

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There was no injuries/illnesses reported in January 2022.

2. Environmental and Regulatory Activities

- a. For January 2022, 121 air, water, and waste areas environmental compliance reports were submitted to the Colorado Department of Public Health and Environment (CDPHE), New Mexico Environment Department (NMED) and the Environmental Protection Agency.
- b. Agency inspections.
 - i. None to report this month

3. Government Relations

- a. The Government Relations report can be found at the following link
https://drive.google.com/file/d/12Dc4YAPXEJq5P1-VH_mbf1b-MXXdtB8/view?usp=sharing

4. Member Relations

- a. TS Member Relations activities report was provided.

5. Corporate Communications

- a. TS Corporate Communications activities report was provided.

6. Affiliated Organizations Reports

- a. No reports were given this month

REGULAR BOARD MEETING, COMMITTEE MEETINGS

This month the TS Board had its Strategic Planning in Executive Session. There were no committee meetings, and the regular board meeting was condensed.

Kohler McInnis

Tri-State Board of Directors

February 2022 Meeting Highlights



The Board of Directors had an abbreviated board meeting on February 2 after their Strategic Planning session.

Strategic Planning Session

The Board of Directors held its first Strategic Planning session of the year. Strategic Planning is done bi-annually and allows for more in-depth discussion on the future of the association. The session was held for a day and a half and included presentations from outside speakers and staff.

- Duane Highley, CEO, started the session off with a review of the progress being made on the association's priorities and Tri-State's current strategy as outlined in the Integrated Strategy Map.
- A majority of the meeting was dedicated to board discussions on the future of Tri-State and the opportunities and challenges that impact the transition, including:
 - An update from Tallgrass Energy on the development of Escalante H2 Power, which is a project that seeks to convert Escalante Station to use hydrogen as its 100% fuel source.
 - An education session led by GDS Consultants and NewGen Strategies on rate design and the history of Tri-State's rate in anticipation of the required rate filing at the Federal Energy Regulatory Commission (FERC) in September 2023.
 - An update from the consulting group assisting on Project Ascend, which is the effort to help the association to reduce costs in support of our transition.
- In addition to these outside presentations, staff provided informational briefings including:
 - A deep dive into legal and regulatory proceedings, including those currently being considered at FERC.
 - Tri-State's Enterprise Risk Management program and the short- and long-term risks the association faces.
 - An update on Tri-State's progress toward joining a Regional Transmission Organization (RTO).
 - A presentation on the goals and strategy behind developing an "Energy as a Service" offering to the members.
- At the end of the session, the board unanimously agreed that Tri-State is headed in the right direction under the current strategy (as depicted in Tri-State's Integrated Strategy Map) but should continue to investigate transformative strategies for the future. As these strategies are investigated, the board agreed that priority should be given to becoming more affordable, but also protecting reliability, the interests of the membership and making sure Tri-State remains an attractive employer.

2021 Year in Review

During the regular board meeting, Highley presented the annual year in review for 2021. Highley and the board recognized a large number of accomplishments in 2021 even in light of the ongoing pandemic and thanked the members and the staff for their hard work and dedication. Highlights of the report included:

- Maintained safety metrics better than the national average
- Advanced transformative Responsible Energy Plan (REP), filed Electric Resource Plan
- Maintained reliability and affordability through Winter Storm Uri
- Implemented first part of 4% wholesale rate reduction, returned \$10 million in patronage capital (\$140 million in last six years), and reduced total debt
- First two REP renewable projects began commercial operation
- Open season for 300 MW of partial requirements supply completed
- Entered the Southwest Power Pool's Western Energy Imbalance Service (SPP WEIS) and the California Independent System Operator's Western Energy Imbalance Market (CAISO WEIM) and advanced SPP West RTO evaluation
- Modified Contract Termination Payment accepted by FERC, settlements at FERC on stated rate and Open Access Transmission Tariff (OATT)
- Significant progress on Nucla Station site demolition
- Announced \$5 million in support for communities affected by Escalante Station retirement
- Addressed cybersecurity threats, improved practices and hardened systems

This month's highlights

- Board holds strategic planning session
- 2021 Year in Review
- Government relations report
- Operations and financial performance
- Meetings and events

From the Chairman

With board strategic planning this month, the board had an abbreviated meeting, and the standing committees did not meet. Our strategic planning session covered many important topics, and I appreciate the engagement of the directors and our staff's work to prepare and execute a productive meeting.

