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in rural America



Tri-State Generation and Transmission Association  
First Quarter Report 2009

# Financial Highlights

ELECTRIC PLANT IN SERVICE and CONSTRUCTION WORK IN PROGRESS increased \$27.4 million and \$9.8 million, respectively, to \$3.07 billion and \$153.7 million, respectively, as of March 31, 2009. These increases resulted from expenditures for construction projects to expand generation, transmission and telecommunications capabilities.

PREPAID LEASE EXPENSE increased \$33.5 million to \$123.7 million at March 31, 2009 primarily due to a January 2009 lease payment for the Springerville Generating Station Unit 3 lease.

OTHER NONCURRENT ASSETS decreased \$20.3 million primarily due to the redemption and reissuance of the \$46.8 million of Moffat Pollution Control Revenue Bonds in February 2009. Redemption of the bonds resulted in Tri-State receiving \$20.9 million for the redeemed bonds it held as of the redemption date.

SALES TO MEMBERS decreased 65,354 megawatt-hours to 3,342,232 megawatt-hours for the three-month period ended March 31, 2009 compared to the same period in 2008. Despite this 1.9 percent decrease, member electric sales revenue increased \$5.6 million, or 2.7 percent, to \$212.5 million for the three-month period ended March 31, 2009 compared to \$206.9 million for the same period in 2008 due to a 4.1 percent rate increase effective January 1, 2009.

SALES TO NON-MEMBERS decreased 165,381 megawatt-hours, or 13.0 percent, to 1,107,637 megawatt-hours for the three-month period ended March 31, 2009. This resulted in non-member electric sales revenue decreasing 16.6 percent to \$54.4 million for the three-month period ended March 31, 2009 compared to \$65.2 million for the same period in 2008.

PURCHASED POWER expense decreased \$28.3 million, or 40.2 percent, to \$42.0 million for the three-month period ended March 31, 2009 compared to the same period in 2008. This was due, in part, to a 27.6 percent decrease in the average cost of purchased power in the first quarter of 2009 compared to the first quarter of 2008. In addition, there was a 19.2 percent decrease in megawatt-hours purchased resulting from an increase in megawatt-hours generated at Tri-State's generating plants due to a decrease in scheduled and unscheduled generation plant maintenance outages in 2009 compared to 2008.

FUEL EXPENSE increased \$4.0 million, or 6.8 percent, to \$62.5 million for the three-month period ended March 31, 2009 compared to the same period in 2008 due to increased generation at Tri-State's generating plants resulting from a decrease in scheduled and unscheduled generation plant maintenance outages in the three-month period ended March 31, 2009 compared to the same period in 2008.

GENERATION MAINTENANCE expense decreased \$2.2 million, or 11.4 percent, to \$17.4 million for the three-month period ended March 31, 2009 compared to the same period in 2008 due to a decrease in scheduled and unscheduled generation plant maintenance outages in the three-month period ended March 31, 2009 compared to the same period in 2008.



The interim financial statements for March 31, 2009 and 2008 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 2008 Annual Report.

# Tri-State Generation and Transmission Association

## 2009 First Quarter Report

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

(Thousands)

	Three Months Ended March 31,	
	<b>2009</b>	2008
<b>Operating activities</b>		
Net margins	\$ 36,229	\$ 24,465
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	25,768	23,811
Capital credit allocations from cooperatives and income from coal mines under refund distributions	3,986	4,508
Allowance for equity funds used during construction	(1,420)	(778)
Recognition of deferred revenue	-	-
Deferred revenue	-	-
Changes in operating assets and liabilities:		
Accounts receivable	9,654	(2,292)
Coal inventory	(886)	774
Materials and supplies	(1,337)	(1,204)
Prepaid lease expense	(33,470)	(26,425)
Accounts payable and accrued expenses	(10,528)	15,402
Other	(1,010)	1,814
<b>Net cash provided by operating activities</b>	<b>26,986</b>	<b>40,075</b>
<b>Investing activities</b>		
Purchases of plant, net of retirements	(47,218)	(16,240)
Changes in deferred charges	19,461	(9,991)
Changes in other noncurrent assets	(10,969)	708
<b>Net cash used in investing activities</b>	<b>(38,726)</b>	<b>(25,523)</b>
<b>Financing activities</b>		
Member advances	(917)	(852)
Payments of long-term debt	(25,226)	(33,256)
Advance payments to RUS and funds on deposit with trustees	(9,373)	(20,979)
Retirement of patronage capital	-	(15,000)
Proceeds from issuance of debt	59,728	17,000
<b>Net cash provided by (used in) financing activities</b>	<b>24,212</b>	<b>(53,087)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,472</b>	<b>(38,535)</b>
<b>Cash and cash equivalents – beginning</b>	<b>85,873</b>	<b>135,347</b>
<b>Cash and cash equivalents – ending</b>	<b>\$ 98,345</b>	<b>\$ 96,812</b>
<b>Supplemental information:</b>		
Cash paid for interest	\$ 26,498	\$ 27,822
Cash paid for income taxes	\$ 1,508	\$ 1,459

