursement of Operating Costs | | | (1,542,062) |
| Insurance Claims and Expenses | 169,396 | 173,429 | 183,296 |
| Depreciation | <u>1,105,069</u> | <u>1,127,560</u> | <u>1,012,525</u> |
| TOTAL OPERATING EXPENSES | 8,174,027 | 9,450,777 | 10,099,738 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest and Investment Revenue | 92,877 | 156,255 | 160,499 |
| Miscellaneous Revenue | 94,591 | 571,254 | 42,015 |
| Interest Expense | (228,239) | (223,827) | (217,864) |
| Miscellaneous Expense | <u>(282,091)</u> | <u>(350,836)</u> | <u>(329,633)</u> |
| TOTAL NON-OPERATING REVENUE (EXPENSES) | (322,862) | 152,846 | (344,983) |
| Income Before | | | |
| Contributions and Transfers | 1,281,343 | 865,697 | 838,489 |
| General Fund Transfer | (966,604) | (966,604) | (1,161,601) |
| NET INCOME | 314,739 | (100,907) | (323,112) |
| (*includes Depreciation Expense) | | | |

Statement Of Income

Lamar Utilities Board's total revenue for 2008 was up 11% from 2007 on sales of approximately 88,500 mega-watt hours. Sales were down slightly from 2007, but purchased power cost increases resulted in higher Electric Cost Adjustment (ECA) rates. Purchased power costs increased from \$5.26 million in 2007 to \$6.35 million in 2008 as electric power market prices hit record or near record highs during the high usage summer months. ECA revenues reflected the higher purchase power cost and increased from \$2.57 million in 2007 to \$3.53 million in 2008.

The higher costs were a result of abnormally high natural gas prices which is becoming the fuel of choice for many of the new power plants being placed into service. In addition, the Western Area Power Administration that supplies us with our federal allocation of hydro-electric power, increased rates by 6% in 2008, and has announced a 10.7% increase for 2009.

As these increased costs continued to apply pressure on electric rates for Lamar Light and Power customers, the Lamar Utilities Board extended the use of rate stabilization funds to reduce the impact of the increases. A total of \$388,250 was spent in 2008 for rate stabilization.

Our Income Statement for 2008 includes many expenses and revenues tied to the Lamar Repowering Project. Our Personnel Services expenses increased by almost 4% as twelve new positions were filled relative to the operations of the Repowering Project. We also incurred costs related to the construction and commissioning of the Project. These additional expenses were off-set by a reimbursement of \$1.542 million dollars from ARPA for operations of the Repowering Project.

LUB realized significant non-operating revenues from fees generated by the operation of our natural gas gathering system, and funds from the sale of Renewable Energy Certificates (REC) and Renewable Energy Production Incentives (REPI). Funds from both the REC and REPI payments were returned directly to rate payers by a reduced rate for our wind turbine generation.

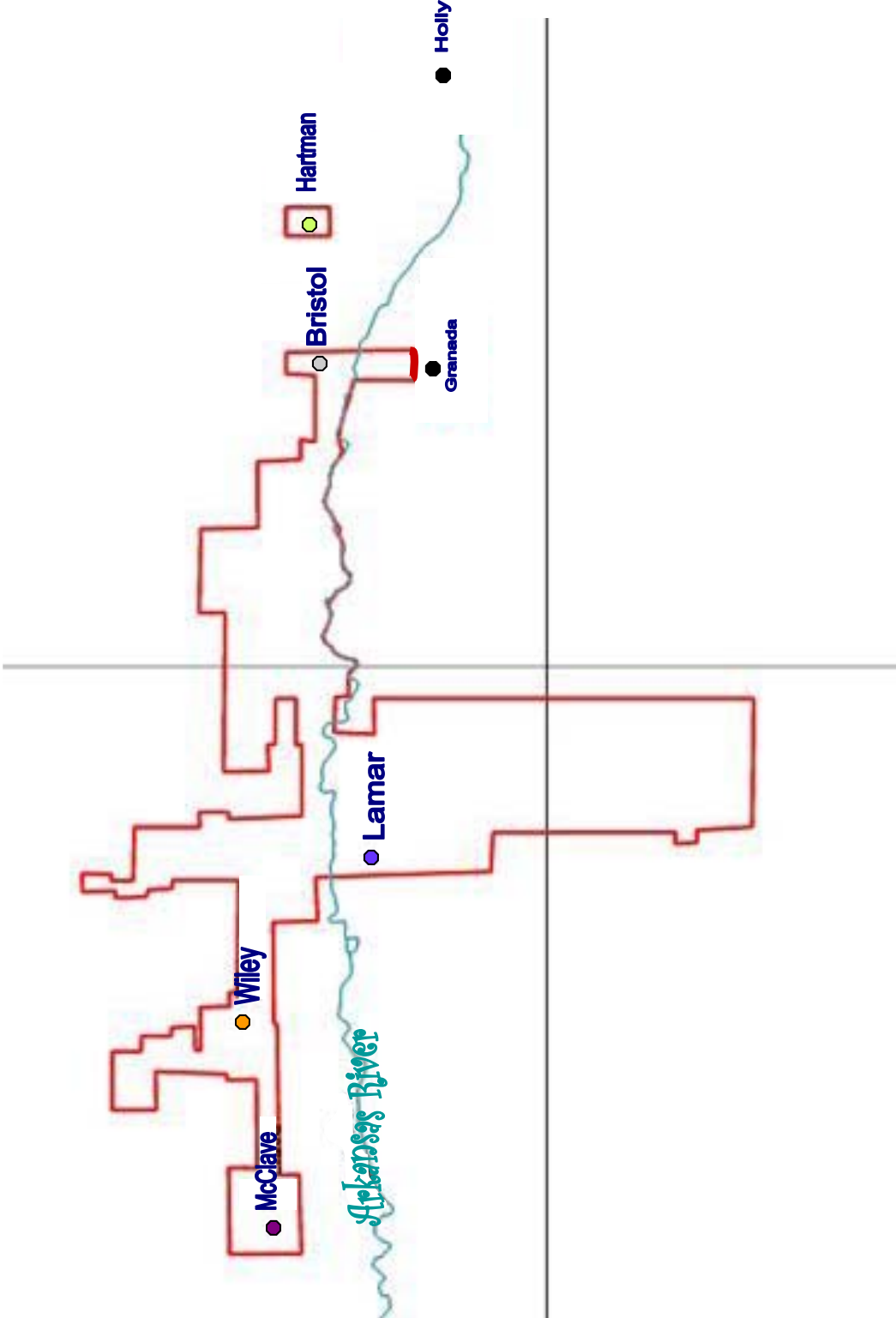
LUB made a transfer to the City's General Fund of \$1,161,601 in 2008. This is an increase of a little over 20% from 2007; however, the appropriation in 2007 had remained unchanged from 2006 per an agreement between the City Council and Utilities Board. This year's appropriation equals 12% of our annual gross sales per the Charter formula and is "in recognition of the operating privilege and for the use of general City facilities and benefits both within and without the corporate limits".

