

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

The TS April hybrid Board Meeting and Committee Meetings were held at Tri State's headquarters. There were 24 directors that were there is person including me. Chairman/President Rick Gordon is fully recovered from COVID 19. He came down with COVID 19 right after the TS March 2021 Regular Board Meeting.

1. Safety

- a. A 2020 Transmission East Restricted Workday injury was reclassified to a Lost Workday injury.
- b. A Transmission East employee sustained a strained back.

2. Environmental and Regulatory Activities

- a. For March, 2021, 38 air, water, and waste areas environmental compliance reports were submitted to the Colorado Department of Public Health and Environment (CDPHE), New Mexico Environment Department and the Environmental Protection Agency.
- b. Agency inspections.
 - i. The Colorado Division of Oil and Public Safety did an inspection at the TS Metro Airport Hangar.

3. Government Relations

- a. Please see full report under our Shared Drive,
https://drive.google.com/file/d/1qIbM0_aslyF0p9cING9mT4CBAD44prCH/view?usp=sharing

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

Please see the attached ***BOARD REPORT April 2021*** and ***BOARD HIGHLIGHTS April 2021***.

Tri-State Board of Directors

April 2021 Meeting Highlights



The Board of Directors held a hybrid board meeting on April 7 with several board members attending in person.

February 2021 Extreme Weather Event Update

Brad Nebergall, SVP Energy Markets provided an update on impacts resulting from the extreme cold weather event that occurred on February 12-16, 2021. Tri-State has continued to assess the situation and calculate costs related to the event. While updated costs are higher than originally estimated, the financial impact to the association continues to be much lower than those experienced by other utilities.

- Tri-State will continue to assess the situation, but the ongoing review shows a high level of service was maintained to the members and the financial impacts were much less than other utilities experienced due in large part to forward planning, the hard work of employees and cooperation between members.
 - The initial financial impact analysis of the event showed additional costs of \$7-10 million, but new estimates have indicated that the costs of the event are closer to \$12 million.
 - The latest estimates included energy imbalance costs from the various Balancing Authorities, which were higher than originally estimated. In particular, energy imbalance charges from Public Service of Colorado alone exceeded \$4.5M due to their extremely high costs during the event.
 - No rate increase will be required to recover these costs.
 - Tri-State staff will continue to calculate expenses related to the event and provide additional updates to the membership.
- Nebergall also discussed the multiple federal and state regulatory investigations and utility reliability legislation proposed in response to the storm.
- As Tri-State makes its clean energy transition, the event presents some of the challenges we will face in the future. Tri-State will be working with its members, lawmakers and regulators to ensure continued reliable and affordable electricity throughout the transition.

Tri-State 2021 Annual Meeting set for August 4-6

Planning is underway for the Tri-State Annual Meeting, which will be held August 4-6, 2021 at the Westin Hotel in Westminster, Colo. Due to hotel facility availability, the meeting will be held Wednesday through Friday. In a change from previous meeting schedules, we have shifted the Annual Meeting-related events to earlier in the schedule. The proposed schedule is as follows:

Wednesday, August 4

- Morning – Executive Committee
- Afternoon – Membership Meeting
- Evening – Reception and Banquet

Thursday, August 5

- Morning – Annual Meeting
- Afternoon – Board Committees

Friday, August 6

- Morning – Board Meeting
- Upon adjournment of Board Meeting – Board Reorganization

Organized Market Update

Brad Nebergall, SVP Energy Markets provided an update on Tri-State's participation in organized markets. Tri-State joined the Southwest Power Pool (SPP) Western Energy Imbalance Service (WEIS) on February 1, 2021 and expanded its participation in the California Independent System Operator (CAISO) Western Energy Imbalance Markets (WEIM) on April 1, 2021.

- Organized markets, like the SPP WEIS and CAISO WEIM, provide a centralized, real time market to dispatch generation and coordinate the movement of wholesale power regionally. The market efficiently and economically balances loads with resources and increases reliability of the system.
- For Tri-State, participation in these organized markets provides immediate economic benefits, greater market experience, and aid in the integration of more renewable resources for Tri-State. In addition, markets support the reliability of the region's transmission system and allow Tri-State to meet demand with the most cost-effective generation available, which reduces wholesale electricity costs for our members.
- As of April, approximately 80 percent of Tri-State's load is included in an organized market and all of its load will be participating in organized markets in 2022.
- While participating in the CAISO WEIM and membership in the SPP WEIS are significant steps forward, Tri-State remains focused on joining a western regional transmission organization (RTO) that would deliver the full benefits of an organized market to reliably and affordably reach our members' clean energy and affordability goals.

This month's highlights

- February extreme weather update
- Organized market update
- Rating Agency update
- Loads and resources update
- Government relations report
- Technology collaboration interested in purchasing Escalante Station
- Operational and financial performance
- Upcoming events

From the Chairman

As pandemic conditions improve and vaccinations are becoming widely available, we were able to have 22 directors in the room for this month's board meeting. While previously scheduled to be virtual, we have decided to make our May board meeting a hybrid meeting and work to accommodate expanded attendance. Virtual board meetings will be part of our future, as they reduce costs, but following a year of virtual meetings, I value having more directors in-person. We are working to identify the location and details for the May meeting.

