

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There were no Non-Lost Workday, Restricted Workday, or Lost Time injuries/illnesses in October.

2. Environmental and Regulatory Activities

- a. For October 2021, 103 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.
 - i. This has been a very busy month for reporting.
- b. Agency inspections.
 - i. A remote air quality file inspection was conducted by CDPHE for Knutson Station.
 - ii. An inspection was conducted by the Colorado Division of Reclamation, Mining and Safety for Colowyo Mine.

3. Government Relations

- a. Please see November 2021 Government Relations Report under our Shared Drive, <https://docs.google.com/document/d/1krAuaHrmQktsEzyFCID0pgxXF8ZP1ksH-JmsCzUZDik/edit?usp=sharing>

4. Member Relations

- a. TS Member Relations activities report was provided.

5. Corporate Communications

- a. TS Corporate Communications activities report was provided.

6. Affiliated Organizations Reports

- a. CREDA – it was reported that WAPA CRSP will increase their rate 11.2% on December 1, 2021
- b. Mid-West – next meeting will be on Friday, November 5, 2021.

REGULAR BOARD MEETING, COMMITTEE MEETINGS

The November 2021 Regular Board and Committee Meetings were held virtually. There was no press, a handful of Member Staff individuals and one Member Consumer. No one addressed the Board during the “Member/Consumer Comments” agenda item.

As you can see above, “Affiliated Organizations Reports” has been added to my report. These reports are now made in the Committee Meetings instead of the Regular Board Meeting.

Please see the attached **November 2021 Meeting Highlights and the November 2021 Board Report**. Other documents can be found in the Board Shared Drive, <https://drive.google.com/drive/folders/1Q4xobhbrPy6ly1qVvsR3lnAyTPq6PZEW?usp=sharing>

Tri-State Board of Directors

November 2021 Meeting Highlights



The November board meeting was held via teleconference.

Update on Tri-State's Response to COVID-19 Pandemic

Barry Ingold, Tri-State SVP Generation, provided an update on Tri-State's response to the COVID-19 pandemic and actions being taken to ensure reliability of the system and employee safety. After being at Normal risk level, the risk level moved to High at Tri-State headquarters in response to an increase in reported cases.

- Effective Monday, November 1, the Westminster campus returned to the HIGH risk mitigation level, and will remain at that level until at least December 3.
- While the total number of positive COVID-19 cases and exposures among employees is still quite low, several linked cases were identified at the Westminster campus. Out of an abundance of caution, steps are being taken to make sure this doesn't affect more of the employee population. Employees who can work from home are advised to do so.
- Throughout the pandemic, staff has been monitoring the number of positive COVID-19 cases and primary exposures, and a recent increase in the number of both cases and exposures at the Westminster campus calls for additional mitigation strategies to be put in place for the continued health and safety of our workforce.
- Tri-State has been working closely with the health departments in the counties where its facilities are located. In working with Tri-County Health, the recommendation was to take more comprehensive protective measures for at least 28 days, which should greatly reduce the risk of our workplace being a source of potential infection.
- Guidelines for the Westminster campus at the HIGH risk mitigation level include:
 - The daily occupancy level at the facility is a targeted 75% reduction, or no more than 150 people on site.
 - Limited use of meeting rooms, including the Hub Thompson Conference Center.
 - Additional cleanings and disinfecting services.
 - Limited visitor and contractor access on site.

FERC accepts Tri-State's modified Contract Termination Payment (CTP) Tariff filing

Ken Reif, Senior Vice President, General Counsel, reported that the Federal Energy Regulatory Commission (FERC) has accepted Tri-State's filing of its modified Contract Termination Payment (CTP) tariff, which sets forth the terms and conditions under which Tri-State members may terminate their Wholesale Electric Service Contracts (WESC) and membership in Tri-State.

- Under its member-driven Responsible Energy Plan, Tri-State's members are working together to increase flexibility and allow for greater member self-supply of power through certain renewable member self-supply tariffs, partial requirements power supply contracts, and by allowing the early termination of the WESC through the CTP tariff.
- The Modified CTP tariff, which ensures remaining Tri-State members are held harmless if another member decides to terminate its contract early, is effective Nov. 1, 2021, subject to refund and hearing procedures as established in FERC's order.
- Following approval by the Board of Directors, Tri-State filed the modified CTP tariff with FERC on Sept. 1, 2021. The CTP calculation is based on the projected revenues the withdrawing member contractually agreed to pay over the remaining term of its contract, less other revenues Tri-State would receive from offsetting power sales, transmission revenues from the withdrawing member after termination, and the return of the net present value of the withdrawing member's patronage capital balance.
- FERC noted in its order that the Modified CTP tariff includes clear, transparent, and objective procedures and readily available CTP calculations that rely on publicly available data that can be updated annually for all utility members. At the same time, the Commission raised several questions and concerns in the order, which Tri-State will address through the hearing process.
- Tri-State's members and Board of Directors continue to work together to ensure fairness to both a member considering early termination of its contract and the remaining members that will fulfill their obligations.

