



Tri-State Generation and Transmission Association

2011 Third Quarter Report

Interim Consolidated Statements of Financial Position (unaudited)

(Thousands)

	September 30, 2011	December 31, 2010
ASSETS		
Electric plant		
In service	\$ 4,411,856	\$ 4,313,089
Construction work in progress	187,305	201,011
Total electric plant	4,599,161	4,514,100
Less allowances for depreciation and amortization	(1,699,007)	(1,616,952)
Net electric plant	2,900,154	2,897,148
Other assets and investments		
Investments in other associations	113,144	113,436
Investments in coal mines	29,649	30,445
Deferred equity note	9,075	8,442
Other noncurrent assets	13,792	15,186
Total other assets and investments	165,660	167,509
Current assets		
Cash and cash equivalents	248,206	205,452
Deposits and advances	18,404	17,098
Accounts receivable - members	84,201	86,063
Other accounts receivable	27,909	29,041
Coal inventory	40,032	39,312
Materials and supplies	55,557	54,873
Total current assets	474,309	431,839
Deferred charges	304,216	297,659
Total assets	\$ 3,844,339	\$ 3,794,155
EQUITY AND LIABILITIES		
Capitalization		
Patronage capital equity	\$ 775,000	\$ 713,807
Noncontrolling interest	117,052	119,983
Total patronage capital equity and noncontrolling interest	892,052	833,790
Long-term debt	2,500,706	2,491,538
Total capitalization	3,392,758	3,325,328
Current liabilities		
Member advances	13,686	8,299
Accounts payable	94,420	80,238
Accrued expenses	72,946	91,142
Current maturities of long-term debt	127,977	146,011
Total current liabilities	309,029	325,690
Deferred credits and other liabilities	139,482	140,154
Accumulated postretirement benefit and postemployment obligations	3,070	2,983
Commitments and contingencies	-	-
Total equity and liabilities	\$ 3,844,339	\$ 3,794,155

Tri-State Generation and Transmission Association 2011 Third Quarter Report

Interim Consolidated Statements of Operations (unaudited)

(Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating revenues				
Member electric sales	\$ 294,688	\$ 280,642	\$ 777,294	\$ 745,478
Non-member electric sales	49,792	49,584	145,333	156,383
Other	3,619	5,414	10,609	19,064
	348,099	335,640	933,236	920,925
Operating expenses				
Purchased power	83,329	77,374	213,340	202,722
Fuel	75,401	72,781	196,670	191,867
Production	27,599	27,261	80,532	83,023
Lease expense	5,136	5,477	16,069	17,234
Transmission	29,543	25,370	84,307	78,058
General and administrative	3,029	3,411	12,040	13,000
Generation maintenance	18,097	17,558	62,927	65,695
Transmission maintenance	6,883	5,026	17,955	14,707
Depreciation and amortization	31,910	32,822	95,609	98,205
Income taxes	-	(5,339)	(10)	(5,339)
	280,927	261,741	779,439	759,172
Operating margins	67,172	73,899	153,797	161,753
Other income				
Interest income	6,757	6,401	20,640	13,423
Capital credits from cooperatives	1,207	2,093	3,227	3,266
Other income	1,081	1,262	3,236	3,288
	9,045	9,756	27,103	19,977
Interest and other deductions				
Interest expense, net of amounts capitalized	38,456	38,894	116,174	107,601
Other deductions	1,687	2,003	6,013	5,964
	40,143	40,897	122,187	113,565
Net margins including noncontrolling interest	36,074	42,758	58,713	68,165
Net loss attributable to noncontrolling interest	937	1,172	2,881	3,583
Net margins attributable to the Association	\$ 37,011	\$ 43,930	\$ 61,594	\$ 71,748
Megawatt-hours sold – members	4,439,342	4,263,100	11,790,844	11,403,896
Megawatt-hours sold – non-members	1,003,878	939,640	2,843,215	2,992,616
Wholesale member cost – mills/kWh	66.38	65.53	65.92	65.07
Total sales – mills/kWh	63.29	63.22	63.05	62.40

Tri-State Generation and Transmission Association

2011 Third Quarter Report

Interim Consolidated Statements of Cash Flows (unaudited)

(Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating activities				
Net margins including noncontrolling interest	\$ 36,074	\$ 42,758	\$ 58,713	\$ 68,165
Adjustments to reconcile net margins to net cash provided by operating activities:				
Depreciation and amortization	31,910	32,822	95,609	98,205
Capital credit allocations from cooperatives and income from coal mines (over) under refund distributions	(563)	(2,056)	(1,024)	(1,160)
Recognition of deferred revenue	-	(1,527)	-	(4,072)
Changes in operating assets and liabilities:				
Accounts receivable	3,384	4,573	3,400	8,013
Coal inventory	(1,820)	(211)	(720)	5,129
Materials and supplies	(491)	(35)	(684)	(1,663)
Accounts payable and accrued expenses	21,685	12,448	1,111	14,971
Other	1,217	(702)	(2,331)	1,927
Net cash provided by operating activities	91,396	88,070	154,074	189,515
Investing activities				
Purchases of plant, net of retirements	(35,538)	(40,380)	(104,653)	(109,454)
Changes in deferred charges	(1,126)	(4,305)	(313)	(2,470)
Changes in other noncurrent assets	1,925	1,310	667	4,462
Net cash used in investing activities	(34,739)	(43,375)	(104,299)	(107,462)
Financing activities				
Member advances	1,757	622	5,387	73
Payments of long-term debt	(32,958)	(126,774)	(134,927)	(204,329)
Advance payments to RUS and funds on deposit with trustees	9,428	21,222	88,615	(220,698)
Retirement of patronage capital	-	-	(4,208)	(10,000)
Proceeds from issuance of debt	28,949	9,125	38,112	417,133
Net cash provided by (used in) financing activities	7,176	(95,805)	(7,021)	(17,821)
Net increase (decrease) in cash and cash equivalents	63,833	(51,110)	42,754	64,232
Cash and cash equivalents – beginning	184,373	260,927	205,452	145,585
Cash and cash equivalents – ending	\$ 248,206	\$ 209,817	\$ 248,206	\$ 209,817
Supplemental information:				
Cash paid for interest	\$ 20,745	\$ 22,362	\$ 101,874	\$ 75,878
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

Financial Highlights

ELECTRIC PLANT IN SERVICE increased \$98.8 million to \$4.412 billion as of September 30, 2011 from \$4.313 billion as of December 31, 2010. This increase was due to the completion of capital improvements and system upgrades to serve the growing needs of Tri-State's member distribution systems.

SALES TO MEMBERS increased 386,948 megawatt-hours to 11,790,844 megawatt-hours for the nine-month period ended September 30, 2011 compared to the same period in 2010. This 3.4 percent increase resulted from continued growth in the regions served by Tri-State and its member systems. The growth in megawatt-hour sales and an increase in member peak demand resulted in member electric sales revenue increasing \$31.8 million, or 4.3 percent, to \$777.3 million for the nine-month period ended September 30, 2011 compared to \$745.5 million for the same period in 2010.

SALES TO NON-MEMBERS decreased 149,401 megawatt-hours, or 5.0 percent, to 2,843,215 megawatt-hours for the nine-month period ended September 30, 2011 compared to the same period in 2010. This decrease in sales and a 2.2 percent decrease in the average price of sales to non-members resulted in non-member electric sales revenue decreasing \$11.1 million, or 7.1 percent, to \$145.3 million for the nine-month period ended September 30, 2011 compared to \$156.4 million for the same period in 2010.

OTHER OPERATING REVENUE decreased \$8.5 million, or 44.4 percent, to \$10.6 million for the nine-month period ended September 30, 2011 compared to \$19.1 million for the same period in 2010. This decrease was primarily due to the suspension of the Knutson Generating Station tolling arrangement for 3 years beginning in May 2010. In addition, there was a tolling arrangement for Pyramid Generating Station Unit 2 during June through August 2010 that was not in effect during 2011.

PURCHASED POWER EXPENSE increased \$10.6 million, or 5.2 percent, to \$213.3 million for the nine-month period ended September 30, 2011 compared to \$202.7 million for the same period in 2010. This was due to an 8.9 percent increase in megawatt-hours purchased partially offset by a decrease in the average cost of purchased power.

INTEREST INCOME increased \$7.2 million, or 53.8 percent, to \$20.6 million for the nine-month period ended September 30, 2011 compared to \$13.4 million for the same period in 2010. This increase was due to higher investment balances and higher interest rates earned on investments.

INTEREST EXPENSE increased \$8.6 million, or 8.0 percent, to \$116.2 million for the nine-month period ended September 30, 2011 compared to \$107.6 million for the same period in 2010. The increase was due to there being a full nine months of interest in 2011 associated with the \$500 million of first mortgage bonds issued during 2010.

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The interim financial statements for September 30, 2011 and 2010 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 2010 Annual Report.



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