Financial Highlights and Five-Year Financial Summary

Tri-State continues to invest in its infrastructure through capital improvements and system upgrades in order to serve the growing needs of its member distribution systems. Electric plant in service increased $75.7 million from December 31, 2007 to $3.036 billion as of December 31, 2008. This increase was largely due to the completion of $43.7 million of transmission projects that will expand the load serving capabilities of the transmission system.

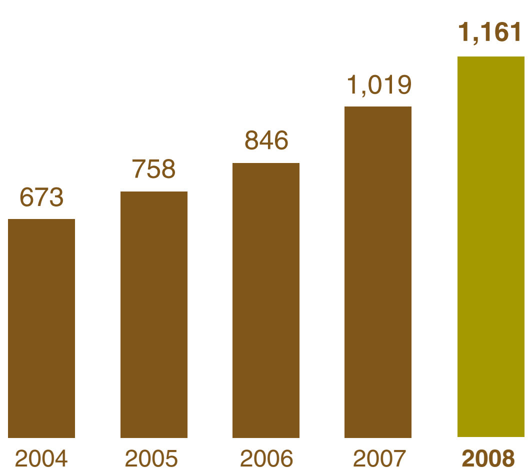
The association provides power to its member systems and also sells power to other utilities in the region under long-term contracts and market sale arrangements. Member electric sales for 2008 reached a new record 14,028,575 megawatt-hours, which was 4.2 percent greater than 2007's record setting 13,456,791 megawatt-hours. Member electric sales revenue increased $119.1 million, or 15.9 percent, due to this increase in sales and the 11.4 percent rate increase effective January 1, 2008.

The 2008 non-member electric sales increased 122,175 megawatt-hours, or 2.5 percent, due primarily to the increase in market sales. This increase and the increase in market sale prices resulted in an increase in non-member electric sales revenue of $12.9 million, or 5.3 percent.

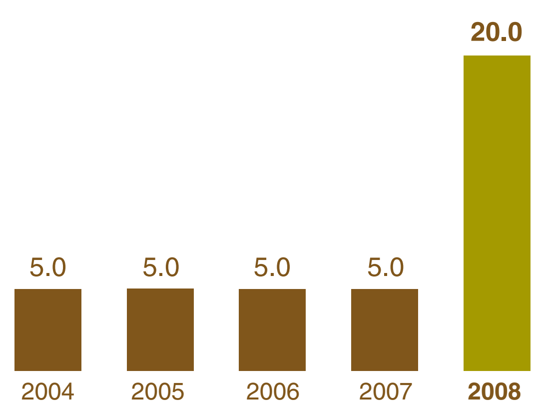
Purchased power expense increased $84.2 million, or 43.2 percent, to $279.1 million in 2008. This was due to the 19.5 percent increase in the average price for purchased power and to the 15.5 percent increase in the megawatt-hours purchased in 2008 resulting from the increase in scheduled and unscheduled major generation plant outages in 2008 compared to 2007. This increase in outages resulted in generation maintenance expense increasing $24.4 million, or 41.0 percent, to $83.9 million in 2008.

The association continued to maintain its strong balance sheet and liquidity during 2008. Tri-State's Equity to Capitalization increased to 24.6 percent at December 31, 2008 from 21.1 percent at December 31, 2007. The 2008 Debt Service Ratio of 1.21 and the Equity to Capitalization of 24.6 percent were comfortably above compliance levels required in the Master First Mortgage Indenture. As of December 31, 2008, Tri-State had $85.9 million in cash, $150 million of unused committed lines of credit and a secured revolving credit facility with a total commitment of $219 million on which it had drawn $102.2 million. On January 30, 2009, an additional $52 million was drawn on the revolving credit facility.

Despite the current tight credit market, the association demonstrated its ability to borrow funds in the market place by successfully refinancing $46.8 million of Moffat Pollution Control Revenue Bonds on February 4, 2009. Tri-State's strong financial position and credit worthiness provide the association with the continued ability to meet the future needs of the member distribution systems and their consumers.



