

EXTERNAL AFFAIRS/MEMBER RELATIONS/COMMUNICATIONS AND PUBLIC AFFAIRS

1. Safety

- a. There were two Non-Lost Workday Cases in October 2023.

1. Environmental and Regulatory Activities

- a. For October 2023, 28 air, water, and waste areas environmental compliance reports were submitted to the Colorado Department of Public Health and Environment (CDPHE), New Mexico Environment Department (NMED) and the Environmental Protection Agency.
- b. Agency inspections.
 - i. An on-site inspection for polychlorinated biphenyls (PCBs) was conducted by the EPA at TS Headquarters and Lazy Dog Substation. An on-site inspection for air quality was conducted by CDPHE at the Colowyo Mine.

2. Government Relations

- a. The Government Relations report was provided.

3. Member Relations and Communications

- a. TS Member Relations/Marketing/Communications reports were provided.

4. External Affairs Committee Report

- a. Reg Rudolph provided a written report.

REGULAR BOARD MEETING AND COMMITTEE MEETINGS

This month Tri State had all the standing committee meetings along with the Board Meeting in person. Due to CREA's Energy Innovations being on the Monday of TS's Board/Committee meetings week, the Executive Committee Meeting was moved to Tuesday. In addition to the four committee meetings held on Tuesday there was a last-minute mandatory Special Information/Education Meeting for all the TS directors and senior staff. The subject of the special meeting was settlement terms with United Power over the Adams County case. On Board Day (Wednesday) an additional Special Meeting was noticed. This Special Meeting was held towards the end of the Board Meeting and discussed/approved settlement terms with United Power.

I am one of four members of the Board Policy Review Committee (BPRC), and the committee has been working, since July, on the current 73 TS board policies. This month the initial two revised policies were advanced for committee and board approval. These two policies have combined relevant/duplicate policies and reflect a new format along with standardizing common terms. A stand-alone glossary of terms document will be accessible along with the revised policies. In the past, policies to be reviewed were first put in front of the Executive Committee for recommendation, then the next month (if recommended for approval) the policy would be placed in front of the standing committee the policy is assigned to, then the next month the policy (if recommended for approval) would go in front of the whole board for final approval. Going forward the three-step approval will be completed in one month instead of three. TS will stand up the Contract Committee in 2024. Policy requires this Committee to be held at least every 5 years.

Please see the November Board Report in OnBoard and additional TS reports/presentations in the LPEA Board Drive. Documents in the Board Drive may not be shared with the public.

This month's highlights

- Chairman and CEO messages
- Operations and financial performance
- Chronology of partial requirements
- Affiliated organization presentations
- Recent Media
- Government Relations report
- Meetings and events

From the Chairman

I am pleased to report that today, Tri-State and United Power announced that a Term Sheet has been executed that sets forth the terms to make good faith efforts between our two cooperatives to execute a formal Settlement Agreement. The Settlement Agreement will include power purchases and the sale of utility assets from Tri-State to United Power.

With a Settlement Agreement, Tri-State and United Power would jointly file for dismissal of the litigation at the Adams County District Court. Tri-State and United Power will continue to take actions to ensure United Power's timely exit by May 1, 2024, upon payment of a contract termination payment, with the amount to be set by the Federal Energy Regulatory Commission.

The Settlement Agreement will not address the Commission proceeding related to the contract termination payment that members will pay to Tri-State to terminate their contracts early and withdraw from membership. We await the Commission's decision in that proceeding shortly.

I want to thank the staff and boards of Tri-State and United Power for this very positive step forward.

As you will read below from Duane, Barbara Walz will retire this December. We wish Barbara the very best and will miss her leadership and perspective in our boardroom.

The annual CREA Energy Innovations Summit was held last week, as were director training courses and CREA's fall meeting. Kent Singer and his team deliver a high-quality program. The director education program included ESG (Environmental, Social and Governance) training, and I think there are opportunities to work with NRECA to better support ESG curriculum for electric cooperatives.

