

## **EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS**

The TS June, 2021, Strategic Planning and Board Meetings were in person only meetings held at TS Headquarters. Strategic Planning meetings are scheduled twice a year and committee meetings are not held during that month. Staff committee reports were provided at the regular board meeting.

### **1. Safety**

- a. A Craig Station employee sustained a strained neck.

### **2. Environmental and Regulatory Activities**

- a. For May, 2021, 25 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. Remote air quality inspections were conducted by CDPHE for Craig, Burlington, and Limon Stations.

### **3. Government Relations**

- a. Please see Addendum Government Relations May 2021 Report under our Shared Drive, <https://drive.google.com/file/d/16eyMgxZSDgLbVXQCVWJqNNYqcqTzviiT/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 June 2021** and **BOARD HIGHLIGHTS June 2021**. Additional TS Board Reports can be found in the Board Drive.

# Tri-State Board of Directors

## June 2021 Meeting Highlights



The Board of Directors had an abbreviated board meeting on June 3 after their Strategic Planning Session.

### Strategic Planning Session

The Board of Directors held its second strategic planning session of the year. Strategic planning is done bi-annually and allows for more in-depth discussion on the future of the association. The session was held for a day and a half and included presentations from outside speakers and staff.

- The agenda included three presentations focusing on different developing future trends, with speakers including:
  - Rob Chapman, Electric Power Research Institute (EPRI), discussed the opportunities and challenges in reaching economy-wide carbon reduction goals.
  - Jim Matheson, CEO, NRECA, discussed federal policy proposals being considered by the administration and Congress, including several proposals that will directly benefit cooperatives.
  - Kent Singer (CREA), Shawn Taylor (WREA) and Keven Groenewold (NMREC) participated in a roundtable discussion on state policy related to energy industry and the political environment in Colorado, Wyoming and New Mexico.
- After the presentations, Duane Highley, CEO, provided an update on the progress being made on Tri-State's strategy, which is based on the Responsible Energy Plan and prioritizes reliability, affordability, flexibility and responsibility. He also discussed some of the opportunities and risks for the association.
- Patrick Bridges, CFO, led a discussion on future financial options and the board discussed how it might prioritize financial objectives as the association simultaneously transitions to cleaner energy resources and reduces costs.
- In addition to Highley's presentation, staff provided informational briefings on:
  - Update on the Board Policy 125 filing at FERC.
  - A recent internal analysis of the rates and costs for members who have exited the association.
  - New Colorado governance and transparency requirements.
- At the end of the session, there was board consensus that Tri-State's current strategy is still leading the association in the right direction, but there should be consideration of adjusting priorities in 2022 to respond to external opportunities and challenges.

### Western Water Supply Outlook

Mike Sorensen, Vice President, Fuel & Water Resources and Dan Walter, Vice President, Energy Markets provided an update on current drought conditions in the West and the impacts it may have on hydroelectric generation and Tri-State's generating facilities. Tri-State relies on water resources to produce energy at its power plants and it purchases large amounts of federal hydropower. Staff follows water conditions closely to ensure adequate supplies exist to operate facilities and be prepared if federal hydropower allocation are reduced.

- Drought conditions remain exceptionally high throughout the Colorado River Basin, which Tri-State relies heavily on for water at its facilities on the Western Slope of Colorado. The Western Area Power Authority (WAPA) also relies on the Basin for federal hydropower production.
- Additionally, many farming and ranching operations rely on Colorado River water for agricultural production and have their electric loads served by Tri-State's member systems.
- Walter discussed the impacts of the drought conditions on federal hydropower production from the Colorado River Storage Project (CRSP), which is projected to be well below historic production rates for the next two years. This may impact the amount of energy Tri-State will receive from the project and a potential CRSP rate increase. Tri-State is working with WAPA and its other customers to mitigate the impacts of both.
- Sorensen discussed the impacts of drought conditions on power generation facilities, including Craig Station, Colowyo Mine, J.M. Shafer, and Rifle Station, and the steps Tri-State has taken to ensure the water supply necessary to operate the plants is available. He also discussed efforts to reduce water usage at the facilities in anticipation of a prolonged drought.
- Tri-State staff will continue to work with state and federal officials and other water users mitigate the risks of the drought.

### This month's highlights

- Strategic planning session
- Western water supply outlook
- Board considers bylaw amendments
- Loads and resources update
- COVID-19 update
- Government relations report
- Consent agenda
- Operations and financial performance
- Meetings and events

### From the Chairman

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Our June strategic planning session and board meeting were the first in over a year to be fully in-person. I want to recognize and thank Duane and his staff at Tri-State for their efforts to keep employees safe, preserve all operations, maintain productivity, advance our initiatives and support our board's important governance role throughout the pandemic.

The board considered two potential bylaw amendments that would limit the number of non-utility members and provide a partial requirements member a board seat if the member took at least 50% of their capacity from Tri-State. The board voted to present the limit on non-utility members to the membership at the Annual Meeting in August.