We realized a negative net-operating revenue for 2008 of \$323,112. However, our cash position improved by a little over 7% as Lamar Light and Power remains financially stable and on target with Operating and Reserve funding levels. The electric industry is currently in a state of flux with many uncertainties regarding new power plant permitting and construction, the impact that Federal and environmental regulations may have on operations, and the need for capital investment for infrastructure. The Lamar Utilities Board is well versed in the need to maintain sufficient reserves to prepare for these challenges and the impact these higher costs may have on operations.



Gilbert Jaime;
Warehouse
and Jason Gass;
Engineering &
Electrical Maintenance

Service Area



BETR Project

Lamar Light and Power first joined forces in 2007 with other regional businesses and industries in support of the Business and Education Talent Readiness, or BETR Project, a cooperative effort with the State of Colorado, the ACTION22 Initiative and the Pikes Peak Workforce Center.

The goal of the BETR Project is to assist Southeastern Colorado communities in overcoming the challenge of finding employees with adequate science, technology, engineering, math and basic social skills. Part of the solution is simply to establish effective communication channels between businesses and education.

One of the components of this program is "Tuesday Tours" for teachers. The tours are intended to assist teachers in gaining a deeper understanding of the labor needs of business and industry, and to emphasize the importance of producing highly qualified, work-ready students. These efforts may very well impact the quality and availability of our future workforce at Lamar Light and Power.

We hosted tours of the Lamar Repowering Project on March 11 and March 18, and the Lamar Wind Farm on April 15, October 21 and November 18, 2008.



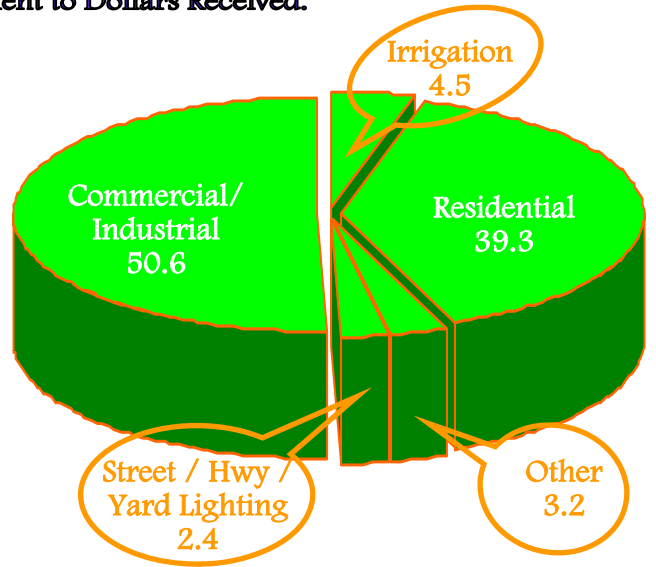
Superintendent Rick Rigel and tour group from April 15th.

Source Of Income

Percentages on Chart are equivalent to Dollars Received.