# Tri-State Generation and Transmission Association

## 2009 First Quarter Report

### Interim Consolidated Statements of Operations (unaudited)

(Thousands)

	Three Months Ended March 31,	
	<b>2009</b>	2008
<b>Operating revenues</b>		
Member electric sales	\$ 212,502	\$ 206,924
Non-member electric sales	54,390	65,193
Other	7,971	8,183
	274,863	280,300
<b>Operating expenses</b>		
Purchased power	41,984	70,242
Fuel	62,498	58,524
Production	22,839	22,009
Lease expense	17,732	14,917
Transmission	23,424	20,958
General and administrative	3,179	1,466
Generation maintenance	17,439	19,687
Transmission maintenance	4,633	4,078
Depreciation and amortization	25,768	23,811
Income taxes	904	356
	220,400	236,048
<b>Operating margins</b>	<b>54,463</b>	<b>44,252</b>
<b>Other income</b>		
Interest income	2,168	2,387
Allowance for equity funds used during construction	1,420	778
Capital credits from cooperatives	2,240	1,896
Other income	1,214	612
	7,042	5,673
<b>Interest and other deductions</b>		
Interest expense, net of amounts capitalized	23,022	24,674
Other deductions	2,254	786
	25,276	25,460
<b>Net margins</b>	<b>\$ 36,229</b>	<b>\$ 24,465</b>
Megawatt-hours sold – members	3,342,232	3,407,586
Megawatt-hours sold – non-members	1,107,637	1,273,018
Wholesale member cost – mills/kWh	63.58	60.72
Total sales – mills/kWh	59.98	58.14

# Tri-State Generation and Transmission Association

## 2009 First Quarter Report

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

(Thousands)

	March 31, <b>2009</b>	December 31, 2008
<b>ASSETS</b>		
<b>Electric plant</b>		
In service	\$ 3,063,543	\$ 3,036,172
Construction work in progress	153,672	143,861
	3,217,215	3,180,033
Less allowances for depreciation and amortization	(1,453,357)	(1,439,833)
	1,763,858	1,740,200
<b>Other assets and investments</b>		
Investments in other associations	101,972	105,917
Investments in coal mines	25,821	24,667
Deferred equity note	9,279	9,053
Prepaid lease expense	123,672	90,202
Other noncurrent assets	15,821	36,095
	276,565	265,934
<b>Current assets</b>		
Cash and cash equivalents	98,345	85,873
Deposits and advances	13,351	13,880
Accounts receivable - members	69,806	74,721
Other accounts receivable	24,717	29,456
Coal inventory	25,592	24,706
Materials and supplies	52,105	50,768
	283,916	279,404
<b>Deferred charges</b>		
Regulatory assets	97,450	93,526
Other deferred charges	143,154	132,185
	240,604	225,711
<b>Total assets</b>	<b>\$ 2,564,943</b>	<b>\$ 2,511,249</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capitalization</b>		
Patronage capital equity	\$ 593,644	\$ 557,488
Long-term debt	1,618,988	1,571,793
	2,212,632	2,129,281
<b>Current liabilities</b>		
Member advances	7,550	8,467
Accounts payable	66,213	77,182
Accrued expenses and other	52,210	51,769
Current maturities of long-term debt	112,873	135,044
	238,846	272,462
<b>Deferred credits and other liabilities</b>		
Deferred income taxes	25,750	25,750
Regulatory liabilities	35,599	35,599
Other	44,275	40,425
	105,624	101,774
<b>Accumulated postretirement benefit and postemployment obligations</b>		
	7,841	7,732
<b>Commitments and contingencies</b>		
	-	-
<b>Total equity and liabilities</b>	<b>\$ 2,564,943</b>	<b>\$ 2,511,249</b>



**TRI-STATE**

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Association, Inc.

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