

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There was 1 Non-Lost Workday injury in August.

2. Environmental and Regulatory Activities

- a. For August, 2021, 41 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. Please see September 2021 Government Relations Report under our Shared Drive, <https://drive.google.com/file/d/1ORbb6J3WRyacBdMDvo6ph0nTrdIGc8YU/view?usp=s> haring

4. Member Relations

- a. TS Member Relations activities report was provided.

5. Corporate Communications

- a. TS Corporate Communications activities report was provided.

REGULAR BOARD MEETING, COMMITTEE MEETINGS

The September 2021, Committee and Regular Board Meetings were held in a hybrid format. I believe there were 35 directors in person, (I attended in person), and the other 7 participated by phone. September is the first month Chaired by new Chairman/President Tim Rabon (Otero County). This month the Committees had their annual reorganization at the beginning of their meetings. The Executive Committee is chaired by the Chairman/President of TS so Tim Rabon became the new chair replacing Rick Gordon. The E&O Committee was chaired by Tim Rabon who stepped down, (due to becoming Chairman/President of TS), and Shawn Turner (Midwest Electric) was elected Chair and Wayne Connell (Central New Mexico Electric) was re-elected Vice-Chair. The External Affairs and Member Relations re-elected Thaine Michie (Poudre Valley) as Chair and Robert Baca (Mora-San Miguel) as Vice-Chair. Finance and Audit Committee re-elected Leo Brekel (Highline Electric) as Chair and Stuart Morgan (Wheat Belt Public Power) as Vice-Chair. All committee meetings were held consecutively and this will be the new format going forward. This allows all directors to attend all the meetings.

Please see the attached **September 2021 Meeting Highlights**. Due to the TS Regular Board Meeting being held on September 9, 2021, the **September 2021 Board Report** will not be received before the LPEA's DirectorPoint attachment deadline (September 10, 2021) so it will not be in the DirectorPoint Board Packet. I will place it in our Drive as soon as it is received.

Tri-State Board of Directors

September 2021 Meeting Highlights



Rabon assumes chairmanship and committee chairs elected

During the annual meeting in August, Tim Rabon, who represents Otero County Electric Cooperative (Cloudcroft, N.M.) was elected to serve as Chairman of the Board and the September board meeting was his first in the role. Committee chairs were elected during the meeting.

- In his first report as Chairman, Rabon discussed the transition between him and former chairman, Rick Gordon, including spending several days at Tri-State headquarters meeting with staff.
- He also mentioned he attended several meetings, including the New Mexico Rural Electric Cooperative Association's Annual Meeting, a meeting of the Colorado River Energy Distributors Association and Western United Fish Fry.
- Rabon indicated his goal is to make the transition as smooth as possible so the association can continue to focus on implementing the Responsible Energy Plan and the meeting the board's goals.
- During the September board meeting, the three standing committees of the board held elections for Chairman and Vice Chairman.
 - Engineering and Operations Committee – Shawn Turner, The Midwest Electric Cooperative, was elected Chairman, filling the vacancy left by Rabon. Wayne Connell, Central New Mexico Electric Cooperative, was re-elected Vice Chairman of the committee.
 - External Affairs/Member Relations Committee – Thaine Michie, Poudre Valley Rural Electric Association, was re-elected Chairman and Robert Baca, Mora-San Miguel Electric Cooperative, was re-elected as Vice Chairman.
 - Finance and Audit Committee – Leo Brekel, Highline Electric Association, was re-elected Chairman and Stuart Morgan, Wheat Belt Public Power District, was re-elected Vice Chairman.

Tri-State files modified Contract Termination Payment (CTP)

Ken Reif, SVP, General Counsel, updated the board on the recently filed modified Contract Termination Payment (CTP) methodology. The filing was in response to recent orders from the Federal Energy Regulatory Commission (FERC). In July 2021, the board directed staff to refile a modified version of the CTP that is clearer and more transparent.

- On September 1, Tri-State filed a Modified CTP Methodology with FERC that addresses the transparency, replicability and access concerns raised in relation to the original calculation.
 - The calculation will be provided annually to each member at no charge and each calculation will be valid for a year.
 - The notice period has been reduced to two years (to provide Tri-State with time to offset costs, incorporate load reduction into planning efforts, and comply with RTO notice obligations, as necessary).
 - The modified methodology is based entirely on public data and is a simple, verifiable calculation.
 - The board discretion to veto an exit has been removed and replaced with a backstop calculation which ensures that a CTP will not result in Tri-State realizing a financial default.
- Despite the simplification of the revised methodology, it still accomplishes the central requirement of any CTP calculation: that the remaining Tri-State members are kept financially whole if another member chooses to withdraw from its contract early.
- The filing was in response to two recent FERC rulings regarding the CTP suggesting they had concerns about the implementation of the originally filed CTP and an underlying concern with the methodology used to calculate the payment and a member's ability to easily access and replicate calculations.
- Members were encouraged to remain engaged as FERC considers this revised calculation and recent filing. Members have been asked to support the Modified CTP Methodology filing or, at the very least, encourage FERC to accept the Modified CTP Methodology subject to settlement procedures, which will allow time for the membership to continue to work together to reach agreement.
- If a member needs assistance filing comments or has questions, they are encouraged to contact their Member Relationship Manager.

Congress continues to work on Rural Community Assistance

Barbara Walz, SVP Policy & Compliance/Chief Compliance Officer, reported that the House and Senate have advanced an outline of a \$3.5 trillion budget reconciliation bill, which potentially could include Tri-State's Rural Community Assistance proposal. Congressional committees are now working to fill in the details of the outline and develop a final bill. A vote on the final bill could come by the end of September or October.