Total Operating Revenue
($ millions)



Patronage Capital Retirements
($ millions)

(Thousands)	2008	2007	2006	2005	2004
Operating revenues					
Member	$ 869,960	$ 750,838	$ 651,993	$ 602,166	$ 513,952
Non-member	290,678	267,808	194,051	155,454	158,702
Operating expenses					
Power costs	(703,047)	(574,094)	(514,672)	(456,717)	(388,143)
Lease expense	(64,991)	(56,143)	(27,884)	(6,930)	(25,053)
Transmission	(106,578)	(96,015)	(89,250)	(68,948)	(63,269)
General & administrative	(11,589)	(9,226)	(9,498)	(7,166)	(6,087)
Depreciation & amortization	(98,936)	(95,158)	(92,438)	(85,963)	(75,608)
Income taxes	(1,954)	(2,219)	0	(2)	(215)
Operating margins	173,543	185,791	112,302	131,894	114,279
Other income	33,246	24,024	31,136	21,774	22,228
Other deductions					
Interest expense	(97,567)	(104,107)	(103,908)	(100,261)	(87,766)
Other expense	(2,773)	(2,701)	6,398	(5,994)	(5,438)
Net margins	$ 106,449	$ 103,007	$ 45,928	$ 47,413	$ 43,303
Plant in service (net)	$1,596,339	$1,607,432	$1,622,638	$1,552,201	$1,484,676
Construction work in progress	143,861	107,408	90,944	59,508	55,750
Total plant	1,740,200	1,714,840	1,713,582	1,611,709	1,540,426
Cash & temporary investments	85,873	135,347	116,063	113,741	102,173
Accounts receivable	104,177	96,190	86,360	75,015	67,848
Inventories	75,474	63,109	51,312	46,765	44,600
Other current assets	13,880	13,016	82,064	8,349	9,689
Total current assets	279,404	307,662	335,799	243,870	224,310
Investments in other associations	105,917	95,202	96,537	96,398	103,072
Prepaid lease expense	90,202	75,710	1,188	22,451	86,163
Other assets	295,526	252,458	228,538	150,739	79,687
Total other assets	491,645	423,370	326,263	269,588	268,922
Total assets	$2,511,249	$2,445,872	$2,375,644	$2,125,167	$2,033,658
Long-term debt	$1,571,793	$1,641,151	$1,637,784	$1,448,215	$1,463,105
Current liabilities	268,462	237,279	274,335	244,503	191,701
Deferred credits & APBO	113,506	95,872	89,894	99,829	88,664
Total liabilities	1,953,761	1,974,302	2,002,013	1,792,547	1,743,470
Total equity	557,488	471,570	373,631	332,620	290,188
Total equity & liabilities	$2,511,249	$2,445,872	$2,375,644	$2,125,167	$2,033,658
Other data:					
Megawatt-hours sold—member	14,028,575	13,456,791	13,094,448	12,465,924	12,009,626
—non-member	4,979,993	4,857,818	3,519,288	2,829,968	3,159,768
System coincident peak demand—megawatts	2,498	2,417	2,309	2,229	2,091
Average member mills/kWh—sales	62.01	55.80	49.79	48.19	42.43
Average member mills/kWh—capital refunds	1.43	0.37	0.38	0.40	0.42
Plant additions (cash)	$ 116,208	$ 89,600	$ 186,338	$ 152,837	$ 207,609
Allowance for equity funds used during construction	3,443	2,273	3,246	1,153	1,922
Capital credit allocations received	19,252	5,387	6,612	6,474	9,984
Tri-State capital credits retired	20,000	5,000	5,000	5,000	5,000
Long-term debt repaid	125,087	134,464	101,885	80,047	61,274
Ratios:					
Debt Service Ratio (DSR)	1.21	1.23	1.11	1.25	1.20
Weighted average long-term debt interest rate	5.7%	5.9%	6.1%	6.3%	6.3%
Equity as a % of total capitalization	24.6%	21.1%	17.4%	17.7%	15.8%
Depreciation as a % of plant in service	3.0%	3.0%	3.0%	3.0%	2.9%