It is important that the board take additional time throughout the year to consider the issues and opportunities facing the membership and Tri-State. The board was fully engaged with one another throughout our strategic planning session, and I appreciate the preparation of staff and the time of NRECA's Jim Matheson, our cooperative statewide leaders Keven Groenewold, Kent Singer and Shawn Taylor, and EPRI's Rob Chapman.

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

### From the CEO

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As CEO, I'm grateful to have a board of directors that takes the time to assess strategy, ask challenging questions of staff, and provide the direction needed as staff works to serve Tri-State's mission and meet the board's goals. Our strategic planning sessions are invaluable to me as we move forward together.

This month, we reviewed with the board the drought conditions across the west and the implications for power supply and costs. We will continue to watch this situation closely, and work with state and federal officials and other water users to help mitigate the risks of the drought. This work includes managing our contracts with Western Area Power Administration to mitigate cost impacts, pursuing additional water conservation strategies and ensuring our thermal facilities remain reliable.

As we become even more flexible for our membership, three members identified 209 megawatts of self-supply capacity in the partial requirements open season. We will continue to work through the FERC settlement and hearing process on the docket that includes partial requirements memberships and contract termination payments. This includes working with the board so that we can refile Board Policy 125.

We continue to make progress on the opportunity for federal support for stranded asset recovery, including renewed interest from other G&Ts and NRECA. I appreciate our staff's continued work with policymakers, stakeholders and our cooperative family to advance this issue.

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](mailto:dhighley@tristategt.org) — Duane

**By the numbers**
**April 2021 operations performance**

- Coal fleet generation was 84% availability & 47% of total power supply.
- Gas and oil fleet generation was above budget and accounted for 2% of total power supply.
- Renewable generation accounted for 32% of total power supply and 37% of member sales.
  - Tri-State has 552 MW of utility-scale wind and solar. In April, the average capacity factor for these resources was 43%, with 199 MW (36% of potential output) available at Tri-State's peak.
- Other purchased power (unspecified) was 19% 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.

**April 2021 financial performance**

- Member electric sales were 9.6% lower than budget as less energy was required compared to budget as pandemic issues continued to affect commercial operations. The 2% wholesale rate reduction was implemented in April, with March member bills revised to reflect the 2% reduction.
- Purchased power was 16.4% lower than budget, primarily as a result of higher thermal generation offsetting the need to purchase power on the open market.
- Fuel costs were 101.0% higher than budget, with coal plants, combined, generating 43.2% more power than budgeted. In addition, normal monthly reclassification of coal production costs to fuel expense increased fuel costs.
- Combined, Production, Transmission, and General and Administrative costs were 9.6% lower than budget for the month primarily due to timing of expenses and less need to have energy transmitted by others.

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

**April financial results**

		April 2021		Year to date		
		Actual	Budget	Actual	Budget	Variance
Sales	Members	81,280	89,904	354,079	383,417	(29,338)
	Non-members	6,173	3,508	44,348	15,409	28,939
Other Operating Revenue		5,135	3,485	20,137	13,687	6,450
<b>Total Operating Revenue</b>		<b>\$92,588</b>	<b>\$96,897</b>	<b>\$418,564</b>	<b>\$412,513</b>	<b>\$6,051</b>
Purchased Power		22,277	26,662	109,294	105,442	3,852
Production & Fuel		39,341	30,459	140,789	128,309	12,480
Depreciation & Amortization		17,014	14,587	69,769	58,330	11,439
Coal Mining		690	1,070	2,231	4,156	(1,925)
Transmission		13,584	14,935	58,255	60,067	(1,812)
G&A		3,365	4,468	17,951	17,527	424
Other		609	678	2,943	2,753	190
<b>Total Operating Expenses</b>		<b>\$96,880</b>	<b>\$92,859</b>	<b>\$401,232</b>	<b>\$376,584</b>	<b>\$24,648</b>
<b>Operating Margins</b>		<b>(4,292)</b>	<b>4,038</b>	<b>17,332</b>	<b>35,929</b>	<b>(18,597)</b>
Other Income		840	564	6,849	6,284	565
Interest Expense		11,856	11,511	46,997	46,566	431
Income Tax Expense		(216)	-	110	-	110
Net (Income) Loss		(587)	(587)	(2,237)	(2,237)	-
Attributable to NCI						
<b>Net Margins</b>		<b>(\$15,679)</b>	<b>(\$7,496)</b>	<b>(\$25,163)</b>	<b>(\$6,590)</b>	<b>(\$18,573)</b>
<b>Member and non-member sales</b>						
TPP/MCP Demand (MW/Mo.)		1,923	2,111			-8.9%
Energy (GWh)		1,121	1,213			-7.6%
Non-member energy (GWh)		118.5	64.3			84.0%

**Strategic planning session**

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- Tri-State staff will continue to work with state and federal officials and other water users to mitigate the risks of the drought.

