

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There were two OSHA Recordable Injuries/Illnesses in July 2022.
 - i. One at Transmission West and the other at Craig Station

2. Environmental and Regulatory Activities

- a. For July 2022, 65 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. There were no Agency Inspections in July 2022

3. Government Relations

- a. The Government Relations report can be found at the following link –
https://drive.google.com/file/d/1ZbXYgoe3qS-U4LNFtvB8jqniBx_15jfT/view?usp=sharing

4. Member Relations

- a. TS Member Relations activities report was provided.

5. Corporate Communications and Public Affairs

- a. TS Corporate Communications and Public Affairs activities report was provided.

6. Affiliated Organizations Reports

- a. Reports were given for the Statewides that had meetings since TS's last Board Meeting.

REGULAR BOARD MEETING AND COMMITTEE MEETINGS

Please see the “**August 2022 Meeting Highlights**” and “**August 2022 Board Report**” in the PowerPoint board documents.

This month the TS Board had a deep dive in the legal affairs of TS. Ken Reif will retire on October 3, 2022, and he wanted the Board to get clarity on all the staff and outside attorneys, and the cases they are working on.

There is a quick and informative read on “Energy as a Service”. Reg Rudolph is interviewed by Forbes. You can access the article at this link
<https://www.forbes.com/sites/llewellynking/2022/07/13/what-innovation-means-to-a-gt-co-op-spread-across-four-states/?sh=2606caa43f96>

Colorado Governor Polis stressed two projects, “Heat Under My Feet” (study of geothermal generation in Colorado) and a big push for Electric Coops to promote “On Line Financing” as a way to increase carbon free generation.

Tri-State Board of Directors

August 2022 Meeting Highlights



Environmental, Social and Governance Report

Barbara Walz, SVP Policy & Compliance/CCO, presented on Tri-State's Environmental, Social and Governance (ESG) program. ESG is a developing concept, but broadly characterizes companies' activities in environmental, social and governance topics. It is an increasingly important area of focus for financial institutions, including credit agencies and insurers, in addition to other stakeholders from employees and members to policymakers, and Tri-State has been a leader among G&Ts with its report.

- Walz underscored the relevance of ESG reporting in reflecting a company's resilience, risk profile, and ESG commitments, and highlighted the particular opportunity for Tri-State to showcase the association's long-standing efforts in support of these categories, which align closely with the cooperative principles and the cooperative business model.
- Pat Bridges, SVP/CFO, reiterated how lending and insurance institutions increasingly use ESG factors to evaluate companies, and noted that Tri-State's ESG Report gives these entities confidence that working with the association fits with their own business strategies, which increasingly include reducing exposure to fossil fuels.
- Walz shared that the feedback Tri-State has received on its ESG reports has been positive, and welcomed additional input from the membership on the report as Tri-State continues to refine and improve this important program.

Resource Adequacy Discussions Continue

Duane Highley, CEO, shared that resource adequacy continues to be a prominent topic of interest among policymakers, and that he highlighted the central importance of reliability in discussions with Colorado Governor Polis and Wyoming Governor Gordon at July's Western Governors' Association meeting.

- Highley emphasized that Tri-State remains committed to its transition plan and is on track to achieve its emission reduction targets starting in 2025, while also noting that challenges – including inflation and supply chain and solar industry disruptions – are increasingly leading to questions about the speed at which the industry can reliably deliver the clean energy transition.
- While New Mexico Governor Lujan Grisham was unable to attend the WGA meeting, the New Mexico Rural Electric Cooperative Association previously prepared a letter to the Governor articulating some of these concerns.
- Tri-State remains confident in its resource positioning, with excess capacity and sufficient planning reserve margins, which enable the association to reliably serve member load.

Overview of Inflation Reduction Act Provisions

Highley summarized a report received by the External Affairs Committee on the Inflation Reduction Act (IRA), which US Senators Schumer (D-NY) and Manchin (D-WV) announced on July 27, 2022. Among other elements, the IRA contains \$369 billion in energy security and climate spending over the next 10 years. Included in this package are a number of provisions that Tri-State has advocated for over several years, which would help level the playing field for cooperatives in the energy transition.

- As a not-for-profit without a tax appetite, cooperatives like Tri-State and its members have historically been unable to benefit from several financial tools that for-profit utilities use to manage costs, like tax credits for renewable development.
- The IRA contains provisions that would help address this inequity for cooperatives, including funds to support cooperative clean energy development, and the extension of clean energy tax credits with the establishment of a direct pay option so tax-exempt entities may realize the full savings of the credits.
- The benefits of these provisions could be profound for rural communities, by helping cooperative utilities reduce electricity rates, creating opportunities for a just transition through economic development and job creation, and recognizing the crucial role rural areas play in the energy transition.

Board Acknowledges Ken Reif's Service

In July, Ken Reif, SVP General Counsel, announced his retirement effective October 1, after serving the Tri-State family since 2004. The August Board meeting was Reif's final in-person meeting with the Board, so the Directors thanked him for his commitment to the association, which included participation in over 200 Board Meetings.

- Chairman Tim Rabon recognized Reif, thanking him for his counsel and friendship, and the Board expressed their gratitude and well-wishes with a standing ovation.

