

Cultivating local resources
in rural America



Tri-State Generation and Transmission Association
2009 Third Quarter Report

Tri-State Generation and Transmission Association

2009 Third Quarter Report

Interim Consolidated Statements of Financial Position (unaudited)

(Thousands)

	September 30, 2009	December 31, 2008
ASSETS		
Electric plant		
In service	\$ 3,138,865	\$ 3,036,172
Construction work in progress	148,981	143,861
	3,287,846	3,180,033
Less allowances for depreciation and amortization	(1,481,747)	(1,439,833)
	1,806,099	1,740,200
Other assets and investments		
Investments in other associations	102,661	105,917
Investments in coal mines	30,500	24,667
Deferred equity note	9,732	9,053
Prepaid lease expense	118,657	90,202
Other noncurrent assets	15,658	36,095
	277,208	265,934
Current assets		
Cash and cash equivalents	258,841	85,873
Deposits and advances	13,126	13,880
Accounts receivable - members	79,314	74,721
Other accounts receivable	26,957	29,456
Coal inventory	49,253	24,706
Materials and supplies	50,989	50,768
	478,480	279,404
Deferred charges		
Regulatory assets	84,206	93,526
Other deferred charges	143,684	132,185
	227,890	225,711
Total assets	\$ 2,789,677	\$ 2,511,249
EQUITY AND LIABILITIES		
Capitalization		
Patronage capital equity	\$ 629,336	\$ 557,488
Long-term debt	1,786,313	1,571,793
	2,415,649	2,129,281
Current liabilities		
Member advances	10,366	8,467
Accounts payable	82,290	77,182
Accrued expenses and other	55,836	51,769
Current maturities of long-term debt	112,910	135,044
	261,402	272,462
Deferred credits and other liabilities		
Deferred income taxes	25,750	25,750
Regulatory liabilities	35,599	35,599
Other	43,219	40,425
	104,568	101,774
Accumulated postretirement benefit and postemployment obligations		
	8,058	7,732
Commitments and contingencies		
	-	-
Total equity and liabilities	\$ 2,789,677	\$ 2,511,249

Tri-State Generation and Transmission Association

2009 Third Quarter Report

Interim Consolidated Statements of Operations (unaudited)

(Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Operating revenues				
Member electric sales	\$ 266,902	\$ 249,779	\$ 699,079	\$ 667,406
Non-member electric sales	51,619	72,634	151,796	200,399
Other	6,496	8,329	21,545	24,760
	<u>325,017</u>	<u>330,742</u>	<u>872,420</u>	<u>892,565</u>
Operating expenses				
Purchased power	82,415	93,732	187,290	233,851
Fuel	70,235	66,267	184,225	179,664
Production	25,851	24,118	72,543	69,924
Lease expense	18,581	14,917	53,930	44,752
Transmission	25,061	23,105	73,798	66,379
General and administrative	4,197	3,132	11,866	6,996
Generation maintenance	20,137	18,426	66,210	66,476
Transmission maintenance	4,236	4,442	13,240	12,801
Depreciation and amortization	26,376	24,113	77,928	73,613
Income taxes	(1,396)	359	502	1,071
	<u>275,693</u>	<u>272,611</u>	<u>741,532</u>	<u>755,527</u>
Operating margins	49,324	58,131	130,888	137,038
Other income				
Interest income	2,830	2,243	8,156	6,967
Allowance for equity funds used during construction	(113)	830	1,307	2,339
Capital credits from cooperatives	1,810	472	4,989	2,692
Other income	738	670	2,459	2,641
	<u>5,265</u>	<u>4,215</u>	<u>16,911</u>	<u>14,639</u>
Interest and other deductions				
Interest expense, net of amounts capitalized	24,529	24,218	71,819	73,129
Other deductions	1,245	786	4,341	2,657
	<u>25,774</u>	<u>25,004</u>	<u>76,160</u>	<u>75,786</u>
Net margins	\$ 28,815	\$ 37,342	\$ 71,639	\$ 75,891
Megawatt-hours sold – members	4,023,975	3,950,337	10,686,860	10,696,825
Megawatt-hours sold – non-members	1,078,239	1,330,871	3,114,317	3,615,603
Wholesale member cost – mills/kWh	66.33	63.23	65.41	62.39
Total sales – mills/kWh	62.43	61.05	61.65	60.63

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2009 Third Quarter Report

Interim Consolidated Statements of Cash Flows (unaudited)

(Thousands)

