

We Deliver:

Tri-State Generation and Transmission Association  
2010 First Quarter Report



# Tri-State Generation and Transmission Association

## 2010 First Quarter Report

### Interim Consolidated Statements of Financial Position (unaudited)

(Thousands)

	March 31, <b>2010</b>	December 31, 2009
<b>ASSETS</b>		
<b>Electric plant</b>		
In service	\$ 4,253,144	\$ 4,163,867
Construction work in progress	140,326	133,111
Total electric plant	4,393,470	4,296,978
Less allowances for depreciation and amortization	(1,529,506)	(1,502,234)
Net electric plant	2,863,964	2,794,744
<b>Other assets and investments</b>		
Investments in other associations	109,520	110,368
Investments in coal mines	30,340	30,976
Deferred equity note	9,073	8,851
Other noncurrent assets	15,249	15,549
Total other assets and investments	164,182	165,744
<b>Current assets</b>		
Cash and cash equivalents	166,649	145,585
Deposits and advances	15,137	16,323
Accounts receivable - members	74,359	84,460
Other accounts receivable	27,610	27,783
Coal inventory	44,959	49,371
Materials and supplies	53,045	52,215
Total current assets	381,759	375,737
<b>Deferred charges</b>	288,661	352,530
<b>Total assets</b>	<b>\$ 3,698,566</b>	<b>\$ 3,688,755</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capitalization</b>		
Patronage capital equity	\$ 668,119	\$ 652,613
Noncontrolling interest	128,434	129,675
Total patronage capital equity and noncontrolling interest	796,553	782,288
Long-term debt	2,483,816	2,509,129
Total capitalization	3,280,369	3,291,417
<b>Current liabilities</b>		
Member advances	8,018	8,539
Accounts payable	65,474	67,465
Accrued expenses	59,888	63,920
Current maturities of long-term debt	144,757	122,486
Total current liabilities	278,137	262,410
<b>Deferred credits and other liabilities</b>	131,783	126,760
<b>Accumulated postretirement benefit and postemployment obligations</b>	8,277	8,168
<b>Commitments and contingencies</b>	-	-
<b>Total equity and liabilities</b>	<b>\$ 3,698,566</b>	<b>\$ 3,688,755</b>

# Tri-State Generation and Transmission Association 2010 First Quarter Report

## Interim Consolidated Statements of Operations (unaudited)

(Thousands)

	Three Months Ended March 31, <b>2010</b> <span style="float: right;">2009</span>	
<b>Operating revenues</b>		
Member electric sales	\$ 232,642	\$ 212,502
Non-member electric sales	56,688	54,390
Other	7,588	7,971
	296,918	274,863
<b>Operating expenses</b>		
Purchased power	59,042	41,984
Fuel	62,465	62,498
Production	27,523	22,839
Lease expense	5,382	17,732
Transmission	26,691	23,424
General and administrative	3,887	3,179
Generation maintenance	20,103	17,439
Transmission maintenance	4,452	4,633
Depreciation and amortization	32,265	25,768
Income taxes	-	904
	241,810	220,400
<b>Operating margins</b>	<b>55,108</b>	<b>54,463</b>
<b>Other income</b>		
Interest income	3,228	2,168
Allowance for equity funds used during construction	-	1,420
Capital credits from cooperatives	870	2,240
Other income	1,012	1,011
	5,110	6,839
<b>Interest and other deductions</b>		
Interest expense, net of amounts capitalized	33,843	23,022
Other deductions	2,181	2,051
	36,024	25,073
Net margins including noncontrolling interest	24,194	36,229
Noncontrolling interest	1,241	-
<b>Net margins attributable to Tri-State</b>	<b>\$ 25,435</b>	<b>\$ 36,229</b>
Megawatt-hours sold – members	3,629,737	3,342,232
Megawatt-hours sold – non-members	1,090,641	1,107,637
Wholesale member cost – mills/kWh	63.85	63.58
Total sales – mills/kWh	61.11	59.98

# Tri-State Generation and Transmission Association

## 2010 First Quarter Report

### Interim Consolidated Statements of Cash Flows (unaudited)

(Thousands)