This month's highlights

- 2022 proposed budget presented to board
- 2021 patronage capital refund discussion
- FERC accepts modified Contract Termination Payment Tariff filing
- Tri-State files Open Access Transmission Tariff settlement with FERC
- Niyol Wind Energy Center commissioned
- Update on federal legislation
- Government relations report
- Update on Tri-State's Response to Pandemic
- Operational and financial results
- Upcoming events

From the Chairman

This month, our board meeting was scheduled to be fully virtual, as we seek to reduce costs. This decision was fortuitous, or perhaps just “dumb luck,” as out of an abundance of caution, beginning in November Tri-State reduced its on-site staffing at headquarters to support operations and employee health. I greatly appreciate staff's leadership on these issues, which have ensured Tri-State continues to reliably serve its mission to the membership and help keep staff safe.

This month, we reviewed the 2022 proposed consolidated budget, which includes the capital and operating budgets. Staff has reduced capital expenses and kept operating expenses close to what was forecast in the Long-Term Financial Forecast. Our wholesale rate in 2022 is set by our FERC settlement and will decrease again in March 2022, which helps us advance our affordability goals. The good news is that forecasts for both member and non-member sales are higher in 2022, allowing the budgeting of deferred revenue to support future rate stabilization needs. As we look past 2022, our financial forecasts continue to show the need for cost management and generating opportunities to increase revenue.

The return of patronage capital is one of the benefits of our not-for-profit cooperative business model. The board discussed the 2021 patronage capital refund to the membership, and staff will come back to us at our December meeting to present options for both the amount of the 2021 refund and how the allocations are determined.

It was my pleasure to join Duane to attend the commissioning of the 200 MW Niyol Wind Energy Center in eastern Colorado following the board meeting. I appreciate Colorado Lt. Governor Dianne Primavera taking the time to participate in our ceremony and see the good work of our cooperatives.

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

October was a busy month on the regulatory front, with the Federal Energy Regulatory Commission (FERC) issuing orders on both our Open Access Transmission Tariff (OATT) and our Modified Contract Termination Payment (CTP) Tariff filings.

On Oct. 22, Tri-State filed an uncontested, comprehensive settlement on our OATT that we filed in 2019. On an interim basis, FERC has approved the implementation of the settlement's reduced rates. I want to thank staff, and in particular Mary Ann Zehr, Vice President, Transmission Business Strategy, and Keith Carman, Vice President Transmission Operations, for their leadership to get the settlement filed at the FERC.

Late in the day on Oct. 29, FERC issued an order accepting our Modified CTP Tariff, which is in effect, subject to refund, and FERC will establish hearing procedures. While the FERC recognized our response to its concerns about the tariff procedures, it did identify concerns with the methodology. We will address these concerns as we go to hearing in the coming months. The acceptance of the tariff by FERC is a significant milestone in our work with the members to advance contract flexibility.

I want to thank La Plata Electric Association for including us in their two consumer-member town hall meetings on power supply and partial requirements. Pat Bridges attended these meetings to represent Tri-State and the speak to the collaborative nature of this progress.

Finally, we continue to evaluate the vaccine mandates coming out of the White House to determine what rules we are subject to at Tri-State. We are watching the developing information related to the federal contractor mandate, and reviewing information available on the OSHA vaccine/testing mandate, which goes into effect in January. We have communicated to the Department of Energy about our concerns if we're held to the federal contractor rule related to mandatory vaccinations.

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

September 2021 operations performance

- Coal fleet generation was 87% availability & 49% 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 33% of member load.
 - Tri-State had 559 MW of utility-scale wind and solar capacity. In September, the average capacity factor for these resources was 38%, with 70 MW (6% of potential output) available at Tri-State's peak.
 - Tri-State reached a wind power penetration record of 41% on Oct. 12, 2021, and a wind power peak of 608 MW on Oct. 17, 2021.
- Other purchased power (unspecified) was 17% 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.