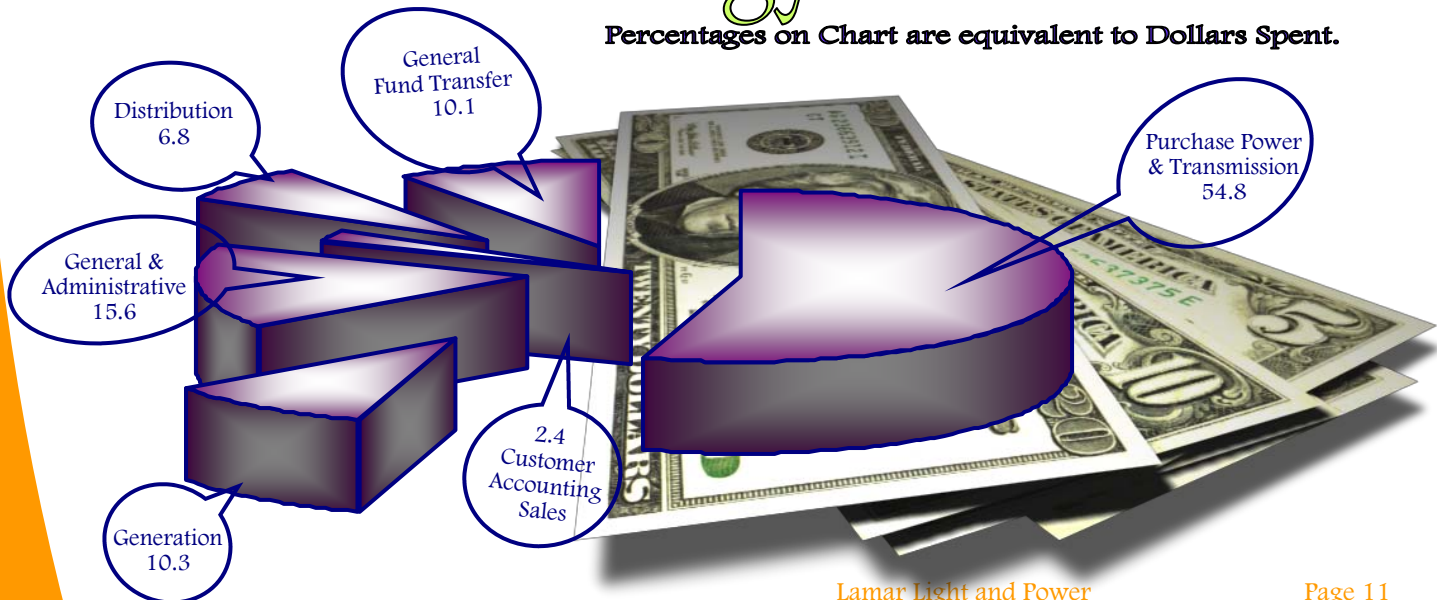
Commercial / Industrial



Residential

Use Of Each Energy Dollar

Percentages on Chart are equivalent to Dollars Spent.



Historic System Sales

| YEAR | TOTAL | TOTAL | AVG | LAMAR | | AVG | OUTSIDE LAMAR | | AVG |
|-------------------------|-------------|------------|---------|--------------------|------------|---------|----------------|------------|---------|
| | KWH | REVENUE | PER KWH | NON-JURISDICTIONAL | REVENUE | PER KWH | JURISDICTIONAL | REVENUE | PER KWH |
| | SALES | KWH SALES | SOLD | KWH | | SOLD | KWH | | SOLD |
| 1920 through 1937 | 42,336,604 | 2,068,922 | 4.89 | | | | | | |
| 1938 through 1959 | 420,567,665 | 8,031,085 | 1.91 | 169,943,503 | 4,363,363 | 2.57 | 130,895,398 | 2,490,598 | 1.90 |
| 1960 through 1969 | 436,674,420 | 7,872,024 | 1.80 | 197,368,767 | 4,387,052 | 2.22 | 185,941,253 | 3,046,891 | 1.64 |
| 1970 through 1979 | 714,457,431 | 21,162,987 | 2.96 | 364,277,587 | 11,698,551 | 3.21 | 350,179,844 | 9,464,436 | 2.70 |
| 1980 through 1989 | 960,649,636 | 56,653,106 | 5.90 | 511,444,591 | 32,280,644 | 6.31 | 336,969,765 | 20,095,208 | 5.96 |
| 1990 | 83,273,854 | 5,804,317 | 6.97 | 52,746,617 | 3,698,474 | 7.01 | 30,527,237 | 2,105,843 | 6.90 |
| 1991 | 82,687,785 | 6,030,261 | 7.29 | 52,259,723 | 3,809,832 | 7.29 | 30,428,062 | 2,220,429 | 7.30 |
| 1992 | 80,903,032 | 6,159,950 | 7.61 | 50,128,755 | 3,870,624 | 7.72 | 30,774,311 | 2,289,326 | 7.45 |
| 1993 | 81,612,424 | 6,271,375 | 7.68 | 52,580,738 | 4,113,322 | 7.82 | 29,032,128 | 2,158,131 | 7.43 |
| 1994 | 83,895,750 | 6,623,531 | 7.89 | 55,071,094 | 4,395,078 | 7.98 | 28,824,656 | 2,228,453 | 7.73 |
| 1995 | 82,318,082 | 6,490,784 | 7.88 | 55,117,175 | 4,393,442 | 7.97 | 27,200,907 | 2,097,341 | 7.71 |
| 1996 | 83,595,647 | 6,179,913 | 7.39 | 57,546,575 | 4,286,336 | 7.45 | 26,049,072 | 1,893,577 | 7.27 |
| 1997 | 86,089,657 | 6,370,219 | 7.40 | 59,807,577 | 4,414,895 | 7.38 | 26,282,079 | 1,955,324 | 7.44 |
| 1998 | 87,353,599 | 6,359,790 | 7.28 | 62,221,991 | 4,499,769 | 7.23 | 25,131,608 | 1,860,021 | 7.40 |
| 1999 | 90,207,274 | 6,669,766 | 7.39 | 65,097,045 | 4,770,468 | 7.33 | 25,110,229 | 1,899,298 | 7.56 |
| 2000 | 96,050,115 | 7,065,034 | 7.36 | 67,114,254 | 4,946,407 | 7.37 | 28,220,657 | 2,118,627 | 7.51 |
| 2001 | 95,863,965 | 7,612,744 | 7.94 | 68,249,886 | 5,388,160 | 7.87 | 27,434,079 | 2,224,585 | 8.11 |
| 2002 | 95,872,203 | 7,690,373 | 8.02 | 68,753,949 | 5,476,246 | 7.96 | 27,118,254 | 2,214,127 | 8.16 |
| 2003 | 90,007,641 | 7,574,790 | 8.42 | 65,857,272 | 5,517,987 | 8.38 | 24,150,369 | 2,056,804 | 8.52 |
| 2004 | 88,747,375 | 8,899,936 | 10.03 | 65,722,025 | 6,553,853 | 9.97 | 23,047,270 | 2,346,083 | 10.18 |
| 2005 | 91,819,843 | 10,361,862 | 11.28 | 66,101,205 | 7,458,149 | 11.28 | 25,718,638 | 2,903,713 | 11.29 |
| 2006 | 86,923,601 | 9,778,232 | 11.25 | 62,411,847 | 7,016,979 | 11.24 | 24,511,754 | 2,761,253 | 11.26 |
| 2007 | 88,989,413 | 10,163,628 | 11.42 | 64,054,491 | 7,315,937 | 11.42 | 24,934,923 | 2,847,691 | 11.42 |
| 2008 | 88,579,269 | 11,283,210 | 12.73 | 62,866,263 | 8,010,946 | 12.73 | 25,713,006 | 3,272,264 | 12.73 |

