



2010 ELECTRIC RESOURCE PLANNING PUBLIC PARTICIPATION PROCESS

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SUMMARY OF APRIL 16, 2010 PUBLIC PARTICIPATION MEETING

On Friday April 16, 2010, Tri-State Generation and Transmission Association, Inc. (Tri-State) held the first scheduled public participation meeting regarding its long-term resource planning efforts. Tri-State had provided public notice of this meeting using its Website and various regional newspapers, as well as statewide cooperative publications. Tri-State also posted the agenda for the April 16th meeting on its Website.

The first public participation meeting was structured around five PowerPoint presentations which were made by Fred Stoffel, Ken Reif, Jim Spiers, Andy Leoni and Patrick Burns. All of these presentations have been posted on Tri-State's Website.

Mr. Stoffel's presentation provided an overview of the public participation meeting schedule, the maintenance of the formal list of participants, and the filing and distribution of comments.

Mr. Reif's presentation provided background with respect to Tri-State's composition, ownership, governance and decision making. He addressed the essential differences between cooperative and investor-owned utilities, the basic Cooperative Principles, Tri-State's financing and the status of the Holcomb and Southern Colorado Power Project resource options.

Mr. Spiers provided an overview of the extent of the cooperative utilities in the United States as well as a summary of the size and profiles of the 44 cooperative systems that comprise Tri-State. He provided Tri-State's typical summer and winter load profiles and an overview of the ratemaking process used by Tri-State and the resulting wholesale rates. He discussed the local, state and federal regulatory contexts within which Tri-State operates as well as an overview of a recent Technology Evaluation. He also discussed Tri-State's participation in various Research and Development efforts and how the company is intending to view carbon management in the context of EPRI's PRISM model.

Mr. Leoni discussed the basic elements of Transmission Planning, Planning Objectives and coordination. He discussed certain transmission limits and constraints and provided an overview of the location of Tri-State's generation and load. He provided a high level summary of the Generation Interconnection Procedures used by Tri-State as well as an overview of Tri-State's Transmission system, including the status of certain system expansion projects.

Mr. Burns presented the summary results of the recent system-wide energy efficiency study conducted by Nexant, Inc. on behalf of Tri-State. He provided an overview of the study methodology and a summary of energy efficiency and demand response opportunities that were calculated at various incentive levels.

In addition to the above summaries, the following is information provided during the presentations:

Tri-State is owned by its 44 cooperative members.

Tri-State is not vertically integrated. It is a wholesale supplier. It has no direct access to retail customers.

Tri-State operates an integrated transmission system.

Tri-State has an integrated resource portfolio.

A primary foundation of Tri-State is the wholesale power contracts.

All requirements contract

Contracts last modified about 10 years ago. Allowed Members to buy 5% of their requirements elsewhere. The Board of Directors recently adopted changes to allow greater than 5%.

All contracts are approved by RUS

Used as basis for borrowing

Payment of loans is secured by wholesale power contracts. Tri-State is operated as a non-profit, but is a taxable entity for certain revenues.

Margins are returned to Members; therefore not taxed.

Cooperative Principles are followed by all cooperative systems.

Tri-State is not subject to rate regulation by Colorado PUC. It is subject to some facilities regulation and has been subject to IRP rules since 1992.

Tri-State is a least cost planning utility and meets all compliance requirements. Tri-State shields its Member Systems from risks of market volatility and market exposure and thus has different planning objectives than those of utilities who pass risk through to their consumers. This resource planning process is different from past processes. It is a far more involved process. Tri-State has a commitment to taking public input and utilizing that in its planning process. Tri-State did not agree to PUC approval of any planning process filing. Tri-State will file what options it is considering to meet future requirements and action plans to pursue such options. Tri-State's Board of Directors has approval authority over any resource options Tri-State chooses to pursue in the future.

Based on preliminary analysis, there are no resources needed in the near-term. We want to preserve resource options.

