



A Touchstone Energy® Cooperative 

January 1, 2010

Major Events of 2009

1} Operational and financial results

Tri-State closed its 2009 books with \$1.2 billion in total operating revenue and \$104.9 million in net margins. In addition, the member co-ops received \$10 million in capital credits, marking the 21st consecutive year Tri-State has returned capital credits to its members. Energy sales to the 44 member systems reached a record 14.25 million megawatt-hours, while non-member sales totaled 4.3 million megawatt-hours. Tri-State's member peak demand for the year occurred in July, topping out at 2,447 megawatts, down 2.1 percent from the previous year's all-time record peak of 2,498 megawatts. The association's baseload coal plants – used to meet its members' requirements and off-system obligations – operated at approximately 88 percent capacity availability throughout the year, which exceeds the national average.

2} 2010 budget/rates

Tri-State's board of directors approved the association's 2010 operating budget of \$1.2 billion, the majority of which is allocated to fixed cost items such as leases, taxes and financing expenses and committed costs which include fuel, contract and market purchases and power delivery costs. Tri-State's rate schedule remains unchanged for 2010, with the average wholesale rate to its member co-ops holding steady at approximately 6.5 cents per kilowatt-hour.

3} Resource planning re-evaluation

To adequately provide for present and projected member demand for electricity, Tri-State's board of directors and management staff continued to invest significant time and effort in pursuing a strategic, balanced resource plan that focuses on both near-term and long-term power requirements with an emphasis on sustained reliability, baseload, intermediate and renewable resource development, enhanced energy efficiency programs and new technology deployment.

At its 2009 annual meeting, Tri-State's board moved forward on an evaluation of the association's long-term resource planning strategy to identify the appropriate assets required to best meet the future power requirements of its 44 members. As part of its near-term resource planning, Tri-State has continued to expand its energy efficiency programs, make investments in renewable energy projects, increase natural gas capacity, complete upgrades and improvements to its existing generation fleet and bolster its transmission network in order to meet member system growth and diversify its resource portfolio.

4} Transmission improvements

Throughout its transmission network, Tri-State has been working with its members and other regional utilities on several expansion projects, primarily focused on addressing continued load growth, reliability issues and interconnection requests. In 2009, Tri-State continued to move forward on a number of projects, including a partnership with Xcel Energy to develop needed power lines from Colorado's San Luis Valley to Pueblo, and the addition of new lines from New Mexico into southwest Colorado. As part of its long-range plans, Tri-State is examining a number of other large projects, including major transmission lines and infrastructure in eastern and southern Colorado that support reliability, growth and the interconnection of new generation resources.

5} Renewable resource initiatives

Tri-State made two major announcements regarding large, utility-scale renewable resource projects, while the association's member local renewable program also continued to flourish.

- In March, New Mexico Governor Bill Richardson joined Tri-State and First Solar Inc. to publicly announce a 30-megawatt, 500,000-panel solar photovoltaic power plant project in northeastern New Mexico. When fully operational at the end of 2010, the "Cimarron I Solar Project," named for the town near which it will be located, will be the largest PV project by an electric cooperative and among the largest facility of its kind in the world.
- In July, Colorado Governor Bill Ritter assisted Tri-State and Duke Energy Corp. in announcing a 20-year agreement under which Tri-State will purchase the output of a new 51-megawatt wind farm to be built in east-central Colorado by the end of 2010.

The Kit Carson Windpower Project, named for the county in which it will be constructed, will consist of 34 1.5-megawatt General Electric turbines to be erected on a 6,000-acre site within the service territory of Tri-State member K.C. Electric Association.

- Complementing these utility-scale endeavors, several Tri-State member co-ops are developing the diverse renewable resources found throughout the West under association board policies that encourage and incentivize community-based projects. Among the local co-op projects to come online over the past year are those utilizing heat recovery, distributed solar and micro-hydroelectric systems, with other opportunities being explored that include wind, biomass and landfill methane recovery projects. Under the program, Tri-State's financial support of the local renewable project takes the form of performance payments based on the output of the project or attributes generated by the project for which the member can claim ownership.

