

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. A Craig Station employee sustained a strained left thigh.

2. Environmental and Regulatory Activities

- a. For June, 2021, 29 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 in June 2021
- c. Craig Station Air Quality Operating Permit Renewed
 - i. With a effectiveness date of July 1, 2021
 - ii. Covered all three units
- d. Colowyo Mine hosts Air Quality Control Commission
 - i. Colowyo Mine hosted a visit by the Colorado Air Quality Control Commission and the Director of CDPHE's Air Pollution Control Division
 - 1. Discussion focal points included workforce transition issues and reclamation practices

3. Government Relations

- a. Please see July 2021 Government Relations Report under our Shared Drive, https://drive.google.com/file/d/1fOGofZweXHH9x9n-8X93-FhQAu_SrQw/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

The TS July, 2021, Board Meeting and Committee Meetings were in-person meetings held at TS Headquarters. A new in-person schedule is being tested which allows directors to attend all committee meetings if they desire. I did attend all four committee meetings (Executive, External Affairs & Member Relations, Engineering & Operations, and Finance & Audit). Files pertaining to the regular board meeting and committee meetings can be found in the LPEA Board Drive.

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

Tri-State Board of Directors

July 2021 Meeting Highlights



Tri-State Board Responds to FERC orders related to Contract Termination Payment (CTP)

The Tri-State Board of Directors directed staff to file a modified Contract Termination Payment (CTP) methodology in response to recent orders from the Federal Energy Regulatory Commission (FERC). Staff will refile a modified version of the CTP that is clearer and more transparent, while continuing settlement talks with several members.

- **Two recent FERC rulings regarding the CTP suggest they have concerns about the implementation of the CTP and an underlying concern with the methodology used to calculate the payment and a member's ability to easily access and replicate calculations.**
 - On May 25, 2021, FERC rejected Board Policy 125, without prejudice, expressing concerns with several aspects of the proposed exit procedures, including limitations on members' ability to obtain information regarding the possible termination of their contracts.
 - On June 17, 2021, FERC issued a "show cause" order expressing concerns that Tri-State does not have "clear and transparent" procedures for members to request or obtain a CTP calculation.
- **In response to the FERC orders, the Tri-State Board directed staff to modify and refile a CTP that:**
 - Is based on simple and replicable calculations.
 - Uses transparent data that is easily obtainable and relies less on member-specific circumstances and future projections.
 - Removes the requirement that the board must approve any request by a member seeking to terminate its contract.
 - Can be performed quickly at minimal to no cost.
 - Allows members to obtain CTP calculations annually.
- **The Tri-State Board also reaffirmed the overall intent of the CTP should be to allow members to terminate their contracts early while keeping remaining members unaffected and without violating debt covenants.**
- **Tri-State staff indicated they will refile a modified CTP with FERC as soon as possible and at that time provide CTP calculations for all members using the modified methodology.**

Northeast Colorado Storm Update

Ruth Marks, Vice President Transmission Maintenance, and Chris Pink, Vice President Transmission Engineering, provided an update on the progress being made in restoring the North Yuma-Wray 230kV line, which sustained major wind damage on June 19. Their presentation highlighted the teamwork involved across the organization to repair the line. They also highlighted how they have been able to avoid any member outages to date and the value of redundancy in Tri-State's transmission system.

- The "microburst" wind event caused severe damage to the North Yuma-Wray 230kV, including:
 - Approximately 10 miles of line down,
 - 71 structures destroyed, and
 - All conductors damaged.
- Marks provided an update on how the Transmission Maintenance team is responding by bringing in employees from across the service territory, including line workers, truck drivers, mechanics and safety coordinators. Contractors have also been brought in to assist.
- Pink described how the Transmission Engineering department has been working with the maintenance team by re-engineering structures, creating material schedules, creating drawings, and responding to other requests.
- Both individuals highlighted how the organization worked together to make sure the line can be repaired in a timely, safe and efficient manner.
- Despite challenges related to finding materials and supplies, the crew had framed 65 structures by July 6.
- While no outages occurred and power continues to flow to members, there is urgency to repair the line to restore the redundancy in the system and normal reliability. Additionally, during the repairs, some of Tri-State's generation resources could be restricted during the peak summer period, including Limon Station, Burlington Station and three wind farms.
- Tri-State is taking advantage of the situation by upgrading this portion of the line, which has been identified as a limiting factor to adding future generation.