We are willing to run alternative resource scenarios, but there still are limits to the number of alternatives that we will run.

The original resource plan was due in 2011. The agreement to file in November 2010 somewhat constrains alternative scenario runs.

Regarding Holcomb, the Kansas Governor has agreed to modify the existing air permit from two 700 MW to one 900 MW plant.

Holcomb is a resource option; however, once the air permit is approved, future litigation is anticipated.

The Southeast Colorado Power Plant near Holly is also an option being developed. We have acquired land and water and are evaluating all generation options.

The Tri-State Board of Directors has made no decision to proceed with any of these projects. We are preserving our optionality.

Questions:

Q. What is status of lawsuit brought by Tri-State's Nebraska members?

A. 5 of 6 Members have filed suit. They want discounted rate or ability to withdraw under different terms from those contained in contract.

Q. Is there a possibility of settlement?

A. Tri-State will vigorously defend its position.

Q. Are Nebraska Members subject to this resource planning process?

A. Nebraska Members are covered by this process.

Q. Do Tri-State's hydro purchases count for Renewable Portfolio Standard?

A. Yes and no. In terms of our planning we are long on renewable.

Q. Is Basin Electric involved in our resource planning?

A. No. We collaborate with Basin on certain resource options; however, all of the planning is done in-house. Rob Wolaver will address this more fully in his presentation.

Q. Has Tri-State developed for its system an EPRI PRISM/MERGE chart that is consistent with the Colorado Governor's Action Plan carbon reductions?

A. No, however we are mindful of the Plan, it is an Executive Order, not statutory. We utilize the ERPI analytic structure to evaluate options, some of which identify environmental benefits that are gained through the utilization of electricity.

Q. Does Tri-State have an objective to be environmental stewards that goes beyond existing law?

A. Tri-State's Members are some of the original stewards of the land. One of the cooperative principles specifically discusses is Commitment to Community.

Q. A comment: it is important to avoid assuming that conclusions from the past apply to the future. There is no diversity of age or gender among Tri-State's Board.

A. It is likely we do not need to make any major capital generation decisions in the near term. A big driver is long term cost competitiveness of our wholesale product. There are lots of factors in play. We do not have any specific "this is where we are going." We must preserve optionality that will position us for the future.

Q. Is there going to be any more discussion about Tri-State's rate structure?

A. No. This is a work in progress, the Board, staff and Members are studying this issue; however, any future changes are not part of this process.

Q. Is this process just focused on Colorado?

A. No. This process is directed at the entire system. We do not and cannot operate a Colorado-centric system.

Q. What is availability of the Greenhouse Gas Roadmap and the Technology Study?

A. The GHG Roadmap is available. The Technology study is proprietary; however, generic data necessary for planning purposes will be disclosed.

Q. If there is difficulty in bringing wind from rural areas to customers, how do the Holly and Holcomb plants fit in?

A. Transmission system upgrades are needed for both. Operating variable energy resources on long, often low loaded, lines creates substantially different operating considerations than would be the case with a line that is consistently loaded.

Q. How has the Highline combined heat and power plant performed?

A. Plant has worked out well for Highline. Creates some challenges based on operating throughput of pipeline. These compressors do create opportunities. Other co-ops are pursuing similar opportunities

Q. How do you provide support to your co-ops on pursuing local renewable projects?

A. We are working on making it easier for co-ops to identify and develop projects, as we provide business case analyses to determine the value of different projects and provide some premium funding for projects that can be used for RPS compliance purposes. Cost curves still need to come down. Tri-State local renewable energy project is the first of its kind.

Q. Does Tri-State have a Risk Management Assessment that is available?

A. Tri-State performed a Technical Assessment on technologies, resources, etc. We will discuss this more later.

Q. How does Tri-State support regional renewable development?

A. We try to identify and develop economic business cases. We evaluate energy costs, credits and energy credit multipliers to see what may work. We work with Members as a consultant. The cost curves must pencil out and be economic.