Last month, Tri-State hosted a member system orientation, and although I could not attend, I continue to receive very good feedback on these sessions. A key takeaway is that behind the scenes, operations within Tri-State are extremely complex, and the process to maintain the delicate balance of energy to power 42 members and their more than a million consumer-members across four states is impressive.

The NRECA Region 8/10 meeting was held in New Orleans, with Don Keairns and many members from New Mexico, Charise Swanson from NMRECA and I in attendance. There were several presentations of note, including one from Federated Rural Electric Insurance Exchange with striking statistics on electrical contact claims reported, which reinforces the important focus on working safely, especially with more work being done to string broadband lines. At the meeting, Keven Groenewold, retired CEO of NMRECA, was recognized with the Michael F. Peterson Cooperative Spirit Award from the Rural Electric Statewide Managers Association. Congratulations Keven on your well-deserved recognition.

On Oct. 12, Don and I attended the Member System CEOs meeting at Tri-State. I appreciate Duane and the CEOs giving Don and I the opportunity to sit in on their meetings. There was good attendance and participation by the CEOs.

Board directors need to complete the annual SEC director questionnaire related to Tri-State's 2023 Annual Report on Form 10-K. There's a link to the questionnaire on the last page in the Board Book on Diligent. Shannon sent directors their completed questionnaire from last year as a reference.

As I work to serve you as best I can, please do not hesitate to reach out to me at 575-430-2995 or tim.rabon@tristategt.org — *Tim*

From the CEO

I want to reiterate Chairman Rabon's thanks to the teams at Tri-State and United Power for their hard work, resulting in a Term Sheet that sets a path to a settlement agreement. We continue to do all we can to ensure a timely and orderly contract termination and withdrawal process.

Following FERC's order on the four reserved issues and a subsequent call with FERC staff to discuss our formulary rate filing, we made a supplemental rate filing with FERC on Nov. 2. This filing 1) further unbundled charges on the bill to break them into transmission, generation and those aspects of ancillary services that are currently tracked and able to be segregated out and 2) offered further support for continuing to bundle the costs of the radial transmission assets. We provided the membership with information and a Q&A on the rate filing.

After a 26-year career at Tri-State, SVP Policy & Compliance and CCO Barbara Walz has announced her intent to retire in December 2023. Barbara has represented the interests of electric cooperatives and Tri-State in numerous forums in her career and has been an incredible asset to our organization and our industry. Congratulations Barbara on an impressive career at Tri-State and in the energy industry. We wish you all the best in retirement.

At our board meeting, Reg Rudolph reviewed a chronology of the partial requirements process, including how we got to where we are today, and what our plan is for the future. We have a path forward and are working hard with the members to make greater contract flexibility a reality.

In October, I was grateful to attend the board meeting of Roosevelt and Carbon for in-depth discussions on what is on our members' minds and all that is going on at Tri-State. I look forward to meeting with the Sangre de Cristo, Empire, Y-W, La Plata and High Plains boards and attending the Nebraska Rural Electric Association Annual Meeting before the year's end. In 2023, we will have attended 30 member board meetings, and I look forward to continuing these invaluable member meetings in 2024.

With Chairman Rabon, I visited Socorro for meetings with local officials and candidates, and to go on a local radio station to discuss our important role as a G&T and the value of our transparent, not-for-profit and democratically led cooperative business model, as well as highlight the importance of having capacity in an increasingly challenging energy market. Thank you to Leroy Anaya and Joseph Herrera for the opportunity.

We have met with the Colorado Energy Office to discuss the Governor's 2040 roadmap, with state officials considering net-zero greenhouse gas emissions goals by 2040. There is the potential that we could see legislation and we are watching this issue closely. We also hosted Colorado Public Utilities Commissioner Megan Gilman for a tour of Tri-State, including our marketing and operations centers. It's important that we help educate regulators on Tri-State's unique scope and scale of operations, and we are thankful for the Commissioner's time.

