



### **This month's highlights**

- Update on federal stranded assets assistance
- Crossing Trails Wind Farm achieves commercial operation
- Settlement offer filed with FERC; Interim approval to charge the reduced wholesale rate
- Proposed bylaw amendments
- COVID-19 Update
- Member CEO meeting
- Loads and resources update
- Education session – Colowyo Mine asset retirement obligation
- Government relations report addendum
- Tri-State wildfire mitigation plan update
- March 2021 operational and financial performance
- First quarter 10Q filed

### **From the Chairman**

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It was a welcome return to near normalcy as many directors attended the board meeting in person. I am thankful to our staff for enabling us to meet safely and appropriately distanced. We continue to monitor health guidelines as we prepare for the June strategic planning session, which we are optimistic can be safely held at Tri-State's headquarters. Strategic Planning will be held June 2-3 in conjunction with our board meeting, which will be abbreviated on June 3 with no meetings of the three standing committees.

We have significantly advanced our affordability goals with the FERC this week ordering the implementation of our wholesale rate reduction on an interim basis. The immediate 2% wholesale rate reduction is first of two approved decreases that will total 4% in 2022. The full commission will review the proposed settlement for final approval, which could take 60 to 90 days.

The board directed staff to prepare two bylaw amendments that we will review in June and could be considered by the membership at our August Annual Meeting.

As always, please contact me regarding these or any other matters at 719-651-2882 or [rick.gordon@tristategt.org](mailto:rick.gordon@tristategt.org) — *Rick*

### **From the CEO**

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This month we continued discussion on how we can work with legislators and stakeholders to advance federal action on stranded assets, which would significantly support our rate reduction goals as we transition. I am optimistic that we are going to see progress on this issue and in our work with NRECA, which has now identified stranded assets as one of their three federal legislative priorities. I want to recognize Barbara Walz and her staff for their continued hard work.

This week, Moody's Investors Service affirmed our long-term rating and stable outlook, noting our prospects for maintaining our credit metrics and strong liquidity profile as we transition. While our continued progress can create uncertainties, Moody's credit opinion recognizes our strong underlying financial position that enables change.

Of note, with the commercial operation of the Crossing Trails Wind Farm, which is now our lowest cost resource, Tri-State has set new highs for renewable energy penetration at 36% of member sales. The project is the first of eight to be developed by 2024 as part of our Responsible Energy Plan.

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](mailto:dhighley@tristategt.org) — *Duane*

**By the numbers**


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**March 2021 operations performance**

- Coal fleet generation was 63% availability and 36% of total power supply.
- Gas and oil fleet generation was above budget and accounted for 3% of total power supply.
- Renewable generation accounted for 32% of total power supply and 36% of member sales.
- Other purchased power (unspecified) was 29% of total power supply.
- Member energy sales volumes were 6.6% under budget and non-member energy sales volumes were 37% over budget.

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

**March 2021 financial performance**

- Member electric sales were 8.9%, lower than budget as less energy was required compared to budget as pandemic issues continued to affect commercial operations. In addition, 2% of member sales was reserved to implement a 2% rate reduction.
- Non-member sales were 568.2% higher than budget, including \$20.8 million of deferred revenue recognized by Tri-State.
- Fuel costs were 25.5% lower than budget. Coal plants combined generated 25.7% less power than budgeted. Combined cycle and combustion turbine generation stations generated 1,623.8% higher than budget.

Pat Bridges, SVP and Chief Financial Officer, reviewed the first quarter 10Q filing. Tri-State's SEC filings are publicly available on the Tri-State website at <https://www.tristategt.org/sec-filings>.

**March financial results**

		March 2021		Year to date		
		Actual	Budget	Actual	Budget	Variance
Sales	Members	86,317	94,701	272,798	293,513	(20,715)
	Non-members	25,085	3,754	38,174	11,901	26,273
Other Operating Revenue		4,650	3,479	15,001	10,204	4,797
<b>Total Operating Revenue</b>		<b>\$116,052</b>	<b>\$101,934</b>	<b>\$325,973</b>	<b>\$315,618</b>	<b>\$10,355</b>
Purchased Power		29,986	27,043	87,017	78,780	8,237
Production & Fuel		26,862	31,023	101,448	97,850	3,598
Depreciation & Amortization		17,831	14,586	52,756	43,743	9,013
Coal Mining		397	1,315	1,541	3,086	(1,545)
Transmission		16,951	14,963	44,671	45,132	(461)
G&A		6,660	4,425	14,587	13,059	1,528
Other		1,040	683	2,334	2,074	260
<b>Total Operating Expenses</b>		<b>\$99,727</b>	<b>\$94,038</b>	<b>\$304,354</b>	<b>\$283,724</b>	<b>\$20,630</b>
<b>Operating Margins</b>		<b>16,325</b>	<b>7,896</b>	<b>21,619</b>	<b>31,894</b>	<b>(10,275)</b>
Other Income		4,934	4,642	6,009	5,720	289
Interest Expense		11,534	11,657	35,141	35,055	86
Income Tax Expense		185	-	326	-	326
Net (Income) Loss		(587)	(587)	(1,649)	(1,649)	-
Attributable to NCI						
<b>Net Margins</b>		<b>\$8,953</b>	<b>\$294</b>	<b>(\$9,488)</b>	<b>\$910</b>	<b>(\$10,398)</b>
<b>Member and non-member sales</b>						
<b>TPP/MCP Demand (MW/Mo.)</b>		1,982	2,187			-9.4%
<b>Energy (GWh)</b>		1,207	1,292			-6.6%
<b>Non-member energy (GWh)</b>		68.1	49.7			37.1%