RECORDS KEPT PRIOR TO 1938 DID NOT SEPARATE JURISDICTIONAL FROM NON-JURISDICTIONAL SALES.

Lamar Wind Farm

Our wind turbine production for 2008 was the highest year on record as the turbines continue to operate reliably. The three LUB turbines generated a combined 13,781.4 megawatt hours in 2008, which is enough energy to serve approximately 1800 households for one year, based upon average residential use. This is a 7% increase from 2007 and a 5.5% increase from our previous annual high, which occurred in 2005. Total annual production for all three turbines:

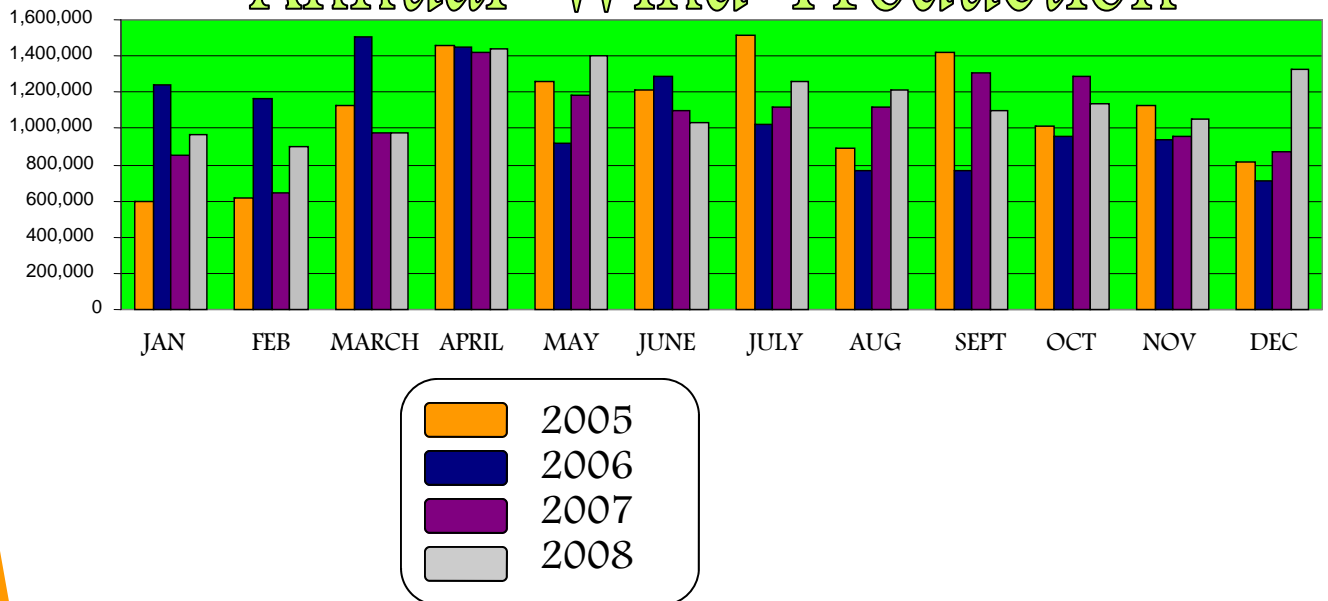
| | |
|------|-------------------------|
| 2008 | 13,781.4 megawatt hours |
| 2007 | 12,825.8 megawatt hours |
| 2006 | 12,735.4 megawatt hours |
| 2005 | 13,055.3 megawatt hours |