On Nov. 14, Tri-State will participate in the national GridEx tabletop exercise to test our physical and cyber security readiness. CAO Elda de la Peña will serve as our incident commander. The Electricity Subsector Coordinating Council (ESCC) has a lead role in this exercise, which has 7,000 participants from 500 utilities and government organizations. I will participate in a media briefing following the exercise as co-chair of the ESCC.

Finally, I am grateful to our board for the gift of time afforded to my wife and I as we recharged on vacation last month. We are here to serve you, and if we can be of assistance, please contact me any time at 303-254-3535 or dhighley@tristategt.org — Duane

Operations and Financial Performance

September 2023 operations performance

- Coal fleet generation was at 99% availability and 40% of total power supply.
- Gas and oil fleet generation were above budget and accounted for 5% of total power supply.
- Renewable generation accounted for 29% of total power supply and 34% of member load.
- Tri-State had 759 MW of utility-scale wind and solar capacity with an average capacity factor of 32%, with 385 MW (51% of potential output) available at Tri-State's peak.
- Other purchased power (non-renewable) was 26% of total power supply.
- Member sales revenue was 10.6% over budget and non-member energy sales revenues were 36% under budget.

View the [Operations Report](#) in the Member Information Center and the directors' BoardBooks app.

September 2023 financial performance

- Operating expenses were higher than budget. Purchased Power and Production costs were higher than budget, offset partially as Fuel and Transmission costs were lower. Fuel costs were lower as generation was lower and was offset by more purchased power on the open market.
- Purchased power was higher than budgeted for the month, driven by higher open market purchases and higher term purchases.
- Generation at the coal-fired plants was down for the month, along with less power produced from the Combustion Turbines, compared to budget, causing the need to replace the power on the open market. Generation at the combined cycle unit was higher than budget.

View the [Financial Results](#) in the Member Information Center and the directors' BoardBooks app.

Board Update

Fiduciary duty and Wholesale Electric Service Contract review

On a regular basis, staff holds educational sessions on topics of importance to the board. This month, General Counsel Jay Sturhahn discussed the fiduciary duties of a cooperative board member and the Wholesale Electric Service Contract (WESC), covering the following topics:

- The fiduciary duties of all cooperative directors, including: loyalty, due care, and not to usurp an opportunity of the cooperative.
- Service on the Boards of both a distribution cooperative and a G&T creates certain fiduciary challenges.
 - Importantly, the Director owes the same fiduciary duties to the distribution cooperative and the G&T.
 - Under Colorado law, "the director owes fiduciary duties to both associations and shall not be required to give priority to a fiduciary duty the director owes to one association over the duties the director owes to the other association." C.R.S. § 40-9.5-110.5(2)(b)
 - The Dual Director must manage his or her participation on both Boards to preserve his or her ability to discharge the duties separately owed to each entity.
 - A Dual Director who cannot in good faith discharge his or her fiduciary duties to both the distribution cooperative and the G&T must decide whether it is necessary to recuse himself or herself or resign from one or both Boards.
 - The appropriate course of action, when a director does not believe they can meet their fiduciary duties to both the distribution system and Tri-State, which may include seeking legal counsel and/or recusal. Distribution cooperative's general counsel or the G&T's general counsel is not the Director's lawyer.

Lawyers' duties are to the cooperative, not individual directors. Nevertheless, legal counsel may be able to provide some advice.

The WESC discussion included the history of the WESC and how it has evolved, and Tri-State's obligation to serve and members' obligation to purchase under the contract. There was also a discussion of partial requirements membership.

View the [Fiduciary Duty presentation](#) and the [WESC presentation](#) in the Member Information Center and the directors' BoardBooks app.

Chronology of Partial Requirements

Chief Energy Innovations Officer Reg Rudolph reviewed the process, following FERC's rejection of the buy-down payment settlement, to develop partial requirements options for the membership.