**Board meeting update**

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**Update on federal stranded assets assistance**

Duane Highley, CEO, and Barbara Walz, SVP, Policy & Compliance/Chief Compliance Officer, reported on efforts at the federal level to secure cooperatives' assistance with stranded assets, which result from coal power plants being retired earlier than originally planned. Tri-State is working with federal officials, NRECA and a diverse group of stakeholders on potential legislation or programmatic funding to provide G&Ts new financial tools and programs to manage debt related to stranded assets and help finance replacement renewable generation.

- Highley and Walz reported on conversations they are having with the Biden Administration and elected officials on policy proposals related to cooperatives' stranded assets. They reported the conversations have been very positive and there is a strong willingness to work with cooperatives.
- Walz thanked Tri-State's members and statewide organizations for their strong support and their engagement with members of Congress during the NRECA Legislative Conference.
- President Biden's American Jobs Plan identifies \$10 billion to assist rural electric cooperatives that are retiring fossil generation and investing in clean energy.
- Other policy proposals to assist cooperatives include a direct-pay, refundable, or transferable option for the wind production tax credit, solar investment tax credit, and any new clean energy tax credit, which would help keep the cost of new clean energy sources down for cooperatives.
- Solutions that assist G&T cooperatives with stranded assets also create rural development opportunities and community investment, reduce electric rates, and allow G&T cooperatives to more rapidly transition to clean energy.

**Crossing Trails Wind Farm achieves commercial operation**

Brad Nebergall, SVP Energy Markets, announced that the Crossing Trails Wind Farm commenced commercial operations in April 2021 and helped Tri-State reach record levels of renewable energy serving its members. The addition of Crossing Trails raises Tri-State's utility-scale wind and solar generating capacity to 559 MW, or enough to power over 200,000 homes.

- Crossing Trails, which was developed, constructed, and will be operated by EDPR NA, consists of 25 Vestas wind turbines.
- The new wind farm is located 20 miles south of Seibert, CO, within Kit Carson and Cheyenne counties, and is within the service territory of Tri-State member K.C. Electric Association. Vestas has facilities within Tri-State member cooperatives' service territories, including Poudre Valley REA, San Isabel Electric Association and United Power.
- Crossing Trails is the first project of the 1,000 MW of wind and solar Tri-State announced in January 2020 as part of its Responsible Energy Plan to become commercially operational. By 2024, 50% of the energy our members consume will come from renewable resources.
- In March, Tri-State provided 436G Wh of renewable energy to its members, which represents 36% of its member sales.

View the [joint press release with EDPR](#).

**Settlement offer filed with FERC; Interim approval to charge the reduced wholesale rate**

Following the April 26 special board meeting where the board approved a 2% reduction in Tri-State's wholesale rate immediately and another 2% wholesale rate decrease in 2022, staff filed the proposed settlement offer with the Federal Energy Regulatory Commission (FERC).

The FERC Chief Judge ordered the implementation of the settlement rates on an interim basis. The full commission will review the proposed settlement for final approval, which could take 60 to 90 days.

**Proposed bylaw amendments**

At the May board meeting, the board directed staff to draft two bylaw amendments to:

- limit the number of non-utility members to a maximum of ten; and
- address board seats for partial requirements members.

Staff will also provide information on the impacts of setting the threshold of power supply required to retain a board seat at 50% versus 65%. Staff will present on these two proposed bylaw amendments at the June meeting. If approved by the board, the proposed bylaw changes will be added to the August annual meeting agenda for a membership vote.

**COVID-19 update**

Tri-State will be moving to a low risk mitigation level beginning on Monday, May 17. This will enable more staff and the board to return to Tri-State headquarters. The Crisis Management Team, led by Barry Ingold, SVP Generation, is emphasizing the importance of continued precautions even as restrictions are reduced; however, they are also enabling managers to set expectations specific to the location of the staff and/or facility. Tri-State has experienced no negative impacts to operations due to COVID-19, other than precautionary.

**Member CEO April meeting**

Jennifer Goss, SVP Member Relation and CTO, provided a recap of the April 14, 2021, Member CEO meeting. The meeting had 35 member CEOs in attendance and covered timely topics such as:

- Shoshone methodology for buyout calculations
- 2021 financial forecast
- TAC committee update
- Member exit rate analysis
- Tri-State's wildfire mitigation efforts
- Organized markets and ERP process updates

The group also drafted a letter on behalf of member CEOs to Jim Matheson of NRECA regarding stranded assets. The next Member CEO Meeting will be held July 21-22 in Saratoga, Wyoming.