Response to DOE Request for Information (RFI) regarding hydrogen technology

Barbara Walz, SVP Policy & Compliance/CCO, reported that Tri-State had responded to the U.S. Department of Energy's (DOE) Hydrogen Program RFI for input on its Hydrogen Energy Earthshot initiative.

- The response promoted Craig Station as a superb site for a near-term green hydrogen demonstration project and its potential to support larger projects in the future.
- The response indicated that siting a project in the area could set an example for what a just transition looks like for energy producing areas and cooperative electric utilities across the country.
- The response also contained letters of support from community and local and state government leaders, in addition to environmental and labor organizations, among others.

This month's highlights

- Modified CTP to be filed with FERC
- Northeast Colorado Storm Update
- Response to DOE RFI regarding hydrogen technology
- Wyoming Integrated Test Center update
- Loads and resources update
- Government relations report
- Operations and financial performance
- Meetings and events

From the Chairman

I look forward to seeing the membership next month for our 2021 Annual Meeting. We delayed the meeting from April of this year, with the confidence that the pandemic issues that caused us to make our 2020 Annual Meeting a virtual event would lessen and allow us to meet in person. Our patience has paid off, and I encourage the membership to fully participate.

To support board directors' and member systems' participation in our committee and board meetings, we have adjusted our meeting schedule. Our standing committees, Engineering & Operations, External Affairs & Member Relations, and Finance & Audit, will meet sequentially for a day, followed by the Board of Directors meeting. We had a similar schedule with our virtual meetings during the worst of the pandemic and will maintain this schedule with our September meetings.

Our 2020 Annual Report, titled *Leading the Charge*, is available on Tri-State's [website](#).

I want to thank the board for the warm and humbling acknowledgement of my last board meeting at Tri-State headquarters as chairman. It has been an honor to serve as chair in our boardroom, where our circular seating reinforces the importance of every member's voice in our cooperative.

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

From the CEO

I want to start by recognizing our transmission maintenance teams that continue to work around the clock to ensure our system remains reliable. As was reported to the board this month, our transmission crews have been working safely to restore portions of our system from storm-related damage. We are all grateful for their service.

In response to two recent Federal Energy Regulatory Commission orders, the board approved filing of a modified contract termination payment (CTP) with our federal rate regulator. Our modified CTP includes simpler and replicable calculations, and transparent and easily obtainable data that helps ensure calculations can be quickly performed, allowing all members to obtain CTP calculations annually. We will file the modified CTP and provide CTP calculations as soon as possible.

We discussed several technology opportunities this month, including our response to a U.S. Department of Energy request for information on hydrogen that includes utilizing Craig Station,

and an update on the Wyoming Integrated Test Center, which continues to attract interest for testing carbon capture and utilization technology.

We held a Wyoming members town hall on the Wednesday following the board meeting. I greatly appreciate the strong showing and robust discussion with our Wyoming member directors and CEOs. We are looking for opportunities to have similar membership discussions in other regions in the coming months.

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

May 2021 operations performance

- Coal fleet generation was 59% availability & 35% of total power supply.
- Gas and oil fleet generation was above budget and accounted for 8% of total power supply.
- Renewable generation accounted for 31% of total power supply and 38% of member sales.
 - Tri-State has 559 MW of utility-scale wind and solar. In May, the average capacity factor for these resources was 41%, with 214 MW (38% of potential output) available at Tri-State's peak.
- Other purchased power (unspecified) was 26% 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.

May 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.
- Purchased power was 9.8% lower than budget, primarily as a result of higher thermal generation offsetting the need to purchase power on the open market.
- Fuel costs were 70.9% higher than budget, with coal plants generating 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 13.5% 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.