Our annual meeting will be at the Westin Hotel in Westminster, Colorado, on August 4-6. We anticipate bringing a couple of bylaw amendments to the membership at this meeting. Overall, I look forward to bringing the membership together.

I have appointed a land and water committee with a representative from each state and Tim Rabon serving as the chair. This committee will make recommendations on the management of Tri-State's land and water assets.

At the May board meeting, the board will be addressing proposals for two bylaw amendments. The first amendment would address members having a board seat if they purchase at least 50% of their power from Tri-State. The second amendment would limit the number of non-utility members. If these amendments are determined to move forward by the board, they will be added to the August annual meeting agenda for a membership vote.

As always, please contact me regarding these or any other matters at 719-651-2882 or rick.gordon@tristategt.org — Rick

From the CEO

This month we reported in more detail the impacts of the extreme weather in February. While we did have increased costs, we were able to manage risks and operate our system in a way that will not result in higher rates, unlike other utilities in the region. Our initial assessment of costs has increased as we received higher energy imbalance billings, and total cost is approximately \$12 million.

On April 1, Tri-State expanded its participation in the CAISO Western Energy Imbalance Market (WEIM) with the addition of the members' New Mexico loads. Our staff, along with those at PNM and CAISO, did exemplary work and the launch was smooth. Tri-State now has 80% of its member loads in an organized market, either in an energy imbalance market or regional transmission organization. We anticipate that 100% of our load will be in an organized market when the Xcel Energy balancing authority in Colorado enters the WEIM next year.

After a strong, focused effort, we have determined that the Colorado Power Pathway transmission project proposed by Xcel Energy does not align with the overall needs of Tri-State and the members. While we will support Xcel Energy's efforts, Tri-State will continue our efforts to develop the system improvements needed to reliably and cost effectively move power across our interstate system, interconnect new resources and serve loads.

On Wed., April 14, a technology collaboration called Escalante H2 Power announced it had signed a letter of intent to purchase Escalante Generating Station for the possible conversion to hydrogen-based electricity production. We will have more information as the developers pursue their project.

Also on Wednesday, we held the Member CEO meeting and I appreciate the good dialogue and the CEOs passing a resolution to support NRECA seeking relief for stranded assets. 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

By the numbers

February 2021 operations performance

- Coal fleet generation: 82% availability and 50% of total power supply.
- Gas and oil fleet generation was above budget and accounted for 6% of total power supply.
- Renewable generation accounted for 23% of total power supply and 28% of member sales.
- Other purchased power (unspecified) was 21% of total power supply.
- Member energy sales volumes were 5.3% under budget and non-member energy sales volumes were 67% over budget.

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

February 2021 financial performance

- Member Electric Sales were 4.5% lower than budget as less energy was required compared to budget and as pandemic issues continued to affect commercial operations. Non-member electric sales were 125.8% higher than budget, with energy needs in the cold snap causing favorable market conditions.
- Purchased power expenses were 22.1% higher than budget, and fuel costs were 62.1%, higher than budget, primarily due to the February weather event. Production costs were 17.9% lower than budget, primarily because the enterprise continues to watch costs and reduce spending.

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

February financial results

		February 2021		Year to date		
		Actual	Budget	Actual	Budget	Variance
Sales	Members	91,416	95,694	186,482	198,811	(12,329)
	Non-members	9,072	4,017	13,089	8,147	4,942
Other Operating Revenue		1,198	3,372	10,350	6,727	3,623
Total Operating Revenue		\$101,686	\$103,083	\$209,921	\$213,685	(\$3,764)
Purchased Power		31,493	25,783	57,031	51,737	5,294
Production & Fuel		39,223	31,839	74,586	66,827	7,759
Depreciation & Amortization		17,497	14,585	34,924	29,157	5,767
Coal Mining		579	899	1,144	1,771	(627)
Transmission		14,527	15,043	27,720	30,169	(2,449)
G&A		4,857	4,470	7,926	8,634	(708)
Other		319	534	1,296	1,390	(94)
Total Operating Expenses		\$108,495	\$93,153	\$204,627	\$189,685	\$14,942
Operating Margins		(6,809)	9,930	5,294	24,000	(18,706)
Other Income		175	538	1,074	1,079	(5)
Interest Expense		11,639	11,513	23,607	23,398	209
Income Tax Expense		68	-	141	-	141
Net (Income) Loss		(587)	(587)	(1,063)	(1,063)	-
Attributable to NCI						
Net Margins		(\$18,928)	(\$1,632)	(\$18,443)	\$618	(\$19,061)
Member and non-member sales						
TPP/MCP Demand (MW/Mo.)		2,204	2,315			-4.8%
Energy (GWh)		1,187	1,254			-5.3%
Non-member energy (GWh)		106.5	63.6			67.4%

Board meeting update

February 2021 extreme weather event update

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View the [Loads and Resources presentation](#) on the directors' BoardBooks app and Member Information Center.