**Loads and resources update**

Brad Nebergall, SVP Energy Management, presented the month's loads and resources update, including a discussion on the SPP WEIM and CAISO WEIS locational marginal price maps. Other updates included:

- Several Wall Street firms benefited greatly from the February storm, with two companies that own many of the Texas plants making more than \$200 million over the storm's course. Four Colorado cooperatives have wholesale power purchase agreements with Xcel Energy/PSCO and were billed \$18 million for fuel cost adjustments.
- Intermountain Rural Electric Association, as a 25% owner of the Xcel Energy-operated Comanche 3 unit, has added a two-year bill adder to cover a 20% increase in power costs as the generating unit had a one-year extended outage.
- To avoid blackouts, the CAISO board of governors adopted reliability measures that must be approved by FERC. The measures address imports, exports and transfers through the BA, and could affect northwest and southwest power flows through CAISO.
- The SPP set new renewable energy records in March 2021, with wind penetration reaching 81.85% and renewable penetration reaching 84.2% on March 29 at 4:33 a.m.
- Following a market trial, FERC approved a WECC standard on operating reserves, requiring the ability to replace the single largest hazard within 10 minutes, and no longer requiring spinning reserves. This will reduce costs.
- The Colorado Public Utilities Commission has issued an interim decision that allows for five additional scenarios in Tri-State's Electric Resource Plan. The new scenarios will take 16 weeks to complete, and the procedural schedule will likely lead to a completion of the current ERP process in 2022.

View the [Loads and Resources presentation](#) on the directors' BoardBooks app and Member Information Center.

#### **Education session – Colowyo Mine asset retirement obligation**

Chris McCourt, Colowyo Mine Manager, and Dennis Hruby, Sr. Manager Controller, presented an education session describing the Colowyo Mine asset retirement obligation. Highlights included terms and definitions, the life cycle of a pit, post-mining topography and asset retirement obligation.

View the [Colowyo Mine Asset Retirement Obligation \(ARO\) presentation](#) on the directors' BoardBooks app and Member Information Center.

#### **Government relations report addendum**

View the May 2021 [Government Relations Report Addendum](#) on the directors' BoardBooks app and Member Information Center.

#### **Tri-State wildfire mitigation plan update**

Joel Bladow, SVP Transmission, reported that Tri-State has started implementing its wildfire mitigation plan and protocols, which includes more frequent communications with field employees and other procedures to heighten awareness of wildfire risks. These efforts will provide an improved level of situational awareness for field employees in regard to fire status and activity across Tri-State's four-state transmission system.

- Bladow explained that Tri-State's Transmission System Operations team is providing daily updates to employees on the conditions in the areas they are working (red flag warnings, active fires and their locations, etc.).

- The employees are then able to take the proper level of precaution, such as staying on established roads, no welding, carrying extra water, checking their fire extinguishers, having a shovel along, etc.

### **Consent Agenda Items**

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The board approved several resolutions including:

- Commodity Futures Trading Commission End-User Exception ([view resolution](#))
- Meeker-Rangely Line Access Improvement Construction Contract ([view resolution](#))
- Methodist Mountain Communication Site – Eminent Domain ([view resolution](#))
- Telluride Substation-Eminent Domain ([view resolution](#))

### **Meetings and events**

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- May 10 – Member CEO Town Hall begins at 10 a.m.
- May 20 – Technical Advisory Committee Meeting begins at 9 a.m.
- May 20 – Land and Water Committee Meeting begins at 1 p.m.
- May 20 – Niobrara Annual Meeting – business meeting begins at 7 p.m.
- June 2-3 – Board Strategic Planning begins at 8 a.m. and ends June 3 at noon. The Board of Director’s Meeting begins at 12:30 p.m. on June 3.

# Tri-State Board of Directors

## May 2021 Meeting Highlights



### **Crossing Trails Wind Farm Achieves Commercial Operation**

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### **COVID-19 Update**

**Tri-State's Crisis Management Team (CMT), led by Barry Ingold, SVP Generation, has made the decision to downgrade to the LOW risk mitigation level, effective on Monday, May 17, and will remain at LOW through Sunday, June 13, at a minimum. The decision to move to the low risk level was based on lower levels of COVID-19 positive cases, availability of vaccines and fewer state and county restrictions.**

- With this change, several mitigation strategies will terminate companywide, but mask wearing, social distancing and any other required COVID-19 mitigation strategies will continue in accordance with directives from each county where a Tri-State facility or job site resides.
- At the lower risk level, more employees will be allowed in facilities and in-person meetings, including board meetings, will have fewer restrictions.
- The CMT's top priority is the continued health and safety of all employees. To that end, the team will continue to monitor the ongoing changes in both state and county COVID-19 restrictions and guidance, along with infection rates across our service territory.

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