Q. What is availability of Technology Assessment?

A. It is proprietary. The public can go out and buy similar study results. We will provide necessary information to perform resource studies. The public will get basic cost data.

Q. Can transmission capacity be used in either direction so that Craig could be replaced with solar?

A. That is not an issue in this planning process; however, the ability to add determinants to the transmission system from any resource is something that is evaluated.

Q. How will a generator recoup its investment in network upgrades associated with a generator interconnection?

A. If the generator holds the transmission contract with Tri-State for the plant output, the interconnection/transmission customer will be refunded its investment through credits on the monthly transmission bill from Tri-State. If this is not the case, Tri-State will refund the advance directly to the generator on a monthly basis. In either case, the monthly refund will be calculated based on the installed capacity of the plant times the monthly transmission rate.

Q. How is transmission reliability measured? Six Sigma?

A. Tri-State must demonstrate that it has documented processes and programs. We model, simulate and mitigate. The auditors verify that Tri-State is following written procedures. These requirements need move off of process methodology and become more functional.

Q. Has Tri-State considered selling off some of its isolated delivery points?

A. No. As a Member based Association, we exist to serve Member requirements and deal with such through several Board Policies.

Q. Can you provide information about the costs of transmission investments that support renewables versus fossil generation?

A. There are no green electrons. The costs of the transmission system are not accounted for or allocated according to the type of generation capacity. The investments are about keeping the system reliable, meeting load serving obligations and providing market access for others on a comparable basis.

Q. Why don't we have an Independent System Operator in this part of the country?

A. There have been a number of studies and efforts over the years – INDIGO, DESERT STAR, etc. We don't have a tightly integrated grid in the West. There are numerous transmission owners and system constraints. There is a need for construction of new transmission and cost recovery and cost shifting are important.

Q. Are there specific transmission studies for Holcomb? For Southern Colorado?

A. Not for Holcomb. We have simulated a study for a 600 MW combined cycle plant just north of Holly Colorado as part of a larger Colorado study.

Q. Is Tri-State looking at coal availability issues at the Craig station? Has Tri-State considered using modular solar units and injecting power at Craig when Craig is no longer operating on coal?

A. No we have not looked at solar at Craig. We are looking at coal availability data and incorporate it into our resource plans.

Q. How is Tri-State intending to use the results of the study?

A. We will incorporate study results in development of some planning scenarios. We need to do more investigation.

Q. How was growth of oil drilling incorporated in the DSM study?

A. We took it into account by specific utility and included it in the profiles of each of the 8 regions as appropriate. The Members provide the information in load forecasts.

Q. Does the reference to the wholesale/retail structure refer to rates?

A. No, it refers to the fact that Tri-State is a wholesale supplier and does not have access to the retail customers of the Co-ops. Rate structure does address the wholesale/retail business structure.

Q. How does the issue of lost revenue factor into the DSM study?

A. This issue was brought up in the interviews with the various co-op managers, but the study did not factor in any direct losses associated with lost sales.

Q. Does Tri-State have a vision of how the resource planning process could evolve?

A. We intend to demonstrate through the current process that we have a structured way of looking at the future, as we always have had. This takes into account technologies, policies, demand, etc. We are using a known utility expansion tool. We are open to new methods that show themselves to be better. We hope we have the ability to learn as an organization and show a willingness to be informed.

Q. There were more bids to supply renewable resources in Xcel Energy's recent resource solicitation. Has Tri-State considered how it could make use of those bids? How does Tri-State incorporate bidding into planning process?

A. Tri-State is now doing the planning – assessing its demand and future resource needs. We are not yet doing anything specific to fill any resource gap. Our preliminary assessment is that we will have limited need in the next 6 to 10 years. We have, however, used competitive bidding for some recent resource acquisitions. We will continue to do so, disciplined by self-build analysis.

Q. How does the selection of the Holly site factor into competitive bidding?

A. The site is being used to begin to evaluate resource options. No decision has been made.