	Three Months Ended March 31,	
	2010	2009
<b>Operating activities</b>		
Net margins	\$ 25,435	\$ 36,229
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	32,265	25,768
Noncontrolling interest	(1,241)	-
Capital credit allocations from cooperatives and income from coal mines under refund distributions	1,484	3,986
Allowance for equity funds used during construction	-	(1,420)
Recognition of deferred revenue	(1,018)	-
Changes in operating assets and liabilities:		
Accounts receivable	10,274	9,654
Coal inventory	4,412	(886)
Materials and supplies	(830)	(1,337)
Prepaid lease expense	-	(33,470)
Accounts payable and accrued expenses	(6,023)	(10,528)
Other	3,508	(1,010)
<b>Net cash provided by operating activities</b>	<b>68,266</b>	<b>26,986</b>
<b>Investing activities</b>		
Purchases of plant, net of retirements	(99,971)	(47,218)
Changes in deferred charges	63,945	19,461
Changes in other noncurrent assets	1,488	(10,969)
<b>Net cash used in investing activities</b>	<b>(34,538)</b>	<b>(38,726)</b>
<b>Financing activities</b>		
Member advances	(521)	(917)
Payments of long-term debt	(51,325)	(25,226)
Advance payments to RUS and funds on deposit with trustees	36,678	(9,373)
Retirement of patronage capital	(10,000)	-
Proceeds from issuance of debt	12,504	59,728
<b>Net cash provided by (used in) financing activities</b>	<b>(12,664)</b>	<b>24,212</b>
<b>Net increase in cash and cash equivalents</b>	<b>21,064</b>	<b>12,472</b>
<b>Cash and cash equivalents – beginning</b>	<b>145,585</b>	<b>85,873</b>
<b>Cash and cash equivalents – ending</b>	<b>\$ 166,649</b>	<b>\$ 98,345</b>
<b>Supplemental information:</b>		
Cash paid for interest	\$ 22,835	\$ 26,498
Cash paid for income taxes	\$ -	\$ 1,508

# Financial Highlights

ELECTRIC PLANT IN SERVICE increased \$89.3 million to \$4.3 billion as of March 31, 2010 largely due to the transfer of \$68.8 million of land and water rights for future generation from deferred charges to electric plant in service as this acquisition effort was completed. Additionally, increases resulted from expenditures for construction projects to expand generation, transmission and telecommunications capabilities.

DEFERRED CHARGES decreased \$63.9 million to \$288.7 million at March 31, 2010 due to the transfer of \$68.8 million of land and water rights to electric plant in service as this acquisition effort was completed during the first quarter of 2010.

SALES TO MEMBERS increased 287,505 megawatt-hours to 3,629,737 megawatt-hours for the three-month period ended March 31, 2010 compared to the same period in 2009. This 8.6 percent increase resulted from continued growth in the regions served by Tri-State and its member systems. This growth in megawatt-hour sales and an increase in member peak demand resulted in member electric sales revenue increasing \$20.1 million, or 9.5 percent, to \$232.6 million for the three-month period ended March 31, 2010 compared to \$212.5 million for the same period in 2009.

SALES TO NON-MEMBERS decreased 16,996 megawatt-hours to 1,090,641 megawatt-hours for the three-month period ended March 31, 2010 compared to the same period in 2009. Despite this 1.5 percent decrease, the 5.8 percent increase in the average price of sales to non-members resulted in non-member electric sales revenue increasing 4.2 percent to \$56.7 million for the three-month period ended March 31, 2010 compared to \$54.4 million for the same period in 2009.

PURCHASED POWER expense increased \$17.1 million, or 40.6 percent, to \$59.0 million for the three-month period ended March 31, 2010 compared to the same period in 2009. This was due to a 16.5 percent increase in megawatt-hours purchased and a 23.6 percent increase in the average cost of purchased power for the three-month period ended March 31, 2010 compared to the same period in 2009.

LEASE EXPENSE decreased \$12.4 million to \$5.4 million for the three-month period ended March 31, 2010 compared to the same period in 2009. This 69.6 percent decrease was due to the December 18, 2009 acquisition of the Springerville Unit 3 Partnership LP which is the 100 percent owner of the Owner Lessor in the Springerville Generating Station Unit 3 Lease in which Tri-State has been the lessee since 2006. The acquisition and the required consolidation of the Springerville Partnership and the Owner Lessor in Tri-State's consolidated financial statements results in there no longer being Springerville Unit 3 Lease expense.

INTEREST EXPENSE increased \$10.8 million, or 47.0 percent, to \$33.8 million for the three-month period ended March 31, 2010 compared to the same period in 2009. The increase was primarily due to \$10.2 million of first quarter 2010 interest expense incurred on the debt recorded in the December 18, 2009 acquisition and consolidation of the Springerville Unit 3 Partnership LP and the Owner Lessor.

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The interim financial statements for March 31, 2010 and 2009 are unaudited. In the opinion of Management, all adjustments (which are normal recurring accruals) necessary for a fair presentation of results for interim periods have been included. The interim financial statements should be read in conjunction with the Notes to the Financial Statements included in the 2009 Annual Report.



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