- Walz reported that there is a good chance the budget reconciliation bill includes a provision like the Rural Community Assistance language proposed by Tri-State, and staff will be following work by the committees closely.
- Tri-State's Rural Community Assistance proposal would provide assistance to cooperatives to pay down stranded costs on coal facilities that retired prematurely, reinvest dollars into clean energy projects in rural areas, and provide direct assistance to rural communities facing economic and employment challenges due to these premature coal retirements.

This month's highlights

- Rabon assumes chairmanship and committee chairs elected
- Tri-State files modified Contract Termination Payment
- Congress continues to work on Rural Community Assistance
- Government relations report
- July operational and financial performance
- Meetings and events

From the Chairman

As is our custom following the annual meeting, our board of directors held important leadership elections for our three standing committees.

Shawn Turner (The Midwest Electric Cooperative) was elected Chairman of the Engineering and Operations Committee and Wayne Connell (Central New Mexico Electric Cooperative) was re-elected Vice Chairman. Thaine Michie (Poudre Valley Rural Electric Association) was re-elected Chairman of the External Affairs/Member Relations Committee and Robert Baca (Mora-San Miguel Electric Cooperative) was re-elected as Vice Chairman. In our Finance and Audit Committee, Leo Brekel (Highline Electric Association) was re-elected Chairman and Stuart Morgan (Wheat Belt Public Power District) was re-elected Vice Chairman.

I want to again thank Rick Gordon for his support as I learn the ropes as chairman of this board and fine organization. I want to continue board discussion on how to best manage our meeting time as we tend to the important work of our cooperative.

I want to thank the members that have already made filings at FERC in support of the modified Contract Termination payment, and encourage those that haven't to ensure your system's voices are heard in this important proceeding.

This month, we welcomed to the board Bruce Duran, representing Jemez Mountains Electric Cooperative. I want to thank Jemez' Lucas Cordova, Jr. for his eight-years of service and contributions to our board and to Tri-State.

It was an honor to lead my first board meeting, and I appreciate my fellow directors' and staff's patience. 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

On the important issue of rural community assistance, we continue to see progress. Staff reported that the House and Senate have advanced an outline of the budget reconciliation bill, which may still be marked up to include Tri-State's Rural Community Assistance proposal. We will know more in the coming weeks, and I greatly appreciate the continued efforts of staff to promote the membership's and our coal-dependent communities' interests as Tri-State transitions our generation resources.

Even as we filed our modified contract termination payment with FERC last week, we and our members continue to work together to reach a settlement among the members on the CTP and the partial requirements buy down payment issues. There is a lot of energy among the members to find consensus and move forward, and I greatly appreciate their efforts.

On these issues, I wanted to thank Otero County Electric Cooperative CEO Mario Romero for his [column](#) published in Utility Dive, which strongly and eloquently supports our not-for-profit cooperative business model.

This month, transmission staff provided a review of their recent work and discussed the incredible job done to safely cross the Dolores Canyon in southwestern Colorado as part of the Montrose-Nucla-Cahone transmission project. I encourage you to review a [video](#) on the canyon crossing, one of the largest transmission crossings in the nation.

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

July 2021 operations performance

- Coal fleet generation was 92% availability & 44% of total power supply.
- Gas and oil fleet generation was above budget and accounted for 7% of total power supply.
- Renewable generation accounted for 27% of total power supply and 32% of member load.
 - Tri-State had 556 MW of utility-scale wind and solar capacity. In July, the average capacity factor for these resources was 37%, with 296 MW (53% of potential output) available at Tri-State's peak.
- Other purchased power (unspecified) was 22% of total power supply.
- Member energy sales volumes were under budget and non-member energy sales volumes were over budget.

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

July 2021 financial performance

- Member electric sales were 3.2%, lower than budget as less energy was required compared to budget as pandemic issues continued to affect commercial operations. In addition, the 2% wholesale rate reduction, implemented in March 2021, continues to reduce sales compared to budget.
- Non-member sales were 91.3% above budget as Tri-State sold more power on the open market as pricing was favorable.
- Purchased power was 5.2%, higher than budget primarily because of 8.2% lower generation at our steam powered plants, increasing the need to purchase power on the open market.
- Fuel costs were higher than budget primarily resulting from coal mining operating costs expensed this month, natural gas fuel costs were higher than budget, and fuel costs at the coal-fired power plants were lower than budget.

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

Board Update

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View Tri-State's [press statement on the CTP filing](#).

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Government Relations Report

The [Government Relations Report](#) can be found on the director's BoardBooks app and the Member Information Center

Meetings and events

- October Committee and Board Meetings, Tri-State headquarters:
 - Executive Committee – Mon, Oct. 4 at 1 p.m.
 - Engineering & Operations Committee – Tues., Oct. 5 at 8 a.m.
 - External Affairs & Member Relations Committee – Tues., Oct. 5 at 10:30 a.m.
 - Finance & Audit Committee – Tues., Oct. 5 at 1:30 p.m.
 - Board of Directors Meeting – Wed., Oct. 6 at 8:30 a.m.
- Colorado Rural Electric Association Innovation Summit and Fall Conference – Oct. 9-12, Denver
- Member CEO Meeting – Oct. 12-13, Tri-State headquarters
- Tri-State Communications and Member Relations Conference – Oct.18-20, Tri-State headquarters