Board update

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Wyoming Integrated Test Center update

SVP Member Relations and Chief Technology Officer Jennifer Goss provided an overview of activities at the Wyoming Integrated Test Center (ITC). In 2015, the State of Wyoming decided to allocate funds for Carbon Capture Utilization and Sequestration (CCUS) technologies to advance commercialization. The ITC was formed with the goal of providing space, utilities and flue gas to technology developers to test CCUS technologies for coal fired power plants.

- Carbon Capture and Sequestration (CCS) or Utilization (CCUS) refers to the same technology which in essence separates and captures CO₂ from a stream of flue gas and stores/sequesters the captured CO₂ underground OR uses it in a product.
- The Wyoming Infrastructure Authority (WIA) was tasked to manage the ITC, located at Basin Electric's Dry Fork Station, Gillette, WY. Tri-State is a member of the Technology Advisory Committee, which guides the ITC, and its communications group.
- Funding for ITC includes:
 - State of Wyoming: \$15 million
 - Tri-State G&T: \$5 million
 - NRECA: \$1 million
 - Basin Electric: In-kind resource
 - The bulk of these funds has been used for infrastructure development at the ITC and the rest is being used by the ITC for regular site maintenance, upgrades and staff salary.
- The NRG COSIA Carbon X-Prize selected five teams to test their CCUS technologies at the ITC.
- Several industry and U.S. DOE technology projects have tested or will test at the ITC.

View the [Wyoming ITC 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.

- There continues to be high oil prices and low production, and higher oil prices have not spurred much additional drilling. Drillers' hesitancy is explained by several factors, including bankers' reluctance to lend for shale producers after poor returns after previous booms, and the rise of climate-conscious investors. The oil market is likely to become more volatile as companies hold off on longer-term projects.

- New Mexico set a record for oil production in March, eclipsing North Dakota as second biggest oil producer. New Mexico is the only state to recover to pre-pandemic levels.
- SPP held its first distribution utility forum on FERC Order 2222, which is designed to facilitate distributed resources to participate in organized markets more fully. Five members participated. Three additional meetings will be held in August, September and October.
- Solar costs are increasing, with module prices increasing 18% since January 2021. Prices had fallen 90% over the past decade. The increase is fueled by a 4X increase in cost of raw polysilicon.
- The 732-mile TransWest transmission line between Wyoming and Nevada held an open season. The project is scheduled to begin construction in 2022 and be in service as early as 2025.
- A recent news story covered the costs of Xcel Energy's 2016-2017 procurement of wind and solar resources, which was revealed in a regulatory filing. Tri-State's 2018 and 2019 request for proposals yielded better, lower-cost results.
- The timeline for Phase 1 of the Colorado Electric Resource plan process was discussed, with a Colorado Public Utilities Commission decision in May 2022. Tri-State is making several changes in scenario assumptions and preparing five new scenarios.
- RTO legislation in the states includes Colorado and Nevada requiring RTO participation by 2030, and Oregon authorizing the study of RTO cost/benefits.
- Xcel Energy/Public Service Company of Colorado (PSCo) has paused its work related to joining the California Energy Imbalance Market. The utility is considering the impact of Colorado Springs Utilities' decision to depart the PSCo Balancing Authority Area and joining the SPP Energy Imbalance Service market.

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

Government Relations Report

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

Meetings and events

- Member CEO Meeting, July 21-22, Saratoga, Wyo.
- Tri-State Board of Directors Meeting and Annual Meeting
 - The Annual Meeting is at The Westin Westminster
10600 Westminster Boulevard
Westminster, Colorado 80020



Wednesday, August 4

8:30 a.m. Executive Committee meeting
1:30 p.m. Membership Meeting
6 p.m. Reception
7 p.m. Banquet

Thursday, August 5

8:30 a.m. Annual Meeting
1:30 p.m. Board committee meetings

Friday, August 6

8:30 a.m. Tri-State Board meeting

[Register](#) for the meeting.