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

### **Board considers bylaw amendments**

Two proposed bylaw amendments were discussed during the June board meeting, and the board approved one to be considered at the August annual meeting.

- The board recommended a bylaw amendment that would limit the number of non-utility members to a maximum of ten. Tri-State currently has a limited membership of 200 members, with no limit specifically on the number of non-utility members.
- The board did not recommend a proposed amendment that would allow members a board seat if they purchase at least 50% of their capacity from Tri-State. Staff have been asked to provide more information on the impact to the cooperative of setting the threshold of power supply required to retain a board seat at 50% versus 65%.

### **Loads and resources update**

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

- FERC Order 2222 was issued September 2020 to allow distributed energy resources (DER) to more fully participate in organized markets. The order directs RTOs to come up with a plan and tariffs, and allows DER aggregators to participate. Distribution utilities will play a role; the order is mandatory for those distribution utilities serving greater than 4 million megawatt-hours (MWH) per year, and smaller distribution utilities can opt in.
  - Currently, the rule only affects Tri-State members in the SPP RTO in the eastern grid.
  - The first SPP distribution utility forum will be June 22.
  - Tri-State staff are on the SPP task force and are preparing member outreach.
  - SPP is required to make a compliance filing by April 2022.
- The North American Reliability Corporation (NERC)'s summer reliability assessment shows that most of the U.S. is at an elevated reliability risk. In CAISO, more than 10,000 MWh of energy is expected to go unserved. NERC CEO says the assessment "underscores my increased concerns about the changes we're seeing on the grid and the potential consequences for reliability. In our

hurry to develop a cleaner resource base, reliability and energy adequacy have to be taken into consideration.”

- Organized markets update:
  - Colorado Springs Utilities (CSU) announced they will exit the PSCO Joint Dispatch Agreement (JDA) and become the ninth member of SPP Western Energy Imbalance Service (WEIS) in April 2022. CSU is also participating in the effort to evaluate the expansion of the SPP RTO into the west. The CSU decision benefits all WEIS participants as it spreads costs, adds diversity and improves dispatch, and increases WEIS load by ~20%. CSU’s move leaves the JDA with just PSCO (Xcel Energy), Platte River Power Authority and Black Hills CO.
  - Staff will be regularly sharing “lessons learned” with the board as we move forward in organized markets. A lesson learned from the WEIS so far is that there is not enough ramping capability in the market: in low load periods, coal is reduced to minimums, gas units are offline, and then wind is curtailed. The WEIS pays Tri-State to curtail wind, and curtailments are addressed in Tri-State’s wind power purchase contracts. Payments received for curtailments are included in WEIS purchases; payments to projects for curtailments are included in PPA prices so it will distort the actual net prices Tri-State pays for wind power.

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

### **COVID-19 update**

Tri-State will return to normal operations on Monday, June 14. This eliminates all COVID-19 related special operating procedures such as reducing building occupancy, contact tracing, quarantines, etc. It does not eliminate the ongoing culture of health and safety at Tri-State and leadership will continue to encourage sick employees to stay home. Enterprise Risk Management will continue to monitor COVID-19 as needed. Throughout the pandemic, Tri-State has experienced no negative impacts to operations due to COVID-19, other than precautionary.

### **Government Relations Report**

The [Government Relations Report addendum](#) is located on the Member Information Center.

### **Consent Agenda Items**

The board approved several contracts including:

- Axial Grazing Lease Authorization
- Empire Electric Association Policy #115 Contract Authorization
- New Capital Project for CAISO Energy Imbalance Market in PSCO BA
- Consulting Services Contract for Energy Imbalance Markets (this item was removed from the consent agenda for additional discussion and was approved separately.)

**Meetings and events**

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- June 15, 16: Tri-State Member Communications Advisory Council Meeting
  - June 15, 2:00 p.m.
  - June 16, 9 a.m.
- June 17, 10 a.m.: Tri-State Digital Media Working Group (DMWG)
- June 22 at 1:30 p.m.: Tri-State Products and Services Advisory Council Meeting
- June 28: Tri-State IT Advisory Council Cybersecurity Summit
- July 7-8: Tri-State June Board of Directors meeting
- August 4-6: Tri-State Board of Directors Meeting and Annual Meeting

**Member Annual Meetings**

- June 8: San Luis Valley Rural Electric Cooperative, Inc.
- June 9: Sangre de Cristo Electric Association, Inc.
- June 9: Springer Electric Cooperative, Inc.
- June 10: San Miguel Power Association, Inc.
- June 12: Mountain Parks Electric, Inc.
- June 17: La Plata Electric Association, Inc.
- June 17: Empire Electric Association, Inc.
- June 17: High West Energy
- June 22: Gunnison County Electric Association
- June 24: Wyrulec Company
- June 26: Carbon Power & Light Inc.