In addition, all three turbines exceeded their annual averages:

| | 2008 Production | Average Production |
|-------|-----------------|--------------------|
| ◆ T-1 | 4,549.9 mwhrs | 4,331.8 mwhrs |
| ◆ T-2 | 4,627.1 mwhrs | 4,347.4 mwhrs |
| ◆ T-3 | 4,604.5 mwhrs | 4,420.2 mwhrs |

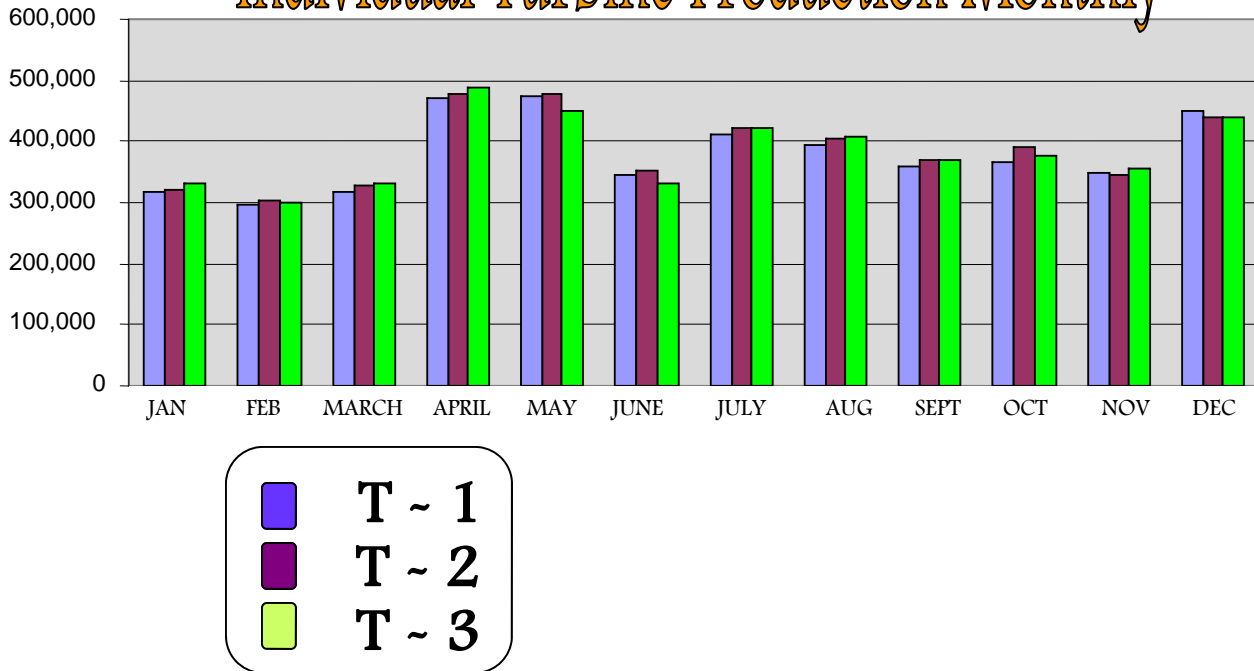
Wind generation remains most constant in the spring months of April and May; however, in 2008 the wind blew in December as reflected in our production numbers. The calmest months in 2008 were the first three months of the year. The following graph illustrates the total production of all three turbines on a month by month basis.

Annual Wind Production



Individual Turbine Performance. Individually, all three turbines performed well with T-2 producing the most energy for 2008. However, there was only about one and a half percent difference between T-2 and the lowest performing turbine, T-1. The following graph illustrates the monthly total production from all three turbines. Total wind produced energy accounted for almost 15.5% of the energy sold by LUB in 2008.

Individual Turbine Production Monthly



Renewable Energy Certificates. The cost of our wind generated power was reduced by LUB’s successful sale of Renewable Energy Certificates (REC). Businesses and companies that want to participate in renewable energy but find they cannot directly build or invest in renewable resources are doing the next best thing, they are purchasing REC or Green Tags. REC/Green Tags are the renewable attribute of the energy produced from renewable power sources such as bio-mass, solar and wind. By purchasing the REC the companies are encouraging additional renewable power sources and are providing an economic benefit to those who have invested in the construction of Green Energy. LUB has contracted their REC through 2011.

