

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There was one Restricted Workday Case and one Non-Lost Workday Case in January 2023.
 - i. A Craig Station employee injured his shoulder and sustained a laceration.
 - ii. A Transmission Maintenance employee injured his shoulder.

2. Environmental and Regulatory Activities

- a. For January 2023, 50 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. The Arizona Department of Environmental Quality conducted an on-site air quality inspection at Springerville Generating Station.

3. Government Relations

- a. The Government Relations report can be found at the following link
https://drive.google.com/file/d/1uMWy9eUAn7dg-3yghJXnajuDo1YxBaQB/view?usp=share_link

4. Member Relations and Communications

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

5. External Affairs Committee Report

- a. Reg Rudolph provided a written report.

REGULAR BOARD MEETING AND COMMITTEE MEETINGS

There were no Standing Committee Meetings held this month due to Strategic Planning. Strategic Planning was held all day Wednesday, February 1, and the morning of Thursday, February 2. The TS Board Meeting followed the Strategic Planning Meeting. Please see the **TS February 2023 Board Report** for more details. Additional TS Board Documents can be found in the LPEA Board Drive.

This month's highlights

- Chairman and CEO Messages
- Operations and Financial Performance
- Government Relations Report
- Recent Media
- Meetings and Events, including Annual Meeting

From the Chairman

I want to express my gratitude to my fellow directors for your energy and engagement in our first strategic planning session of the year. I thought the session went very well, and I want to thank our Tri-State staff for their preparation to ensure an informative and interactive dialogue. Our board dug into key areas of Tri-State's transition, especially with our guests who shared their perspectives on our complex industry, and in the end, I believe we reaffirmed our association's path forward, ensuring that staff is aligned with our direction. We know that through a successful transition, Tri-State will look different at the end of this decade and there remains some uncertainty in how we will get there. I think we were able to achieve more clarity from our discussions as we remain focused on being a resilient and competitive not-for-profit power supplier for our members.

Our Rate Design Committee's good work is moving toward a recommendation to our board, and I want to again thank the committee for its efforts. The committee met following the board meeting, and will meet again on February 9, when it will consider its recommendation to the board. Any members that would like to present a minority report to the board should contact me so that we can ensure sufficient time to listen to and discuss your concerns prior to the board taking action on a new rate structure.

Our Annual Meeting will be April 4-5 at the Westin Hotel in Westminster, Colo., where we'll focus on how our cooperative model and Tri-State remain resilient through our transition in all aspects of our business, and how we serve the membership. I encourage the directors and trustees of our members to attend our membership meeting, banquet and annual meeting, as well as our regular Tri-State board meeting. Staff will be sending invitations in the coming weeks.

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

The key for the success of co-op staff is to achieve alignment and cohesion with the co-op's board. When the board and staff are moving forward in the same direction, consistent with our mission, we know we are going to get where we aim. We've worked in our new executive team organizational structure to build a stronger, more comprehensive strategic planning process to ensure we are all in agreement with one another and the board. If we are all moving in the same direction, I believe we are unstoppable.

This month, I reviewed 2022 milestones and accomplishments with the board, some of which I highlight below.

- We completed our 4% wholesale rate decrease. With staff focus on cost management through Project Ascend, we mitigated some of the effects of much higher fuel and purchased power costs, as well as the raging inflationary pressures that are raising costs across our industry. While other electric utilities are increasing rates, our rates have been stable or lower since 2017, increasing our competitiveness, and we do not anticipate the need for a rate increase until 2024.
- We reorganized our staff, consolidating our operations and administrative functions for better alignment and efficiency, created a new focus for energy services and innovation, and transitioned to a new general counsel.

- Following years of staff work with stakeholders and policymakers, we helped lead the crafting of federal legislation that supports cooperatives in transition, and we are pursuing funding to support a wide range of opportunities, from reducing the costs of our energy transition to advancing distributed energy resource management systems (DERMS) platform and supporting coal-dependent communities.
- In support of member flexibility goals, we extended the partial requirements open season, filed a partial requirements settlement with the Federal Energy Regulatory Commission, and continue to advocate for member contract flexibility. With our members interested in partial requirements contracts, we are discussing options to meet the membership's flexibility goals. We will also work through the process to terminate contracts for three of our members. In 2022, an administrative law judge agreed that a CTP methodology should result in rate neutrality for a significant period of time, and we expect a decision from FERC this summer.
- We've made progress to advance organized markets, and with new participants coming into the Southwest Power Pool energy imbalance market, 100% of our load will be in an organized market in 2024. We are also advancing toward a decision point this summer to participate in a western expansion of the SPP regional transmission organization. With solid resource planning, Tri-State is well positioned on resource adequacy, and organized market constructs will help ensure other market participants prove they have the resources to serve their loads.

