

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There was one Non-Lost Workday Case in April at Craig Station. An employee sustained a lacerated finger.

1. Environmental and Regulatory Activities

- a. For April 2023, 30 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.

2. Government Relations

- a. The Government Relations report was provided. The link for the May 2023 Government Relations on LPEA's Board Drive is -
https://drive.google.com/file/d/16_FdlecpM2Ddcey2u6_w6kIX_GKZpj8W/view?usp=share_link

3. Member Relations and Communications

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

4. External Affairs Committee Report

- a. Reg Rudolph provided a written report.

REGULAR BOARD MEETING AND COMMITTEE MEETINGS

May's Tri State meetings were hybrid meetings including all standing committees. May's meetings were the busiest/longest meetings in quite a while. Elections were held for all standing committees (Chair and Vice) and only the F&A Committee had a change. Leo Brekel (Highline Electric) stepped down from F&A Chair after 10 years as Chair. Roger Schenk (Y-W Electric) was elected as F&A Chair and Stuart Morgan (Wheat Belt Public Power) was re-elected as Vice. The 2024 budget was presented and there will be an additional information session meeting on May 23, 2023. The budget will be voted on in the June 2023 BOD Meeting. The Rate Design Committee's formulary rate recommendation will be voted on in June as well. Tri State's May 2023 meeting files and presentations can be found on LPEA's Board Drive at the following link - https://drive.google.com/drive/folders/1W5KfsW8m8rYxkCs2-wR5sEUXNg4bZSe?usp=share_link

This month's highlights

- Chairman and CEO Messages
- 2024 Budget Preview
- Board authorizes SPP RTO participation
- Standing Committee elections
- Operations and Financial Performance
- Government Relations Report
- Recent Media
- Meetings and Events

From the Chairman

I want to thank the board and our members for your time and energy this month, as our committee and board meetings were long, with important discussions on several meaningful issues and opportunities. We welcomed Wes Ullrich to the board, representing Roosevelt PPD. Wes will serve on the External Affairs/Member Relations committee.

April was a busy month, and I'd like to thank the membership again for your participation at the Annual Meeting. I thought it was an informative and productive meeting, and I've received good feedback. If you have any comments on the meeting that you haven't already shared, please send them my way.

We held a Rate Design Committee Meeting on April 12. As staff have worked to prepare for the June wholesale rate filing at FERC, there's been some fine-tuning related to certain elements of the RDC's recommendation. It was important to discuss these matters with the RDC before the June board discussion.

In April, Don Keairns, Julie Kilty, Thaine Michie and I participated in the NRECA Legislative Conference. I appreciate the work of the statewides to make the best use of our short time in our nation's capital. Just before the conference, FERC issued its order rejecting our CTP Withdrawal Agreement filing, which I believe unreasonably prolongs uncertainty for the membership. FERC is still getting its bearings when it comes to the cooperative business model and fundamental differences from most of the other utilities they regulate. Fortunately, we had a previously planned visit to DC to meet with the FERC Commissioners to share all the good work going on at Tri-State and reiterate the key features of the cooperative model. Don Keairns and Mario Romero represented the membership well.

I want to thank Wayne Connell and the board of Central New Mexico Electric for inviting me to speak at their Annual Meeting. We discussed Tri-State's work to preserve reliability through the energy transition. Earlier this week I sat in on the Affiliated Organization Review Committee. I want to thank Thaine Michie, Rick Gordon and Stuart Morgan for their work on the review –they have a good plan in place.

As I've previously noted, we will switch the June 5 board meeting from virtual to a hybrid in-person meeting. We'll be considering the rate design, and I think it's important for us to be together to talk through any questions. We'll have a virtual option for those unable to make it to the meeting.

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

With stable or lower wholesale rates for the membership since 2017, the value of ownership in Tri-State continues to grow. Tri-State is not immune from inflationary pressure, and higher energy and fuel prices, but we have sustained work over several years to manage costs. This month previewed a 2024 budget that requires a 7.77% wholesale rate increase, after seven years of flat or lower wholesale rates.

We understand how important stable power supply costs are to the membership, which have and continue to face significant inflationary and supply chain challenges. Considering our 4% wholesale rate decrease across 2021 and 2022, Tri-State's budgeted wholesale rate to the membership will have nominally increased approximately 3.3% from 2017 to 2024, or approximately 0.5% on average each year. For additional perspective, the average rate of inflation for 2017 – 2022 was 3.37% per year and we are estimating 3.50% for 2023.