Three Months Ended September 30, Nine Months Ended September 30,

	2009		2008	
	2009	2008	2009	2008
Operating activities				
Net margins\$	28,815	\$ 37,342	\$ 71,639	\$ 75,891
Adjustments to reconcile net margins to net cash provided by operating activities:				
Depreciation and amortization	26,376	24,113	77,928	73,613
Capital credit allocations from cooperatives and income from coal mines (over) under refund distributions	(5,251)	1,907	(1,382)	5,095
Allowance for equity funds used during construction	113	(830)	(1,307)	(2,339)
Changes in operating assets and liabilities:				
Accounts receivable	(6,000)	9,972	(2,094)	(7,830)
Coal inventory	(8,556)	(440)	(24,547)	(1,199)
Materials and supplies	1,619	(2,592)	(221)	(4,068)
Prepaid lease expense	(8,948)	(15,993)	(28,455)	(28,455)
Accounts payable and accrued expenses	24,898	7,913	11,359	12,156
Other	3,867	1,783	6,645	4,087
Net cash provided by operating activities	56,933	63,175	109,565	126,951
Investing activities				
Purchases of plant, net of retirements	(35,530)	(26,206)	(139,694)	(70,818)
Changes in deferred charges	(13,526)	(5,916)	6,593	(7,295)
Changes in other noncurrent assets	(126)	1,544	1,901	3,413
Net cash used in investing activities	(49,182)	(30,578)	(131,200)	(74,700)
Financing activities				
Member advances	(459)	2,113	1,899	(1,682)
Payments of long-term debt	(31,206)	(39,285)	(141,074)	(96,707)
Advance payments to RUS and funds on deposit with trustees	36,234	(2,724)	(50,204)	(24,300)
Retirement of patronage capital	-	-	-	(15,000)
Proceeds from issuance of debt	14,135	10,914	383,982	53,889
Net cash provided by (used in) financing activities	18,704	(28,982)	194,603	(83,800)
Net increase (decrease) in cash and cash equivalents	26,455	3,615	172,968	(31,549)
Cash and cash equivalents – beginning	232,386	100,183	85,873	135,347
Cash and cash equivalents – ending	\$ 258,841	\$ 103,798	\$ 258,841	\$ 103,798
Supplemental information:				
Cash paid for interest	\$ 27,152	\$ 26,558	\$ 76,477	\$ 78,373
Cash paid for income taxes	\$ -	\$ 359	\$ 3,406	\$ 2,661

Financial Highlights

ELECTRIC PLANT IN SERVICE and CONSTRUCTION WORK IN PROGRESS increased \$102.7 million and \$5.1 million, respectively, to \$3.1 billion and \$149.0 million, respectively, as of September 30, 2009. These increases resulted from expenditures for construction projects to expand generation, transmission and telecommunications capabilities.

PREPAID LEASE EXPENSE increased \$28.5 million to \$118.7 million at September 30, 2009 due to the January and July 2009 lease payments 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 County, CO 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 \$173.0 million and \$214.5 million, respectively, primarily 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 9,965 megawatt-hours to 10,686,860 megawatt-hours for the nine-month period ended September 30, 2009 compared to the same period in 2008. Despite this small decrease, member electric sales revenue increased \$31.7 million, or 4.7 percent, to \$699.1 million for the nine-month period ended September 30, 2009 compared to \$667.4 million for the same period in 2008 due to a 4.1 percent rate increase effective January 1, 2009.

SALES TO NON-MEMBERS decreased 501,286 megawatt-hours, or 13.9 percent, to 3,114,317 megawatt-hours for the nine-month period ended September 30, 2009. This decrease and the 12.1 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 24.3 percent to \$151.8 million for the nine-month period ended September 30, 2009 compared to \$200.4 million for the same period in 2008.

PURCHASED POWER expense decreased \$46.6 million, or 19.9 percent, to \$187.3 million for the nine-month period ended September 30, 2009 compared to the same period in 2008. This was due to a 1.0 percent decrease in megawatt-hours purchased and a 19.3 percent decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

LEASE and FUEL expense increased \$9.2 million and \$4.6 million, respectively, to \$53.9 million and \$184.2 million, respectively, for the nine-month period ended September 30, 2009 compared to the same period in 2008. These increases were primarily due to the gas tolling arrangement for the use of the Rawhide Generating Station, which began in June 2008, being in place for the entire nine-month period in 2009 and the July 2009 commencement of the gas tolling arrangement for the use of the Fort Lupton Generating Station. These power purchase arrangements are required to be accounted for as operating leases since the arrangements are in substance leases that convey to Tri-State the right to use power generating equipment for a stated period of time. The use of gas at these stations is therefore accounted for as fuel expense.



The interim financial statements for September 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.

