

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There were no OSHA Recordable Injuries/Illnesses in May 2023.

1. Environmental and Regulatory Activities

- a. For May 2023, 13 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. On-site air quality inspections were conducted by CDPHE at Craig Station and Limon Station and by the Arizona Department of Environmental Quality at Springerville Station.

2. Government Relations

- a. The Government Relations report was provided. The link for the June 2023 Government Relations on LPEA's Board Drive is - https://drive.google.com/file/d/1ZChoYxSAJyZqHLL15Zjp6hm29S57U0/view?usp=drive_link

3. Member Relations and Communications

- a. TS Member Relations/Marketing/Communications reports were provided.

4. External Affairs Committee Report

- a. Reg Rudolph provided a written report.

REGULAR BOARD MEETING AND COMMITTEE MEETINGS

This month was originally scheduled as a virtual meeting but due to several major items needing approval the meeting was changed to a hybrid meeting. The major items included the 2024 Budget, Rate Design Committee recommendation for a new rate and financial goals, and a legal update. I attended in person and we had the pleasure of Kirsten Skeehan being present for most of the day. There were no standing committee meetings this month. Available TS June 2023 presentations can be found on our Board Drive.

This month's highlights

- Chairman and CEO Messages
- 2024 budget, rate design action
- Operations and Financial Performance
- Government Relations Report
- Recent Media
- Meetings and Events

From the Chairman

At this month's board meeting, and following a well-attended rate informational meeting on May 23, we took the time needed to thoroughly discuss and take action on the 2024 budget, financial goals policy and the wholesale rate design, which will be filed with the Federal Energy Regulatory Commission. This work concludes for the board and membership a heavy lift through the Rate Design Committee to develop recommendations, and exemplary work by the Tri-State staff to develop a budget that fulfills Tri-State's obligations to serve the members reliably and manage costs.

After seven years without a wholesale rate increase, and a 4% wholesale rate reduction across 2021 and 2022, Tri-State will have a 6.36% increase in its average Class A rate in 2024. While any rate increase creates burdens for the membership and consumers, Tri-State has succeeded in maintaining stable rates over time, with a net rate change of 1.4% when comparing the actual average Class A rate in 2017 to the budgeted average Class A rate in 2024.

Staff is working diligently to fulfill its responsibilities for the timely and efficient withdrawal of United Power and Northwest Rural PPD, which will occur in less than a year. Duane and I met with NRPPD's board in May, and I appreciate Shawn Turner and the board's meeting with us.

Last week I attended the NMRECA Annual Meeting in Bernalillo, which was the last meeting for Chuck Pinson as NMRECA President. Chuck has been a mainstay at the statewide for decades and he has done an amazing job as president of the organization. Springer Electric's Tim Morrow was elected president and Chuck Wagner from Central Valley Electric Cooperative was elected Vice-President. I am confident they will do an excellent job leading the organization. At the meeting, Tri-State's Jackie Brown discussed water resources in the West and Jay Sturhahn delivered a Tri-State update. Both did an excellent job representing Tri-State.

I was also in Washington to attend the Keystone Policy Center's Annual Leadership Awards. The awards recognize achievements and commitment to finding collaborative solutions, with awardees, including Duane Highley, participating in one-on-one discussions about how to inspire others to reach common higher ground. Duane was gracious in his comments, accepting the award for Tri-State and our board, membership and staff who have done such outstanding collaborative work to sustain Tri-State's ability to serve its mission in times of great change. Among the five honorees was Willie Phillips, chairman of the Federal Energy Regulatory Commission, whose comments echoed our mission with the importance of reliability and affordability of power, especially for underserved communities.

Finally, I want to welcome Steven Douglas to the board, representing United Power, and thank Brian McCormick for his service.

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

As we work to serve the membership's needs, Tri-State is finding success in leveraging federal resources to ensure new services and our energy transition provide the greatest value at the lowest cost. This work to access resources and deliver benefits to the members is unique to our role as a generation and transmission cooperative, and not easily replicated in other power supply arrangements.

At this month's board meeting, we updated the board on progress working with the Rural Utilities Service on the Rural Energy Savings Program (RESP) application, which is close to funding. Tri-State has been approved for \$75 million to support on-bill repayment programs for the membership, which will reduce barriers for consumers to adopt electrification and efficiency technologies. I am grateful for RUS' work with Tri-State on this program, given their heavy workload with the new IRA cooperative programs.

We were invited to the White House on May 16 to attend the announcement of the USDA cooperative programs in the Inflation Reduction Act. The event included Secretary of Agriculture Tom Vilsack, Senator Michael Bennet, who shared kind words about Tri-State in his comments, and NRECA CEO Jim Matheson. Representing G&Ts were Seminole Electric CEO Lisa Johnson, who made comments, and Tri-State. With the announcement of the programs, Tri-State is preparing our Letters of Interest to be submitted this summer.

We have learned that the U.S. Department of Energy will again fund a research fellow position at Tri-State to assist with demand response programs. We have greatly benefited from a DOE-sponsored research fellow who has worked on community-based electrification programs.

While in DC, we were also on Capitol Hill to meet with our elected leaders and their staff. We continue to be engaged on national security and electric utility issues through the Electric Subsector Coordinating Council. Tri-State remains vigilant in light of the threats our industry faces, and is working for more rapid access to threat information that can be declassified in a way that is actionable for utilities.

At the board meeting, we discussed a new approach to partial requirements memberships that utilizes an annual equalization payment, rather than an upfront buy-down payment. This approach is cost based, not forecast based, and trued up annually. Tri-State would utilize its scale and skills to market power to cover the fixed and stranded costs the members' partial requirements membership created. In a strong market, there would potentially be a credit to the partial requirements member, and in a soft market, the member would make an equalization payment. We are working on the concept with the members that participated in the open season, and we are engaged with ACES to assist with technical requirements for marketing power. A white paper on the concept was provided to the membership this week, and if the board approves the approach, we have targeted a FERC filing in August.