Reflecting on April's Annual Meeting, which was my fifth at Tri-State, I believe it was the strongest, sharing with the membership and guests Tri-State's story of reliability and resilience across all aspects of our cooperative. First and foremost, as we make the energy transition, we will keep the lights on.

I want to recognize the continued hard work of the board and rate design committee that has allowed staff to prepare for our wholesale rate filing at FERC. It has been an incredibly busy month for staff as we've prepared both the 2024 consolidated budget and our wholesale rate filing.

Our team has been working hard to identify how we can best take advantage of new federal funding opportunities. We engaged the RUS Administrator on this issue at our Annual Meeting, and we have a good sense of what we will need to do to leverage the programs as much as is possible to benefit the members of our cooperative, including reducing the cost of clean energy projects and the potential to address stranded assets and related debt.

There remains great momentum on organized markets in the West. At its May meeting, the board authorized staff to continue our work to participate in the western expansion of the Southwest Power Pool Regional Transmission Organization, and there appears to be growing momentum among utilities across the Western grid to pursue organized markets.

We were also pleased that on April 20, FERC ordered the restoration of Tri-State's market-based rate (MBR) authorization in the WACM Balancing Authority Area, which covers large portions of Colorado and Eastern Wyoming. MBR authorization allows Tri-State to sell power at negotiated rates, rather than make power sales at a cost-based rate. This authority allows Tri-State to more competitively market power in the region. Tri-State's WACM MBR authorization was revoked in September 2022, due mostly to Tri-State's Niyol Wind power purchase agreement coming online, pushing our amount of available capacity in the market over FERC's screens and standards.

To advance flexibility for the membership, we are working with members pursuing partial requirements on alternative approaches, including the potential of an annual equalization payment for partial requirements members. We continue to engage with United Power's leadership on any potential for settling their differences with the membership so that we can move forward in a way that works for all members and keeps the remaining members whole. I continue to have hope for progress.

I want to thank the board and staff at White River Electric Association for inviting me to their board meeting, where we had a thorough discussion on issues, including some of the unique issues on their system. As the saying goes, "if you've seen one co-op, you've seen one co-op," and these discussions give great insight to differences among our members and the unique challenges each member faces.

We remain vigilant in our opposition to the Bureau of Land Management's proposed strict liability standard on wildfires, and cooperatives, which have much of the risk if this standard is applied, are joined by public power and investor-owned utilities in our opposition. We are working with the White House and Department of Interior, stressing that we are all in this together, and that there cannot be barriers to our important work.

Following the board meeting, I met with parties in Sangre de Cristo's service territory working to prove-out geothermal resources for utility-scale power generation. I want to recognize SDCEA President Joe Redetzke for his leadership in this effort, which could support emissions-free, dispatchable power.

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

March 2023 operations performance

- Coal fleet generation was at 73% availability and 44% of total power supply.
- Gas and oil fleet generation were above budget and accounted for 9% of total power supply.
- Renewable generation accounted for 27% of total power supply and 31% of member load.
- Tri-State had 759 MW of utility-scale wind and solar capacity with an average capacity factor of 38%, with 203 MW (27% of potential output) available at Tri-State's peak.
- Other purchased power (non-renewable) was 20% of total power supply.
- Member sales revenue was 8.3% over budget and non-member energy sales revenues were 130% over budget.

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

March 2023 financial performance

- Member Electric Sales were 8.3%, higher than budget primarily due to Class A Energy being greater than budget.
- Generation and Transmission demand were greater than budget resulting in higher revenue.
- Purchased Power was 19.2%, higher than budget primarily due to purchased power costs tracking higher than budgeted for the month, with the quantity of power purchased being higher than budget.
- Fuel Costs were 116.9%, higher than budget. Coal fuel costs were higher than budget primarily due to operating expenses from Colowyo being recorded in the consolidated financials in fuel expense which resulted in a higher than budgeted expense primarily due to lower production and less cost being captured in inventory. Natural gas fuel costs were higher than budget primarily due to higher-than-budgeted natural gas prices combined with the budget only planning to lightly run the combined cycle and combustion turbine units.