Looking forward to 2023, we see it as a year that will gain more certainty. On January 31, Moody's Investors Service affirmed our investment-grade ratings, but lowered our outlook. Understandably, Moody's recognizes the uncertainty with the upcoming wholesale rate filing to FERC, as well as FERC's contract termination payment tariff decision. Tri-State remains financially strong, demonstrated by Moody's affirming our rating, and we continue to service the loans incurred for the infrastructure that reliably serves our members.

In the last month, we advanced stakeholder discussions to support geothermal resource assessment, reduce the friction for permitting vegetation management and line reconstruction with federal agencies, and focus on the implementation of regional transmission organizations.

Finally, I want to thank the board of Garland Light & Power for the opportunity to meet, and to discuss its concerns and industry issues. I welcome the invitation to visit with each of our members at a board meeting, when we can have focused time together.

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

December 2022 operations performance

- Coal fleet generation was at 88% availability and 51% of total power supply.
- Gas and oil fleet generation were above budget and accounted for 8% of total power supply.
- Renewable generation accounted for 27% of total power supply and 34% of member load.
- Tri-State had 759 MW of utility-scale wind and solar capacity with an average capacity factor of 41%, with 483 MW (64% of potential output) available at Tri-State's peak.
- Other purchased power (non-renewable) was 14% of total power supply.
- Member sales revenue was 4% over budget and non-member energy sales revenues were 416% over budget.

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

December 2022 financial performance

- Member electric sales were 4.2% higher than budget primarily due to Class A Energy being higher than budget, resulting in higher revenue.
- Non-member electric sales and other sales were 995.01% higher than budget, primarily due to selling excess power on the open market.
- Purchased Power was 46% higher than budget primarily due to socialization costs related to the MBPP joint project. Additionally, Energy Imbalance purchases exceeded budget as did Organized Market purchases.
- Fuel and Production was 81.2% higher than budget primarily due to fuel costs at the Combined Cycle and Combustion Turbine generation units, along with higher fuel costs at the Springerville Generation Station.

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

Board Update**Government Relations report**

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

Recent media

- [Moody's Investors Service reaffirms Tri-State's senior secured debt rating, lowers outlook](#) – Tri-State Website – Jan. 31
- [Members, Tri-State file joint request for rehearing of settlement advancing flexible power contracts](#) – Tri-State Website – Jan. 23
- [Mountain Parks Electric provides notice to withdraw from Tri-State membership](#) – Tri-State Website – Jan. 17
- [Tri-State reflects on third anniversary of its transformative Responsible Energy Plan](#) – Tri-State Website – Jan. 17

Meetings and events**Member CEO Town Hall**

- Mon., Feb. 6, 10 a.m.

Member Communications Advisory Council

- Tues., Feb. 21, 2 p.m.
- Wed., Feb. 22, 9 a.m.

Rate Design Committee

- Thurs., Feb. 9, 8 a.m.

March Board of Directors and Committee Meetings

- Please note committee schedule: To better utilize the directors' time, the committee meetings will begin at 8 a.m., with a 15-minute break between committee meetings. A lunch break will be between noon to 1 p.m. Staff will notify the board directors and member system CEOs through the text and email system when a committee adjourns and when the next one will start.
- Mon., Feb. 27
 - Executive Committee, 3 p.m.
- Tues., Feb. 28
 - Engineering and Operations Committee, *beginning at 8 a.m.*
 - External Affairs/Member Relations Committee, *beginning 15 minutes following adjournment of E&O Committee.*
 - Finance and Audit Committee, *beginning 15 minutes following adjournment of EA/MR Committee.*
 - Lunch, between noon to 1 p.m.
- Wed., March 1
 - Tri-State Board of Directors Meeting, 8 a.m.

Annual Meeting, Membership Meeting and Board Meeting

- The Tri-State Annual meeting events will be held April 4-5.
- All meetings will be at the Westin Westminster in Westminster, Colo.
- Tuesday, April 4
 - Executive Committee Meeting, 8:30 a.m.
 - Membership Meeting, 1:30 p.m.
 - Reception and Banquet, 6 p.m.
- Wed., April 5
 - Annual Meeting, 8:30 a.m.
 - Board Meeting, 1:30 p.m.