Renewable Energy Production Incentive (REPI) payments. REPI payments were developed as an incentive to develop renewable energy projects such as the Lamar Wind Farm. Unfortunately the payments had a sunset provision that lapsed in late 2003, the fall prior to the commissioning of our Wind Farm. In late 2005 the incentive payments were revived and our turbines became eligible for the payment. The payment for 2008 amounted to just over \$51,000 which is down almost 20% from 2007. The funding for REPI has remained stagnant for the last few years despite the fact that several projects eligible for REPI payments have come on-line and began receiving payments. The REPI payments are handled much the same as the REC in that the revenues generated are credited back towards the cost of wind production thereby lowering the price of wind generated energy.

Lamar Wind Farm

2004 A

Series

Bonds



PRINCIPAL AND INTEREST REQUIREMENT SCHEDULE

| YEAR | PRINCIPAL | INTEREST | TOTAL |
|--------------|--------------------|--------------------|--------------------|
| 2009 | \$245,000 | \$203,738 | \$448,738 |
| 2010 | \$250,000 | \$195,775 | \$445,775 |
| 2011 | \$260,000 | \$187,650 | \$447,650 |
| 2012 | \$270,000 | \$178,550 | \$448,550 |
| 2013 | \$280,000 | \$169,100 | \$449,100 |
| 2014 | \$290,000 | \$159,300 | \$449,300 |
| 2015 | \$300,000 | \$146,250 | \$446,250 |
| 2016 | \$315,000 | \$132,750 | \$447,750 |
| 2017 | \$330,000 | \$118,575 | \$448,575 |
| 2018 | \$345,000 | \$103,725 | \$448,725 |
| 2019 | \$360,000 | \$88,200 | \$448,200 |
| 2020 | \$375,000 | \$72,000 | \$447,000 |
| 2021 | \$390,000 | \$55,125 | \$445,125 |
| 2022 | \$410,000 | \$37,575 | \$447,575 |
| 2023 | \$425,000 | \$19,125 | \$444,125 |
| TOTAL | \$4,845,000 | \$1,867,438 | \$6,712,438 |

Lamar Repowering Project

2008 was a very demanding year for the Lamar Light and Power staff and operations. The construction of the Lamar Repowering Project was basically completed towards the end of 2008 and the commissioning efforts began even as the construction was winding down. By the end of 2008 the commissioning team had been assembled and start-up activities for the boiler and steam systems were well under way.

In the spring of 2008 the final completion bonds were sold for the Project. The Arkansas River Power Authority (ARPA) sold approximately \$20 million in additional bonds, exclusive of bond issuance and reserve costs, to complete the \$130 million project. Despite the increased cost, the ARPA Board of Directors determined that the Repowering Project continues to be:

- (a) Economically feasible
- (b) Necessary for ARPA to meet its commitment to supply the wholesale power needs of the Member Municipalities and
- (c) The best power supply alternative to meet the long-term power needs of the Member Municipalities given operational, financial, technological, and transmission considerations.

The Lamar Repowering Project consists of the erection of a 44 mega-watt Circulating Fluidized Bed Boiler (CFB), construction of an 18 mega-watt GE steam turbine, and the re-powering of the existing 26 mega-watt LUB Unit 6 steam turbine. The Project is expected to provide the base load power supply needs for the members of ARPA, of which Lamar Light and Power is the largest member, for the next few decades.

LUB will employ over 30 additional employees to operate the power plant. The vast majority of the positions were filled by late fall of 2008 and the training effort for the operating staff was well underway. Of the fourteen new employees hired in 2008, twelve of them are directly related to the Repowering Project.

The Lamar Utilities Board (LUB) is charged with the operations of the Repowering Project and has been instrumental in the construction and commissioning effort. LUB staff has gained an intimate knowledge of how the Project is constructed and designed to operate. This knowledge will prove invaluable when the Project goes into commercial operation.

COAL HANDLING

- ◆ A unit train made up of 110 to 115 cars will deliver coal cars and place them on a new siding built parallel to the main BNSF rail line. Five to Seven rail cars will be uncoupled from the train by LUB employees and moved to the coal unloading facility via the existing Wiley spur.
- ◆ The coal unloading building is located north of Maple Street in which individual cars will be first inspected, and then pulled into the structure, doors will close and a negative pressure system will be activated for dust control.
- ◆ The coal will then be moved to the storage domes via a high angle conveyor mounted on the south side of the south dome. The conveyor will be enclosed and equipped with a dust collection system.
- ◆ The coal will be moved from the domes via a conveyor located under the domes to a coal crusher. The crushed coal will be conveyed south across Maple Street to the boiler.



Lamar Repowering Project

THE BOILER

- ◆ The boiler is a Circulating Fluidized Bed Boiler (CFB) that is extremely efficient and provides reduced emissions. In the boiler the coal is mixed with limestone to absorb sulfur thereby reducing sulfur emissions.
- ◆ All exhaust from the CFB boiler must pass through the bag house filter system that captures particulates and contaminants that would otherwise be emitted to the atmosphere. All emissions will be monitored on a real time basis via a Continual Emission Monitoring System that will continually track the content of the exhaust to ensure the plant is abiding by the Air Quality regulations.