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(RTO) that would deliver the full benefits of an organized market to reliably and affordably reach our members' clean energy and affordability goals.

Read Tri-State's [press release here](#). View the [Loads and Resources presentation](#) on the directors' BoardBooks app and Member Information Center.

Ratings Agency update

Chief Financial Officer Pat Bridges presented a review of ratings agencies and Tri-State's ratings. Tri-State needs ratings to obtain the lowest cost of debt, issue commercial paper, meet counterparty requirements and meet loan and other contract covenants. Bridges discussed the quantitative factors used by rating agencies, comparative ratings among G&Ts and other utilities, and Tri-State's rating goals. View Tri-State's [press release](#) on S&P Global Rating's revised Tri-State's issuer rating.

View the [Rating Agency Update presentation](#) on the directors' BoardBooks app and Member Information Center.

Loads and resources update

Brad Nebergall, SVP Energy Management, presented the month's loads and resources update.

- [Solar project insurance](#) – Solar project insurance premiums have increased as much as 400% over the last two years and some insurers require higher deductibles. Some insurers are exiting the market. Tri-State power purchase agreements are at fixed prices so the owner has risk.
- [February severe cold update](#):
 - FERC and NERC investigations are ongoing.
 - ERCOT has reported \$16B cost.
 - Colorado IOUs are filing impacts from the weather with the Colorado Public Utilities Commission. Tri-State filed voluntarily with the commission. The Colorado Office of Consumer Counsel has requested a meeting to better understand our best practices.
 - In Wyoming, Nebraska and New Mexico, there are numerous hearings and investigations, with utility reliability bills proposed.
 - Berkshire Hathaway Energy Infrastructure has offered to build 10 natural gas plants in ERCOT, to be used only in emergencies, with onsite liquified natural gas and to be operational by 2023.
 - WAPA Upper Great Plains (UGP), which is the SPP RTO's second-largest transmission provider, incurred SPP expenses greater than \$100 million in February. WAPA is disputing some charges. Twenty percent of UGP is allocated to the West, but there is no immediate rate impact.
 - Wind turbines' output is reduced during freezing temperatures due to low wind and blade icing. All Tri-State's wind projects have winterization packages but future RFPs will require more stringent winterization.
 - The updated total weather cost for February is approximately \$12 million, driven by energy imbalance costs.
- [Organized market updates](#):
 - SPP's WEIS implementation costs were 13% less than budgeted. The cost of implementation is to be paid over eight years. Tri-State's own implementation costs were 6% under budget.
 - SPP is exploring a "Markets+" concept that would be an enhanced two-day market, without a common transmission tariff. This could provide more benefits than a 5-minute

- EIM but less benefit than a full RTO. There would be no long-term commitment, and the effort could attract other market participants.
- Tri-State is working with Public Service Company of Colorado (Xcel Energy), Platte River Power Authority, Black Hills and Colorado Springs Utilities on market design discussions for entering the CAISO WEIM.

View the [Loads and Resources presentation](#) on the directors' BoardBooks app and Member Information Center.

Government relations report

The [Government Relations Report](#) is available on the directors' BoardBooks app and Member Information Center. A [presentation](#) also was provided to update the board on state legislation.

Technology collaboration interested in purchasing Escalante Station

On April 14, a technology collaboration called Escalante H2 Power [announced](#) it has signed a letter of intent with Tri-State to purchase Escalante Generating Station. The organization aims to convert the plant to use blue/green hydrogen as fuel and carbon sequestration to eliminate emissions. Additional information about Escalante H2 Power is [available here](#).

Since announcing the retirement of the Escalante Station, Tri-State has been working with impacted communities to support meaningful economic development opportunities. With the solid condition of the power plant, the potential sale for redevelopment utilizing innovative hydrogen technologies could advance the region's clean energy transition, while providing local employment and economic development opportunities. Tri-State is still early in this process. The first step is the letter of intent, and as additional details are determined, Tri-State will share additional updates.

Board policy approvals

Ken Reif, SVP and General Counsel, and Julie Rech, Senior Manager/Assistant General Counsel, presented on two board policies: Policy 315 on Rate Design Process and Policy 317 on Interlocking Directorates. Both policies were approved by the board and Rech walked Board Members through an online process for certifying their interlocking directorate position.

COVID-19 update

Tri-State remains at the moderate risk mitigation level and has experienced no negative impacts to operations due to COVID-19, other than precautionary. The Crisis Management Team is emphasizing the importance of continued precautions and educating staff on vaccine availability.

Changes to Tri-State retirement plan

Tri-State is balancing the priorities of employee retention with our cost-reduction efforts, and has made adjustments to the Retirement Security (RS) Program. Beginning May 1, employees in the RS plan will remain in the plan. Employees hired May 1 or after will be eligible for an enhanced 401(k) plan offering a 5% Tri-State base contribution with an additional match not to exceed a 10% Tri-State contribution.

Meetings and events

- May 4-5: Tri-State's March Board of Directors meeting (location TBD).
- **Tri-State 2021 Annual Meeting set for August 4-6**
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