- In December 2022, FERC rejected Tri-State's buy-down settlement filing. The settlement was agreed to by Tri-State, a majority of the Members, and not opposed by FERC Trial Staff, but was opposed by United Power, who generally argued that the BDP settlement rates were too low and resulted in cost shifts from partial requirements members to remaining members.
- In February 2023, Tri-State met with the members that received partial requirements allocations to discuss how to advance partial requirements. Goals included creating value and flexibility for participants, keeping the remaining members whole, and replicability. An equalization payment (EQP) option was discussed.
- In April, May and June, members with partial requirements allocations met with Tri-State and reviewed NewGen modeling on the EQP approach. Weekly meetings started in late June into August. Also in June, Tri-State began discussions with ACES, the cooperative power marketer, to provide a market and technical perspective.
- With concurrence from the membership, the buy-down payment tariff was withdrawn.
- At the July Member CEO meeting, staff reviewed the EQP with the member CEOs.
- In September and October, ACES conducted one-on-one meetings with all participants to understand their needs and discuss technical delivery of power. ACES and NewGen worked to review the EQP model to assure inputs mirrored market conditions, and an updated EQP spreadsheet was sent out to participants before CEO meeting.
- At the October Member CEO meeting, NewGen provided an update on the EQP model, and ACES presented a market update and challenges of finding economical projects. Tri-State staff stated the EQP concept is a viable economic solution and ACES will support the technical solution.

The partial requirements EQP would be a complicated concept to administer and find an economic solution that meets members' and regulatory goals. The filing at FERC takes 60 days to become effective.

View the [presentation](#) in the Member Information Center and the directors' BoardBooks app.

RMEL update

Rick Putnicki, executive director, RMEL, presented on his organization to the External Affairs/Member Relations Committee. RMEL is a not-for-profit electric energy trade association focused on education and networking for electric utilities of all types and industry services and suppliers. The Association has served the electric energy industry since 1903. RMEL programs are driven by its member companies across the United States through the Board of Directors and Education Committee and executed by a dedicated staff through training, networking, and educational events.

View the [RMEL](#) presentation in the Member Information Center and the directors' BoardBooks app.

Amity Mutual update

Josh Reinert, superintendent, Amity Mutual Irrigation Company, presented on his organization to the External Affairs/Member Relations Committee. The company operates and maintains an irrigation canal in southeast Colorado for agricultural irrigation purposes for the benefit of its members. Amity delivers Irrigation water to 34,000 acres of land in Prowers County, maintains 164 miles of canal system and close to 250+ miles of roads that parallel the canal. Amity also maintains the Great Plains Reservoir System.

View the [Amity Mutual](#) presentation in the Member Information Center and the directors' BoardBooks app.

Recent media

- [Tri-State and United Power execute settlement Term Sheet](#)
- [Tri-State receives USDA Rural Energy for America's Technical Assistance Grant](#)
- [U.S. Department of Energy selects Tri-State for \\$26.8 million in federal funding to increase power grid resilience and reliability across four western states](#)

Government Relations Report

The November [Government Relations Report](#) can be found in the Member Information Center and the directors' BoardBooks app.

Meetings and events**Escalante Station Event and Membership Town Hall**

- Nov. 9, 10:30 a.m., Escalante Station, Prewitt, N.M.

Member Communications Advisory Council

- Tues., Nov. 21, 2 p.m.

Member CEO Meeting

- Dinner, Mon., Nov. 27, 5 p.m.
- Meeting, Tues., Nov. 28, 8:00 a.m. (breakfast at 7:30 a.m.)

December Board Meeting

- Executive Committee, Mon., Dec. 4, 3 p.m.
- Committee Meetings, Tues., Dec. 5, running consecutively beginning at 8 a.m.:
 - Engineering and Operations Committee
 - External Affairs/Member Relations Committee
 - Finance and Audit Committee
- Board Dinner, Tues., Dec. 5, 6 p.m., Delta Hotel
- Board Meeting, Wed., Dec. 6, 8 a.m.