6} New technology investments

Tri-State has ramped up its investment in a variety of research and demonstration initiatives, as well as pursuing new analytic and modeling tools aimed at assessing and managing emissions while maximizing generation output and efficiency.

- Along with other utilities across the country, Tri-State has been an active participant in several promising carbon dioxide capture demonstration projects at coal-based power plants, including a unique pilot venture in Wisconsin that in 2009 successfully demonstrated the viability of capturing 90 percent of the CO₂ utilizing a chilled ammonia process.
- Tri-State committed financial support to a new three-year study in northwest Colorado – at a site near its coal-based Craig Station – to assess the ability of the area's geologic formations to sequester carbon dioxide underground. If successful, the test site could potentially serve as a regional sequestration site for power plants and other industries.
- Tri-State's Escalante Generating Station (Prewitt, N.M.) has served as the host facility for an Electric Power Research Institute study to develop a hybrid power plant

system using technology that would augment the coal-based power plant with supplemental energy produced at a concentrated solar power system – maintaining the facility’s electric output but reducing the amount of fuel consumed at the plant.

7} Greenhouse Gas Management Roadmap

As part of its ongoing, comprehensive operational risk identification and analysis strategy, Tri-State developed a Greenhouse Gas Management Roadmap, which was submitted to the Colorado Governor’s Energy Office in June. The roadmap is an external report on Tri-State’s continuing internal process to assess the association’s potential to manage the risks associated with possible constraints on greenhouse gas (GHG) emissions across its multi-state system, as it develops the information, data, tools and technologies necessary to position itself to manage GHG emissions while continuing to affordably and reliably meet the demand and energy requirements of its 44 member distribution cooperatives.

8} PUC opens/closes investigatory docket

In early December, the Colorado Public Utilities Commission closed its investigatory docket (which it had opened in January) on electric cooperative resource planning, which could have led to efforts to increase the regulatory body’s jurisdiction over Tri-State. The commission closed its docket after deliberating on a proposal for Tri-State to voluntarily supplement information that it already provides to the Commission and expand its public participation process. The proposal ensures that Tri-State’s member co-ops and their consumer-owners retain jurisdiction over the association’s resource planning. The Commission endorsed Tri-State’s approach and closed the docket.

9} VPP status achieved at Escalante

As the owner/operator of the Escalante Generating Station, a 245-megawatt power plant in Prewitt, N.M., Tri-State became only the eighth company in the state to earn the prestigious Zia Star Voluntary Protection Program (VPP) status from the New Mexico Environment Department’s (NMED) Occupational Health and Safety Bureau in conjunction with the federal Occupational Safety and Health Administration. The VPP recognizes companies with exemplary

health and safety management systems that maintain injury and illness rates below the national average for their industry.

10} Nucla Station honored by CDPHE

The Colorado Department of Public Health and Environment awarded Tri-State as a Silver Achiever under the Colorado Environmental Leadership Program (ELP) for sustaining significant achievements in operating its 100-megawatt Nucla Station in compliance with all state environmental regulations, as well for implementing a comprehensive set of corporate energy efficiency initiatives. Nucla Station was first recognized under the ELP in 2008 when it achieved Bronze status for its exemplary operating performance and compliance with all air, land and water regulations. That status was raised to Silver in recognition of maintaining an Environmental Management System for nearly a decade at the power plant, engaging overall operational and environmental system enhancements, and a developing and executing a large portfolio of energy efficiency initiatives.

11} Tri-State named “Top Company”

In recognition of numerous recent achievements, Tri-State was named the winner in the energy and natural resources category of ColoradoBiz Magazine’s 2009 Top Company awards program. The program, marking its 22nd consecutive year, recognizes Colorado’s top performing companies on the basis of sustained financial performance, operational excellence and community involvement, and is widely regarded as Colorado's most competitive business awards program.