We continue discussions on the potential for geothermal energy investments in Chaffee County, including opportunities for state and private international investment in geothermal resource assessment, which is needed to advance the opportunity. Sangre de Cristo's leadership is advancing these discussions.

I greatly appreciate the opportunity to meet with the San Isabel Electric board and the NRPPD board. In June, I will be travelling to the annual meetings of Springer, Empire, Sangre de Cristo and Mora-San Miguel, and visiting with the boards of Sierra and Southeast Colorado Power.

With the NERC Summer Reliability Assessment showing two thirds of the country at elevated risk if weather is hotter than normal, we continue to discuss the need to not further accelerate the closure of power plants. With our transition, Tri-State has credibility in these discussions, and we remain vocal about the challenges. NRECA CEO Jim Matheson addressed this issue well on a recent [Fox News segment with journalist Bret Baier](#).

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

April 2023 operations performance

- Coal fleet generation was at 57% availability and 32% of total power supply.
- Gas and oil fleet generation were above budget and accounted for 10% of total power supply.
- Renewable generation accounted for 36% of total power supply and 39% of member load.
- Tri-State had 759 MW of utility-scale wind and solar capacity with an average capacity factor of 44%, with 489 MW (64% of potential output) available at Tri-State's peak.
- Other purchased power (non-renewable) was 22% of total power supply.
- Member sales revenue was 7.1% over budget and non-member energy sales revenues were 75.5% over budget.

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

April 2023 financial performance

- Member Electric Sales were 7.1% over budget primarily due to Class A Energy being 61,886 MWh greater than budget.
- Generation and transmission demand were 174 MW-month and 176 MW-month greater than budget resulting in higher revenue.
- Purchased power was 8.6% higher than budget primarily due to tracking higher than budgeted for the month, with the quantity of power purchased being 46,041 MWh higher than budget.
- Fuel costs were 61.4% higher than budget. Coal fuel costs were higher than budget primarily due to higher coal price for the second quarter. Natural gas fuel costs were higher than budget primarily due to the budget only planning to lightly run the combined cycle and combustion turbine units.
- Production costs were 5.9% higher than budget, primarily due to higher overall generation maintenance expenses.
- General and Administrative costs were 64.3% higher than budget primarily due to back billing from Oracle for cloud services since November 2022. Outside services expenses were also higher than budget primarily due to increased legal costs.

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

Board Update

2024 budget approved by board

To accommodate the filing of the 2024 wholesale rate with the FERC, the budget process occurred earlier in 2023. The 2024 budget:

- Assumes two members exit May 1, 2024, and make a contract termination payment (CTP) in the amount of filed debt covenant obligation (DCO).
- Recognizes \$66.4M of CTP to meet financial goals.
- Sets the revenue requirement to achieve Rate Design Committee recommendations of:
 - Debt Service Ratio (DSR) of 1.15
 - Equity to Capitalization Ratio (ECR) of 20.0%
 - Margin Floor of \$20 million
- Assumes an increase in average Class A rate of 6.36% for the full year.

Total Operating Income (FERC) is budgeted at \$1.373 billion, and Total Operating Expenses (FERC) are budgeted at \$1.22 billion, with Net Margins (FERC) budgeted at \$20 million. DSR is budgeted at 1.35 and ECR is budgeted at 25.9%.

The Wholesale Rate Design recommendation approved by the board includes:

- Filing a formula rate that would take effect January 1, 2024, or later.
- Continuing with a postage stamp rate.
- Moving away from the current Average and Excess Demand (AED) Cost Calculation Methodology to the Peaker Methodology.
- Maintaining the current TPP/ MCP demand billing approach.
- Recovering member services from generation charges, rather than from transmission charges.
- Shortening the demand window from 10 hours (12 p.m.-10 p.m. MT) to 8 hours (1 p.m.-9 p.m. MT).
- Do not include direct assignment of radial transmission, but with the understanding FERC may require it in the future.
- Member specific true up.
- Do not include direct assignment of state regulatory costs.
- Including the following financial goals in the formula rate:
 - DSR – 1.15x
 - ECR floor – 20%
 - Minimum net margin – \$20 millionRate stabilization deferrals – only for BDP, CTP and other potential incoming large revenues (land or other property sales, etc.)

View the [2024 Consolidated O&M Budget presentation](#) and the [Approved 2024 O&M Budget Book](#) and [Rate Design presentation](#) in the Member Information Center and the directors' BoardBooks app. View the [press release](#) on the 2024 Budget and the Rate Design

Government Relations report

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

Recent media statements

[Tri-State Board of Directors approves 2024 budget, wholesale rate design](#) – June 6

[Fitch Ratings action reaffirms Tri-State's investment-grade financial ratings with a Stable outlook](#) – May 18

[Tri-State CEO lauds cooperative provisions in Inflation Reduction Act at White House announcement](#) – May 16

Meetings and events

Member CEO Town Hall

- Mon., June 12, 10 a.m.

Member Communications Advisory Council

- Digital Marketing Working Group, June 14, 10 a.m.
- Council calls, Tues., June 20, 2 p.m. and Wed., June 21, 9 a.m.

July Board and Committee Meetings

- Mon., July 10, 3 p.m., Executive Committee
- Tues., July 11, 8 a.m., Standing committee meetings held consecutively
 - Engineering and Operations Committee
 - External Affairs/Member Relations Committee
 - Finance and Audit Committee
- Wed., July 12, 8 a.m., Board of Directors meeting

Member CEO Meeting

- Sun, July 16 through Tues., July 18, Colorado Springs