THE TURBINES

- ◆ The steam created by the CFB boiler will be used to power two electric generating turbines that when combined, will provide 44 mega-watts of gross generation. The newly constructed 18 mega-watt GE steam turbine, Unit 8, will be cooled by an air cooled condenser.
- ◆ The steam will be extracted and piped from Unit 8 to unit 6, the re-powered Lamar 26 mega-watt steam turbine. Unit 6 is cooled with water from underground wells that is then discharged into the Lamar Canal to be used for agriculture irrigation.
- ◆ The power generated from the two turbines will be electrically connected to a 69 kilo-volt transmission system and delivered to the other six ARPA members via the transmission grid.

ASH and LIMESTONE HANDLING

- ◆ The limestone necessary for the control of sulfur emissions will be purchased already crushed and delivered to site via tanker trucks. The tanker trucks will pneumatically convey the limestone into a storage silo and then it will be transported through a piping system to the boiler.
- ◆ The ash created by the combustion process is collected below the boiler and piped to the ash storage silo. The ash will be transported by covered truck to either the Lamar land fill or to a commercial facility and used for commercial purposes.

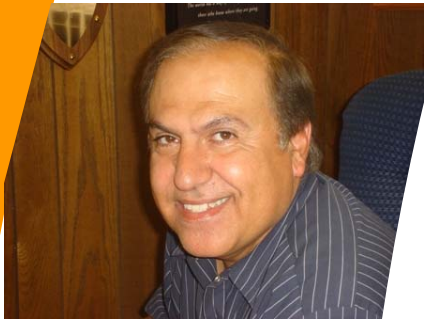




Lamar Light and Power Staff



Rick Rigel
Superintendent



Houssin Hourieh
Staff Electrical Engineer/ Supervisor
Engineering and Electrical Maintenance Crew:
Eldon Longworth Monty Walls
Jason Gass Louie Torrez
Mike Caldwell Leilanie Kisamore
Jorge Gonzalez



Matt Morris
Information Technology Department Manager



Dale Fecht
Accountant/ Supervisor
Warehouse Crew:
Gilbert Jaime



Virgil Cochran
Environmental Compliance Manager



Myra McDermed
Human Resources/ Office Supervisor
Office Personnel:

Linda Seiling
Michell Munoz
Dianne Woodard
Jillian Tinnes
T. J. Perkins



David King
Special Projects Manager



Rod Schwartz
Systems Maintenance Supervisor

Systems Maintenance Crew:
Brett Clark
Todd Fierro
Steve Hickman
Jason LaCost
Anthony Lane
Tom Piner
Shane Morris
Doyle Ward
Patrick Nelson



Ron Clausen
Transmission & Distribution Supervisor
T & D Crew:

Raymond McDowell
Richard Monson
Evan Smith
Leo Shy
James Cline
Scott Wilson
Keith Dennis
Curt Bender
Shane Dashner
Jim Gill



Ron Manring
Power Plant Supervisor
Power Plant Crew:

Rick Woodard
James Hiner
Randy Skinner
Jason Comstock
Josh Galloway
Russell Van Galder
Phillip Marston
Rick Ledesma
Clint Bean
Rory O'Neill
Vince Cutshall
Victor Vargas
Mike Castaneda
Troy Hill

2008 New Faces



Jorge Gonzalez



James Cline



T.J. Perkins



Josh Galloway



Victor Vargas



Russ VanGalder



Jason LaCost



Virgil Cochran



Mike Castaneda



Patrick Nelson



Phillip Marston



Troy Hill



Jim Gill



Anthony Lane

Summer Youth Employment Program



Ian
Springer



Jeffrey
West

Our Summer Youth Employment Program was first developed and implemented in 2007. It was created to provide a true mentorship experience whereby youth could learn about the various job opportunities that are available in the electric utility industry in general and more specifically at Lamar Light and Power. Participants also become aware of the education and training that is required in order for them to secure these jobs in the future.

Another goal of this program is to encourage our local youth to stay in our community, or to return to it after they have completed their college education, and become a part of the local workforce and the future business leaders of Lamar and Prowers County. Couple this with our need to prepare for the inevitable succession of our current work force, and an employment program that includes our young people is a no-brainer.

Four local youths were hired to work eight to ten weeks beginning in June 2008: Ian Springer worked in Information Technology Services, Jeffrey West in Plant Operations, Patrick Nelson in Plant Maintenance, and David Vigil in the Distribution and Transmission Department.

Our staffing needs allowed us to retain Ian Springer and David Vigil on the payroll well into the fall months, and Patrick Nelson was hired into a fulltime position as a Plant Maintenance Mechanic I in August 2008.