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

Board Update

2024 budget previewed to board

To accommodate the filing of the 2024 Wholesale Rate with the FERC, the budget process is occurring earlier in 2023. The 2024 budget:

- Assumes two members exit May 1, 2024, and make a contract termination payment (CTP) in the amount of filed debt covenant obligation (DCO).
- Recognizes \$50.6M of CTP to meet financial goals.
- Sets the revenue requirement to achieve Rate Design Committee recommendations of:
 - Debt Service Ratio (DSR) of 1.15
 - Equity to Capitalization Ratio (ECR) of 20.0%
 - Margin Floor of \$20 million
- Assumes an increase in average Class A rate of 7.77% for the full year.

Total Operating income (GAAP) is budgeted at \$1.382 billion, and Operating Expenses (GAAP) are budgeted at \$1.254 billion, with Net Margins budgeted at \$20.3 million. DSR is budgeted at 1.338 and ECR is budgeted at 24.94%.

View the [2024 Consolidated Budget presentation](#) and the [Draft 2024 Budget Book](#) in the Member Information Center and the directors' BoardBooks app.

Board authorizes staff to execute Commitment Agreement for the SPP RTO

At its May meeting, the board approved a resolution authorizing Tri-State to take all necessary actions to transfer functional control of certain of its transmission facilities in the western interconnection to the Southwest Power Pool and participate in the SPP Integrated Marketplace, including the execution of the Commitment Agreement and other agreements necessary to participate in the expansion of the SPP regional transmission organization into the western interconnection.

- In June of 2015, the board approved Tri-State signing the SPP Membership Agreement and participating in the SPP Regional Transmission Organization (RTO) for its system in the eastern interconnect.
- Tri-State and other western interconnect participants have been working with SPP to expand the RTO to the western interconnect.
- In April 2021, Tri-State and other participants along with SPP developed and began the Western Energy Imbalance Service (WEIS).
- The initial WEIS participants, plus Colorado Springs Utilities and Platte River Power Authority, have been actively working with SPP and its eastern members for an SPP RTO expansion in the west.
- The western participants and SPP have negotiated a Commitment Agreement to assign costs and obligations under various circumstances in order for SPP to begin the west RTO integration process.
- SPP West participants include:
 - Basin Electric Power Cooperative
 - Colorado Springs Utilities
 - Deseret Generation and Transmission Coop.
 - Municipal Energy Agency of Nebraska
 - Platte River Power Authority
 - Tri-State Generation and Transmission Association
 - Western Area Power Administration (WAPA), including Rocky Mountain Region (RMR), Colorado River Storage Project (CRSP) and Upper Great Plains (UGP)
- All non-WAPA participants must sign the Agreement by June 30, 2023, and all three WAPA organizations must sign to continue post October 10, 2023.
- Benefits of the SPP RTO include:
 - 2022 Brattle production cost study estimated benefits of \$53M-\$65M/year for West footprint vs current SPP WEIS. This study was before PRPA became a participant, and Brattle production cost modeling is quite conservative.
 - Non-production cost modeling benefits:
 - Regional transmission planning and development
 - Operational reserves reductions
 - Greatly reduced future Market Based Rate FERC revocation risk
 - Future RTO expansion benefit

Committees Elect Chairs and Vice-Chairs

Following the Annual Meeting, each of the three standing committees holds their elections for chair and vice chair.

- Roger Schenk, Y-W Electric, was elected the new chair of the Finance and Audit Committee, and Stuart Morgan, Wheat Belt Electric, was re-elected vice chairman. After a decade of service, Leo Brekel, Highline Electric, chose not to run for another year as chairman.
- Robert Baca, Mora-San Miguel Electric, was reelected chair of External Affairs/Member Relations Committee. Kevin Cooney, SMPA, was reelected Vice Chair.
- Shawn Turner, Midwest Electric, was reelected chair of the Engineering and Operations Committee. Wayne Connell, Central New Mexico Electric, was reelected Vice Chair.

Government Relations report

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

April media statements

- [Resiliency of Tri-State highlighted at 71st Annual Meeting of its membership](#)
- [Tri-State seeks certainty for member contract termination procedures](#)
- [S&P Global Ratings issues report on Tri-State investment-grade ratings](#)

Meetings and events**Rate Design Informational Meeting**

- Tues., May 23, 1 p.m., In-person (Tri-State HQ) and virtual

Member Communications Advisory Council

- Tues., May 16, 2 p.m.
- Wed., May 17, 9 a.m.

June Board Meeting

- Please note committees will not meet in June.
- Mon., June. 5, 8 a.m., with hybrid option