



June 14, 2019

Dear fellow Tri-State co-op managers,

Tri-State management is pushing the Tri-State board to try and subject itself to general FERC regulation as soon as next month. This is a decision with potentially huge impacts on every Tri-State member system, and is not one that should be rushed. We believe Tri-State has provided an inadequate amount of information about the validity, process, and impacts of pursuing general FERC oversight. As Tri-State member-owners, we have an obligation to our members to ensure we receive the additional information necessary for an informed decision.

Management proposes to move Tri-State toward general FERC jurisdiction at next month's board meeting by adding a new Tri-State member-owner that's not an electric cooperative or a public power district. It's doing so without giving Tri-State members adequate information about the new member and without even giving Tri-State's own Contract Committee time to evaluate the new class of membership that would apply to the member. You may remember that Tri-State strongly resisted general federal regulation in a 2015 dispute before FERC over purchases from qualifying facilities. Tri-State has suddenly changed course, with little explanation to members. For a step that Tri-State management claims to have considering for a long time, it still has a surprising number of unknowns.

We ask that you sign onto the letter below asking that Tri-State management provide answers to these critical questions before pressuring the board toward making a drastic change. We believe the accountability and control we have as member-owners could be at stake, and no cooperative should be willing to take that risk on behalf of its members without significantly more information and discussion.

Please let us know by Wednesday, June 19, if we can add your name to the below letter to Tri-State CEO Duane Highley, and we will circulate a final letter for signatures at that time. We appreciate your thought and consideration on this important matter.

Sincerely,

J. Bronec

Jasen Bronec
DMEA CEO

John Parker

John Parker
United CEO

Mike Dreyspring

Mike Dreyspring
LPEA CEO

LETTER TO BE SENT TO TRI-STATE CEO DUANE HIGHLEY

Dear Duane,

As member-owners of Tri-State, we have serious questions about Tri-State management's recently announced proposal to the Tri-State board to pursue general regulation under FERC. These are questions that need to be answered and information that needs to be considered and evaluated carefully by the entire membership before we can decide the viability of the proposal and whether this is the best path for Tri-State, our distribution cooperatives, and ultimately our member-owners. Until we have satisfactory answers to these questions, we believe it is inappropriate to vote for this change. The potentially huge impact on us as distribution cooperatives and the members we serve requires more time to evaluate the potential impact of this decision.

Tri-State prepared a two-page Q&A overview on June 5 and had a member Q&A on June 13. Unfortunately the information provided thus far raises more questions than it answers:

Timing

- Why is Tri-State pushing to do this right now? If it's even possible, it would be a huge change from the self-governance that Tri-State has held onto for many years. Why the rush? Shouldn't this at least be given as much discussion and consideration as the Bylaws change?
- Tri-State says it will need to establish a new class of membership under the amended Tri-State Bylaws to admit the new member. Did Tri-State ever disclose to any members during this year's Bylaw amendment discussions that it would use the Bylaws change as a way to subject Tri-State to federal oversight? Why was this not adequately discussed—particularly if (as Tri-State claims) this move was years in the making?
- Why weren't members consulted earlier? How much information does Tri-State even plan to provide to member-owners about this plan?
- Tri-State marketing materials emphasize that its members are "Better Together." Isn't it better if any decision about general federal regulation is made together as a Tri-State family, following dialog and discussion?

Cost impacts

- What are the actual costs of becoming FERC regulated, in addition to the \$1.3M annual fee?
- What are the ongoing obligations that Tri-State would have under general FERC authority and what are the burdens and costs to members?
- Who pays for those costs? Will Tri-State have to raise rates? What is the estimated difference in rates for members if Tri-State is subject to general FERC regulation?
- Any cooperative will have to pay tens of thousands of dollars to just *start* a proceeding at FERC. How does it benefit the citizens of rural communities to require their co-ops to pay \$1000/hour lawyers to represent them in lengthier proceedings in Washington D.C. when they want to participate even in a routine rate setting process (much less a full-blown exit or complaint)?

Governance

- Tri-State touts local control and governance by the members. How does FERC governance impact the cooperative governance model?
- What decisions will be subject to FERC control? What contracts are subject to federal supervision and control? What does it mean for Bylaw revisions and Tri-State board policies to now be subject to FERC scrutiny?
- What does it mean for load development rates to be subject to FERC challenge?

New member

- Who exactly is this new member?
- How does the member impact the co-op model since it is not a small electric cooperative or a public power district?
- What is the business reason for bringing on a new member?
- Could the new member be a customer instead of an owner?
- When Kit Carson (and other Plains Electric cooperatives) came over to Tri-State they bought in. Is there an ownership buy-in for this entity? If so, what is it?
- Why isn't the Contract Committee charged with implementing the recent Bylaw change responsible for establishing the new membership class?

Other

- Tri-State says it “would always have the option of leaving FERC regulation.” What does this mean and why and how would Tri-State do that?
- If Tri-State's future plan is to try and exit FERC jurisdiction by removing the new member, would it be a forced exit or a voluntary exit on equitable terms?
- If a member cooperative tries to enforce its rights at FERC, could Tri-State evade FERC jurisdiction in the middle of the proceeding by shedding the new member?
- How would moving in and out of general FERC regulation increase rate certainty?
- What other things can Tri-State do to stabilize rates without becoming regulated by FERC?

Sincerely,

[LIST OF COOP MANAGERS SUPPORTING MORE CAREFUL CONSIDERATION OF FERC REGULATION]