Strategic planning is our opportunity to look ahead, discuss in depth what we want our power supply cooperative to look like in the future, and fine tune our strategy as issues evolve. Over the last three years, strategic planning has initiated big changes at Tri-State, including our Responsible Energy Plan and Strategy Map.

Our Rate Design Committee will begin meeting with their first session Feb. 8-9. I want to thank Don Keairns and Mario Romero for their leadership of the committee. I look forward to strong attendance in person from the committee members, as well as the virtual participation of others from the membership as we see pandemic conditions improving. I deeply appreciate the willingness of our member directors and CEOs, and our Tri-State board directors, to participate in this critical endeavor.

We received a 2021 Year in Review presentation from Duane, and it is remarkable what our staff does each year to serve the membership. This presentation includes a lot of the detail that sometimes goes unnoticed, but all the activity is critically important in our complex organization.

As I work to serve you as best I can, please do not hesitate to reach out to me at 575-430 2995 or tim.rabon@tristategt.org — *Tim*

From the CEO

I want to express my gratitude to the board for the discussion and guidance from their strategic planning session this month. As we work to meet the board's goals and serve our mission to the members, alignment between the board and staff is crucial to our success.

As has been our custom each February, we provide an overview of the previous year's key milestones and accomplishments to the board. I want to recognize the work of my team and staff who continue to do exemplary work, even through the pandemic, to keep our power supply reliable, increasingly affordable and always responsible.

At the board meeting, we did note a recent initial decision from a FERC administrative law judge (ALJ) regarding Wabash Valley Power Association and their largest member, which are involved in a withdrawal case similar to our contract termination payment tariff docket at FERC. An important part of the Wabash case is whether a withdrawal payment should be a make-whole payment that keeps remaining members unharmed if another member withdraws before the end of its contract with the G&T. Last Friday, the ALJ hearing the case issued an initial decision that strongly supports the make-whole theory and the importance of contracts to the co-op business model. There are differences in the Wabash contract and in the specific methodology we have used, but the underlying theory is the same. The FERC Commissioners are likely to review this initial decision, but it's good to see the ALJ recognize the co-op model and the importance of the contracts and the make-whole approach. I also want to

thank the members that have made their voices heard by filing comments to FERC on the issue of conditional withdrawals.

We are here to serve you, and if we can be of assistance, please contact me any time at 303-254-3535 or dhighley@tristategt.org — Duane

Operations and Financial Performance

December 2021 operations performance

- Coal fleet generation was at 81% availability and 42% of total power supply.
- Gas and oil fleet generation were above budget and accounted for 5% of total power supply.
- Renewable generation accounted for 30% of total power supply and 36% of member load.
- Tri-State had 759 MW of utility-scale wind and solar capacity. In December, the average capacity factor for these resources was 42%, with 48 MW (6% of potential output) available at Tri-State's peak.
- Other purchased power (unspecified) was 23% of total power supply.
- Member energy sales volumes were 7.9% under budget and non-member energy sales volumes were 35% over budget.

View the [Operations Report](#) on the directors' BoardBooks app and the Member Information Center.

December 2021 financial performance

- Member Electric Sales were 10.2% lower than budget, primarily due to the lower load requirements for the month and the 2% rate reduction.
- Non-Member sales increased 81.9%, over budget due to favorable market conditions.
- Purchased Power was 21.4%, higher than budget primarily due to 29.5% decreased generation from our steam generating stations than budgeted.
- Production and Fuel costs were 16.7%, less than budget. Fuel costs were 31.6%, lower than budget primarily resulting from decreased generation and curtailment of coal shipments to the Craig Generation Station.

View the [Financial Results](#) on the directors' BoardBooks app and the Member Information Center.

Board Update

Board holds strategic planning session

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View the [2021 Year in Review Presentation](#) on the directors' BoardBooks app and the Member Information Center.

Government relations report

The February [government relations report](#) can be found on the directors' BoardBooks app and in the Member Information Center.

Meetings and events

- Member CEO Town Hall, Feb. 7 at 10 a.m., virtual
- Rate Design Committee, Feb. 8-9, beginning at 1:00 p.m. on Feb. 8, Tri-State headquarters and virtual
- March Committee and Board Meetings:
 - Executive Committee – Mon, Feb. 28, at 3 p.m.
 - Engineering & Operations Committee – Tues., March 1 at 8 a.m.
 - External Affairs & Member Relations Committee – Tues., March 1 at 10:30 a.m.
 - Finance & Audit Committee – Tues., March 1 at 1:30 p.m.
 - Board of Directors Meeting – Wed., March 2 at 8:30 a.m.