

Cultivating local resources
in rural America



Tri-State Generation and Transmission Association
2009 Second Quarter Report

Tri-State Generation and Transmission Association

2009 Second Quarter Report

Interim Consolidated Statements of Financial Position (unaudited)

(Thousands)

	June 30, 2009	December 31, 2008
ASSETS		
Electric plant		
In service	\$ 3,104,060	\$ 3,036,172
Construction work in progress	162,127	143,861
	3,266,187	3,180,033
Less allowances for depreciation and amortization	(1,470,057)	(1,439,833)
	1,796,130	1,740,200
Other assets and investments		
Investments in other associations	101,942	105,917
Investments in coal mines	25,968	24,667
Deferred equity note	9,505	9,053
Prepaid lease expense	109,709	90,202
Other noncurrent assets	15,742	36,095
	262,866	265,934
Current assets		
Cash and cash equivalents	232,386	85,873
Deposits and advances	12,831	13,880
Accounts receivable - members	77,810	74,721
Other accounts receivable	22,461	29,456
Coal inventory	40,697	24,706
Materials and supplies	52,608	50,768
	438,793	279,404
Deferred charges		
Regulatory assets	95,090	93,526
Other deferred charges	130,158	132,185
	225,248	225,711
Total assets	\$ 2,723,037	\$ 2,511,249
EQUITY AND LIABILITIES		
Capitalization		
Patronage capital equity	\$ 600,366	\$ 557,488
Long-term debt	1,767,508	1,571,793
	2,367,874	2,129,281
Current liabilities		
Member advances	10,825	8,467
Accounts payable	70,693	77,182
Accrued expenses and other	49,665	51,769
Current maturities of long-term debt	112,658	135,044
	243,841	272,462
Deferred credits and other liabilities		
Deferred income taxes	25,750	25,750
Regulatory liabilities	35,599	35,599
Other	42,023	40,425
	103,372	101,774
Accumulated postretirement benefit and postemployment obligations	7,950	7,732
Commitments and contingencies	-	-
Total equity and liabilities	\$ 2,723,037	\$ 2,511,249

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Interim Consolidated Statements of Operations (unaudited)

(Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Operating revenues				
Member electric sales	\$ 219,675	\$ 210,703	\$ 432,177	\$ 417,627
Non-member electric sales	45,787	62,572	100,177	127,765
Other	7,078	8,248	15,049	16,431
	272,540	281,523	547,403	561,823
Operating expenses				
Purchased power	62,891	69,877	104,875	140,119
Fuel	51,492	54,873	113,990	113,397
Production	23,853	23,797	46,692	45,806
Lease expense	17,617	14,918	35,349	29,835
Transmission	25,313	22,316	48,737	43,274
General and administrative	4,490	2,398	7,669	3,864
Generation maintenance	28,634	28,363	46,073	48,050
Transmission maintenance	4,371	4,281	9,004	8,359
Depreciation and amortization	25,784	25,689	51,552	49,500
Income taxes	994	356	1,898	712
	245,439	246,868	465,839	482,916
Operating margins	27,101	34,655	81,564	78,907
Other income				
Interest income	3,195	2,337	5,363	4,724
Allowance for equity funds used during construction	-	731	1,420	1,509
Capital credits from cooperatives	939	324	3,179	2,220
Other income	710	1,359	1,924	1,971
	4,844	4,751	11,886	10,424
Interest and other deductions				
Interest expense, net of amounts capitalized	24,305	24,237	47,327	48,911
Other deductions	1,045	1,085	3,299	1,871
	25,350	25,322	50,626	50,782
Net margins	\$ 6,595	\$ 14,084	\$ 42,824	\$ 38,549
Megawatt-hours sold – members	3,320,653	3,338,902	6,662,885	6,746,488
Megawatt-hours sold – non-members	928,441	1,011,714	2,036,078	2,284,732
Wholesale member cost – mills/kWh	66.15	63.11	64.86	61.90
Total sales – mills/kWh	62.47	62.81	61.20	60.39

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2009 Second Quarter Report

Interim Consolidated Statements of Cash Flows (unaudited)

(Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Operating activities				
Net margins	\$ 6,595	\$ 14,084	\$ 42,824	\$ 38,549
Adjustments to reconcile net margins to net cash provided by operating activities:				
Depreciation and amortization	25,784	25,689	51,552	49,500
Capital credit allocations from cooperatives and income from coal mines (over) under refund distributions	(117)	(1,320)	3,869	3,188
Allowance for equity funds used during construction	-	(731)	(1,420)	(1,509)
Changes in operating assets and liabilities:				
Accounts receivable	(5,748)	(15,510)	3,906	(17,802)
Coal inventory	(15,105)	(1,533)	(15,991)	(759)
Materials and supplies	(503)	(272)	(1,840)	(1,476)
Prepaid lease expense	13,963	13,963	(19,507)	(12,462)
Accounts payable and accrued expenses	2,218	(11,159)	(13,539)	4,243
Other	(1,441)	490	2,778	2,304
Net cash provided by operating activities	25,646	23,701	52,632	63,776
Investing activities				
Purchases of plant, net of retirements	(56,946)	(28,372)	(104,164)	(44,612)
Changes in deferred charges	658	8,612	20,119	(1,379)
Changes in other noncurrent assets	12,996	1,161	2,027	1,869
Net cash used in investing activities	(43,292)	(18,599)	(82,018)	(44,122)
Financing activities				
Member advances	3,275	(2,943)	2,358	(3,795)
Payments of long-term debt	(84,642)	(24,166)	(109,868)	(57,422)
Advance payments to RUS and funds on deposit with trustees	(77,065)	(597)	(86,438)	(21,576)
Retirement of patronage capital	-	-	-	(15,000)
Proceeds from issuance of debt	310,119	25,975	369,847	42,975
Net cash provided by (used in) financing activities	151,687	(1,731)	175,899	(54,818)
Net increase (decrease) in cash and cash equivalents	134,041	3,371	146,513	(35,164)
Cash and cash equivalents – beginning	98,345	96,812	85,873	135,347
Cash and cash equivalents – ending	\$ 232,386	\$ 100,183	\$ 232,386	\$ 100,183
Supplemental information:				
Cash paid for interest	\$ 22,827	\$ 23,993	\$ 49,325	\$ 51,815
Cash paid for income taxes	\$ 1,898	\$ 843	\$ 3,406	\$ 2,302

Financial Highlights

ELECTRIC PLANT IN SERVICE and CONSTRUCTION WORK IN PROGRESS increased \$67.9 million and \$18.3 million, respectively, to \$3.1 billion and \$162.1 million, respectively, as of June 30, 2009. These increases resulted from expenditures for construction projects to expand generation, transmission and telecommunications capabilities.

PREPAID LEASE EXPENSE increased \$19.5 million to \$109.7 million at June 30, 2009 primarily due to a January 2009 lease payment for the Springerville Generating Station Unit 3 lease.

OTHER NONCURRENT ASSETS decreased \$20.4 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.

CASH and LONG TERM DEBT increased \$146.5 million and \$195.7 million, respectively, due to a \$300 million private placement issue closed in April 2009. These funds are being used primarily to fund increased construction expenditures.

SALES TO MEMBERS decreased 83,603 megawatt-hours to 6,662,885 megawatt-hours for the six-month period ended June 30, 2009 compared to the same period in 2008. Despite this 1.2 percent decrease, member electric sales revenue increased \$14.6 million, or 3.5 percent, to \$432.2 million for the six-month period ended June 30, 2009 compared to \$417.6 million for the same period in 2008 due to a 4.1 percent rate increase effective January 1, 2009.

SALES TO NON-MEMBERS decreased 248,654 megawatt-hours, or 10.9 percent, to 2,036,078 megawatt-hours for the six-month period ended June 30, 2009. This decrease and the 12.0 percent decrease in the average price of sales to non-members resulting from a reduction in the market price of electricity caused non-member electric sales revenue to decrease 21.6 percent to \$100.2 million for the six-month period ended June 30, 2009 compared to \$127.8 million for the same period in 2008.

PURCHASED POWER expense decreased \$35.2 million, or 25.2 percent, to \$104.9 million for the six-month period ended June 30, 2009 compared to the same period in 2008. This was due to a 4.4 percent decrease in megawatt-hours purchased and a 22.9 percent decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.



The interim financial statements for June 30, 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.