David
Vigil



Patrick
Nelson

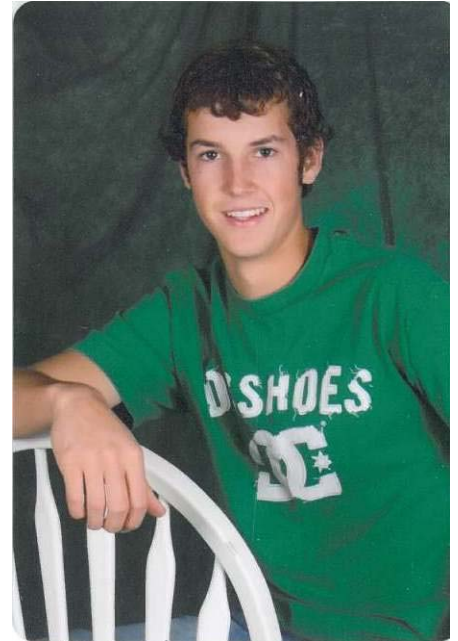
2008 Scholarship Winners

Lamar – Ryan Jeffryes
Colorado State University –
Fort Collins

Lamar – Lauren Andrade
(Picture not available)
Colorado State University –
Fort Collins

McClave – Rachel Neuhold
Oklahoma Christian
University

The Scholarship Program was initiated in 1999 with the Arkansas River Power Authority and Lamar Utilities Board both contributing \$500 to the program for a total of \$1000. Jillian Tinnes, Lamar Utilities Board, is the local coordinator for the LUB/ ARPA Scholarship Program.



Community

Toys for Tots

There was impressive participation by the Lamar Light and Power employees in our first annual Toys for Tots drive competition. The entire Lamar Light and Power staff was divided into five teams that competed to see which team could donate the largest number of toys. Together we donated 267 toys and over \$600.00 to local families and children for the Christmas Holiday. Several employees helped deliver meals and toys on Christmas Eve to deserving families in need. It was a joy to participate in a project that provides much more than food and toys, but also hope for so many in our community.



MMR Constructors, L.P.R. Construction Co. and ETEC Industrial Services, contractors for the Lamar Repowering Project, donated 40 bicycles to Toys for Tots. This was the largest donation of bicycles ever to the Toys for Tots organization.



Lamar Days Parade

The 2008 Lamar Days Parade was an opportunity for Lamar Light and Power staff to get involved in the annual festivities. Our float was a bucket truck, decorated with the theme "Let's go Green Together", which kicked off our recycling and energy conservation program. Eight employees, spouses and children handed out (400) 13 watt compact fluorescent light bulbs to parade spectators.



We hope to be a leader in local energy conservation efforts by providing our consumers with the newest information, services and supplies such as: energy conservation tips, compact fluorescent light bulbs, free residential and commercial energy audits, electric water heater rebates, and the Weatherization Works program.



Website

In the spring of 2008 Lamar Light and Power staff began gathering the information and resources necessary to build our first website. It was a detailed process and many man-hours were spent meticulously researching and sorting through 88 years of Lamar Light and Power history in order to build a comprehensive, user friendly and informative website.

In late 2008 lamarlightandpower.com was launched. We are proud to be a part of the information highway known as the World Wide Web and hope that our consumers like what they see.

On our website you can:

- ◆ Pay your utility bill online and view your payment history.
- ◆ Read the most recent information about the progress of the Repowering Project, including Frequently Asked Questions, and sign up to receive a free monthly email newsletter with updated material.
- ◆ Download current copies of our Annual Report, Schedule of Rates, Rules and Regulations, Bidding and Purchasing Policy, and Terms and Conditions.
- ◆ Contact Supervisors for each department of Lamar Light and Power, including Rick Rigel our Superintendent.
- ◆ Find out important information about Connecting, Disconnecting, and Transferring electrical service.
- ◆ View employment opportunities in our Careers page, and download an application.
- ◆ Visit our KidsKorner page! You can read about and view photos from our Science Expo, and even try a science experiment at home.

Future and Ongoing Projects and Operations



Lamar Repowering Project. 2009 will see the Lamar Repowering Project placed into commercial operation. This will provide the primary power supply for the ARPA membership including Lamar Light and Power. With the commissioning of the plant comes the completion of staffing and training for Lamar Light and Power's work force. We will not only be operating distribution and transmission systems that span some 167 square miles and 7.5 mega-watts of wind turbine production, but we will also be charged with operating the 44 mega-watts of coal fired power generation from the Lamar Repowering Project.

The Lamar Repowering Project will require a committed team of Light and Power employees to operate and maintain. We look forward to the challenge and feel that we can provide the effective operation that the plant will require.

Willow Creek Transmission Line. The Arkansas River power Authority (ARPA) is planning to build a new 69 kilo-volt transmission line from the Tri-State Willow Creek substation to the LUB 69 kilo-volt substation. This new transmission line is necessary to deliver power from Lamar Repowering Project to the main transmission grid. The construction of the line will also help reduce wheeling costs to LUB. As a result, LUB anticipates holding an ownership position in this line and is considering being the operator of the line. This project is scheduled to be on-line sometime in the summer of 2009.

Willow Valley Substation Construction. A major project that is included in our 2009 budget is the construction of a new substation in the Willow Valley area. The construction of the new ARPA 69 kilo-volt transmission line provides LUB the opportunity to construct a substation that will improve reliability and service to the southern portion of our service area. We intend on purchasing the property and begin initial engineering in 2009. We anticipate this to be a two to three year project.

The Lamar Utilities Board will continually strive to provide reliable power at competitive rates to all consumers and businesses we serve throughout Prowers and Bent Counties. We will provide professional service through a commitment to excellence and work to maintain Lamar and the surrounding area as vital progressive communities.





LAMAR LIGHT AND POWER

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AFTER HOURS EMERGENCY

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