This month's highlights

- ESG Report overview
- Resource adequacy discussions continue
- Inflation Reduction Act provisions
- Board acknowledges Ken Reif's service
- September board meeting is virtual
- Operations and Financial Results
- July press releases
- Government Relations Report
- Upcoming Events

From the Chairman

This month, the board had thoughtful discussions with management on financial issues. While we have increased member sales, we are not immune to the cost pressures facing our industry, and with a focus on cost management, robust cash flow from operations and available deferred revenue, Tri-State remains in a solid financial position. We discussed current financials, including the impacts of fuel and purchased power costs, asset retirement obligations and other issues. Our Finance and Audit Committee will meet next week to review our second quarter 10-Q.

This was our last "in person" board meeting with Ken Reif, who has served the board and Tri-State so very well as general counsel since 2004. Ken will move on to a well-deserved retirement on October 1, and he leaves Tri-State in the capable hands of a talented legal team. Ken, thank you for all you have done for Tri-State and our systems.

The U.S. Senate is expected to advance the Inflation Reduction Act to votes this weekend. The cooperative provisions in the bill will well serve co-ops and Tri-State, and I appreciate the work of staff over an extended period of time to get us to this point.

Please note that I have a long-planned trip during next month's board meeting, and our Vice Chair Don Keairns will lead our virtual meeting. 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 thank Pat Bridges, Chris Johnson and Jessica Lien, whose proactive, exceptional leadership drove our successful tender offer. Last month, Tri-State put out the call that we would like to buy back certain bonds to reduce interest expense and increase flexibility in our debt portfolio. After receiving strong participation from the market, we executed \$100M tender on select bonds.

I greatly appreciate our CEOs who participated in the Member CEO Committee Meeting in Santa Fe, N.M., on July 20-21. Thank you to David Spradlin from Springer Electric for hosting the meeting, and to Reg and Catherine for their work with David to help ensure the agenda topics had unique value to our CEOs.

Issues around resource adequacy were top of mind in my discussions with policymakers at the Western Governors' Association last month, including good discussions with Governors Polis and Gordon. I reiterated our commitment to our mission to reliably, affordably and responsibly serve our members, stay on track with our Responsible Energy Plan, and achieve our emissions reduction goals in Colorado. As part of those discussions, we reiterated the challenge presented by supply chain disruptions and inflation, and the potential near-term impact of these forces on Tri-State.

Finally, I want to recognize United Power Chair Beth Martin and CEO Mark Gabriel as we work together on potential resolution of issues. I value our discussions and the opportunity to find a path forward.

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

June 2022 operations performance

- Coal fleet generation was at 75% availability and 37% of total power supply.
- Gas and oil fleet generation were above budget and accounted for 7% of total power supply.
- Renewable generation accounted for 33% of total power supply and 38% of member load.
- Tri-State had 759 MW of utility-scale wind and solar capacity with an average capacity factor of 41%, with 270 MW (36% of potential output) available at Tri-State's peak.
- Other purchased power (unspecified) was 23% of total power supply.
- Member energy sales volumes were 4.4% over budget and non-member energy sales volumes were 5.8% under budget.

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

June 2022 financial performance

- Member Electric Sales were 4.2% higher than budget, primarily because Class A Energy was 49,935 MWh higher than budget as energy needs for oil and gas operations are ramping up operations to pre-pandemic levels, and irrigation load increased due to the hotter and drier weather in June.
- Purchased Power was 38.3% higher than budget primarily due to both quantity and price being higher than budgeted.
- Fuel and Production was 22.6% higher than budget primarily due to higher natural gas prices at the non-coal fired units.

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

Board Update

Environmental, Social and Governance Report update

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September board meeting

The board made adjustments to the September board meeting schedules, saving meeting costs and time. The virtual September board meeting will be held Thursday, Sept. 8 without committee meetings.

August media activities and press releases

- Cash tender offer –Tri-State issued three press releases, one on July 13 and two on July 27, to support the \$100 million tender offer on certain outstanding debts.
 - [Tri-State Announces Cash Tender Offers for certain outstanding debt securities](#) – July 13
 - [Tri-State Announces Early Results of Its Cash Tender Offers](#) – July 27
 - [Tri-State Announces Pricing Terms of Its Cash Tender Offers for Certain Outstanding Debt Securities](#) – July 27
- Forbes article on Tri-State energy services — An [article](#) in Forbes.com focused on energy services and Reg Rudolph's role at Tri-State.
- Rifle Station –Tri-State issued a [news release](#) on July 26 noting that a unanimous settlement agreement was reached with multiple parties in Colorado, which, if approved by state regulators, would result in a closure of Rifle Station.
- Western Governors' Association press release — CEO Duane Highley is quoted in a [press release](#) on a geothermal resource assessment initiative.
- Tri-State joins WMEG – The Western Markets Exploratory Group, a group of now approximately 25 members exploring the potential for a staged approach to new market structures, [announced](#) July 21 the addition of 11 new members, including Tri-State.

Government relations report

The August [Government Relations Report](#) can be found on the directors' BoardBooks app and in the Member Information Center.

Meetings and events**Member CEO Town Hall**

- August 8, 10 a.m.

Rate Design Committee

- August 9, 8 a.m.
- September 13-14, beginning at 1 p.m. on September 13

September Board Meeting

With the Labor Day holiday, please note the revised schedule for the September meeting.

- Thurs., September 8
 - Tri-State Board of Directors Meeting, 8 a.m. (virtual)
- There will be no standing committee meetings in September.