September 2021 financial performance

- Member Electric Sales were 4.2% lower than budget, primarily due to the 2% wholesale rate reduction implemented in March 2021.
- Non-Member Sales were 179.6% above budget as Tri-State realized positive impacts of the CAISO and the SPP imbalance markets, along with increased sales to third parties.
- Purchased Power was 20.8% higher than budget primarily due to higher than budgeted purchases related to organized markets and purchasing hazard power. Craig Station and Laramie River Station generated lower than budget, and Springerville Station produced greater than budget.
- Fuel costs were 17.6% higher than budget primarily resulting from the combustion turbines producing energy at a greater amount than budgeted and an increase in natural gas prices.

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

Board Update

2022 proposed budget presented to board

Pat Bridges, CFO, presented the proposed 2022 capital and operating budgets to the board of directors at their November meeting. The board will consider the budget for action at its December meeting.

- Capital expenditures in 2022 are proposed at \$138 million and operating expenses are proposed at \$1.16 billion.
- As part of the wholesale rate settlement earlier this year, Tri-State implemented a 2% rate decrease from March 2021, and will implement another 2% wholesale rate decrease in March 2022.
- The proposed budget includes increases in both member and non-member sales compared to actual and estimated load for 2021, which allows Tri-State to defer revenue to support rate stabilization.

View the [Consolidated 2022 Budget presentation](#) on the directors' BoardBooks app and the Member Information Center. The budget books are available in the Resource Center of the directors' BoardBooks app and in the Member Information Center.

2021 patronage capital refund discussion

At the November board meeting, the board discussed patronage capital refunds for 2021.

- Tri-State has returned nearly \$500M to its members to date – through a portion of 2004 allocations.
- Some G&Ts don't return capital, or don't return it at the pace that Tri-State has.
- The members have \$979M in allocations remaining to be refunded.
- The 2021 budget includes the return of \$10M to the members. In the past three years, Tri-State has returned \$30M each year to the members.
- The board discussed the 2021 refund and whether it should be increased, and whether the first in/first out process should be changed.
- CFO Pat Bridges will present options to the board next month.

View the [Patronage capital refund presentation](#) on the directors' BoardBooks app and the Member Information Center.

FERC accepts Tri-State's modified Contract Termination Payment (CTP) Tariff filing

Ken Reif, Senior Vice President, General Counsel, reported that the Federal Energy Regulatory Commission (FERC) has accepted Tri-State's filing of its modified Contract Termination Payment (CTP) tariff, which sets forth the terms and conditions under which Tri-State members may terminate their Wholesale Electric Service Contracts (WESC) and membership in Tri-State.

- Under its member-driven Responsible Energy Plan, Tri-State's members are working together to increase flexibility and allow for greater member self-supply of power through certain renewable member self-supply tariffs, partial requirements power supply contracts, and by allowing the early termination of the WESC through the CTP tariff.

- The Modified CTP tariff, which ensures remaining Tri-State members are held harmless if another member decides to terminate its contract early, is effective Nov. 1, 2021, subject to refund and hearing procedures as established in FERC's order.
- Following approval by the board of directors, Tri-State filed the modified CTP tariff with FERC on Sept. 1, 2021. The CTP calculation is based on the projected revenues the withdrawing member contractually agreed to pay over the remaining term of its contract, less other revenues Tri-State would receive from offsetting power sales, transmission revenues from the withdrawing member after termination, and the return of the net present value of the withdrawing member's patronage capital balance.
- FERC noted in its order that the Modified CTP tariff includes clear, transparent, and objective procedures and readily available CTP calculations that rely on publicly available data that can be updated annually for all utility members. At the same time, the Commission raised several questions and concerns in the order, which Tri-State will address through the hearing process.
- Tri-State's members and board of directors continue to work together to ensure fairness to both a member considering early termination of its contract and the remaining members that will fulfill their obligations.

View Tri-State's [press release](#) on the FERC CTP order.

Tri-State files major FERC settlement on its Open Access Transmission Tariff

On Oct. 22, Tri-State filed an uncontested, comprehensive settlement on the Open Access Transmission Tariff (OATT) that it filed in 2019. The settlement filing is another significant step forward for Tri-State, which became subject to FERC ratemaking jurisdiction as of Sept. 3, 2019.

- Tri-State filed a motion, which was approved, to implement the settlement rates, on an interim basis, to enable its OATT transmission customers to realize the benefit, without delay, of reduced OATT rates. Tri-State will reflect these changes in its October transmission billings, which represent the start of the 2021 Rate Year.
- Upon final approval by FERC, the settlement will resolve all issues set for settlement and hearing procedures before a FERC administrative law judge in March 2020.
- The case involved numerous parties, including Tri-State's transmission service customers, distribution utility members and a variety of other participants, as well as FERC staff.
- The settlement provides several benefits to Tri-State's OATT customers, including reduced rates and the provision of more information and transparency going forward.

View Tri-State's [press release](#) on the filing of the OATT settlement.

Niyol Wind Energy Center commissioned

On Nov. 4, Tri-State and NextEra Energy Resources, LLC, held an event to celebrate the commissioning of the Niyol Wind Energy Center, located near Fleming, Colo., in Highline Electric Association's service territory. The project achieved commercial operation in late October.

- The Niyol Wind Energy Center features 74 wind turbines capable of generating up to 200 megawatts.
- Construction of the facility began in March 2021. More than 300 construction workers took part in the effort, and seven full-time jobs will support the day-to-day operations and maintenance of the new facility.
- Colorado Lieutenant Governor Dianne Primavera participated in the event. One-third of the Niyol Wind Energy Center's turbines are located on trust land governed by the Colorado State Land Board.
- The Niyol Wind Energy Center is owned and operated by a subsidiary of NextEra Energy Resources.
- The Niyol Wind Energy Center will generate approximately \$25 million in landowner payments and \$24 million in additional revenue for Logan County, Colo., over the next 30 years.
- The Niyol Wind Energy Center represents the second project completed of eight new wind and solar projects to be constructed for Tri-State by 2024 under its [Responsible Energy Plan](#), which was announced in January 2020.

View Tri-State's [press release](#) on the project.

Update on federal legislation

Barbara Walz, SVP Policy & Compliance/CCO, reported on the infrastructure bill and reconciliation bill. Tri-State staff continues to advocate for rural community assistance language to be included in the reconciliation bill.

- The \$3.5B reconciliation bill has been reduced to \$1.75B in a "Build Back Better" framework announced by the President and legislative leadership.
- The framework includes the option for co-ops and municipal utilities for the direct payment of renewable energy tax credits, including for storage and transmission, which will help put Tri-State on an even playing field with IOUs as it considers owning wind and solar facilities.
- The framework also includes nearly \$10B for rural community assistance, which would provide grants to co-ops for debt associated with the early retirement of coal facilities, and grants and loans for new renewables.
- While the framework has been released, a final deal has not been reached.

Government relations report

The September government relations report can be found on the directors' Boardbooks app and in the [Member Information Center](#).

Update on Tri-State's response to COVID-19 pandemic

Barry Ingold, Tri-State SVP Generation, provided an update on Tri-State's response to the COVID-19 pandemic and actions being taken to ensure reliability of the system and employee safety. After being at the Normal risk mitigation level, the risk mitigation level moved to High at Tri-State headquarters in response to an increase in reported cases.

- Effective Monday, November 1, the Westminster campus returned to the HIGH risk mitigation level, and will remain at that level until at least December 3.
- While the total number of positive COVID-19 cases and exposures among employees is still quite low, several linked cases were identified at the Westminster campus. Out of an abundance of caution, steps are being taken to make sure this doesn't affect more of the employee population. Employees who can work from home have been advised to do so.
- Throughout the pandemic, staff has been monitoring the number of positive COVID-19 cases and primary exposures, and a recent increase in the number of both cases and exposures at the Westminster campus calls for additional mitigation strategies to be put in place for the continued health and safety of our workforce.
- Tri-State has been working closely with the health departments in the counties where its facilities are located. In working with Tri-County Health, the recommendation was to take more comprehensive protective measures for at least 28 days, which should greatly reduce the risk of our workplace being a source of potential infection.
- Guidelines for the Westminster campus at the HIGH risk mitigation level include:
 - The daily occupancy level at the facility is a targeted 75% reduction, or no more than 150 people onsite.
 - Limited use of meeting rooms, including the Hub Thompson Conference Center.
 - Additional cleanings and disinfecting services.
 - Limited visitor and contractor access on site.

Meetings and events

- December Committee and Board Meetings:
 - Executive Committee – Mon, Dec. 6, Time TBD.
 - Engineering & Operations Committee – Tues., Dec. 7 at 8 a.m.
 - External Affairs & Member Relations Committee – Tues., Dec. 7 at 10:30 a.m.
 - Finance & Audit Committee – Tues., Dec. 7 at 1:30 p.m.
 - Board of Directors Meeting – Wed., Dec. 8 at 8:30 a.m.
- Member CEO Town Hall, Mon., Dec. 13 at 10 a.m.