

## letter from the chairman

It has been a year since I was privileged to be elected chairman of the Tri-State board of directors. Of course, I follow in the footsteps of Hub Thompson, who served in the position for the previous 26 years, before his retirement in April of 2010. It's largely due to Hub's service and commitment to Tri-State that the organization is as healthy, productive and successful as it is today.

I realized those were going to be big shoes to fill, even though I had served as vice chairman under Hub for the previous 13 years. To date, the transition has been smooth and for that, I owe a great deal of credit and thanks to my fellow board members who have provided their generous support throughout the year.

Shortly after I became chairman, I felt it imperative that we initiate a strategic planning process to make sure the board and executive staff are in alignment as we tackle the many challenges on the horizon. The process has been successful in its early stages and moving forward, I believe it will help provide a strong foundation for decision-making as we strive to meet the needs of our membership.

One of the major challenges for any power supplier is keeping rates affordable. High energy costs hamper economic growth and as we pull

ourselves out of the economic downturn, affordable power is going to play a key role.

Growing jobs and building a strong economy demand long-term stable and affordable energy prices. Yet, the utility industry faces an onslaught of environmental, regulatory and market pressures—challenging us to innovate, develop new tools and analytic capabilities, and focus our efforts to maintain affordable rates.

As the utility industry continues to evolve—with increasing mandates, regulatory requirements, a changing marketplace and technology advances—the board has initiated a review of Tri-State's rate structure. It is important to examine our rates to determine if they are providing the best optimization on behalf of our members. Our goal is to accomplish that through this process.

Another issue of vital importance to the association is our ability to keep available all of our fuel and resource options in our long-term resource planning efforts. We also continue to make investments in key technology areas that are critical to our future ability to reliably and affordably deliver electric power.

Tri-State ended 2010 financially strong, as you'll read elsewhere in this annual report.

One major financial milestone occurred in the fourth quarter when Moody's upgraded our credit rating. That action was a result of continued effort over the past several years—made by both the board and staff—in strengthening Tri-State's financial position and effectively managing risk. The issuance of \$500 million in bonds bolstered our liquidity and allowed us to lock in long-term financing rates that are historically low.

Much of what we accomplished over the past year can be attributed to Tri-State's outstanding workforce. Tri-State's employees' dedication to excellence—and ultimately to our membership—is second to none.

I can confidently say that the board of directors is very appreciative of the efforts put forth by the entire Tri-State workforce every day. I look forward to continuing working together to meet the many challenges facing us.





**Rick Gordon** Chairman



**Ken Anderson** Executive Vice President and General Manager

## message from the executive vice president and general manager

Tri-State continued to be an industry leader in 2010 by meeting or, in many instances, exceeding workplace safety benchmarks, adhering to the highest standards in reliability, environmental and regulatory compliance, and improving business process efficiencies in many areas of the organization. The association remained focused on the development and utilization of new technology and continued to more effectively manage and mitigate risk. As a result, we have been able to keep our wholesale rates to our members stable.

Our success was made possible primarily by our highly competent and motivated workforce and the vision of our board of directors. Together, we continue to meet the challenges in serving our mission, “keeping the lights on” for our 44 members and ensuring a reliable and affordable supply of power to their member-owners.

Tri-State is in a solid resource position, having taken several important steps in the past several years to secure the resources needed to meet our members’ near-term energy and capacity requirements.

In 2010, we added significantly to our renewable resource portfolio when both the 51-megawatt Kit Carson Windpower Project and the 30-megawatt Cimarron Solar Facility began

commercial operation. Tri-State has long-term power purchase agreements for the output from both of these facilities. Augmenting these efforts is a growing list of local renewable energy projects that Tri-State members are bringing on-line with the help of the association’s well-crafted policies. We also have expanded our Energy Efficiency Credits program to bring new technologies and added value to our members.

Importantly, Tri-State also continues to maintain a reliable and cost-effective portfolio of generating units, including a fleet of highly-reliable baseload generating stations. We prudently invest in those facilities to ensure we can meet our members’ electric needs.

Looking ahead, Tri-State is pursuing a multiple option resource strategy to meet long-term regional power requirements. An uncertain regulatory environment, dynamic marketplace and the long lead times required to develop new power resources makes it necessary for us to continue to analyze and develop a number of resource and fuel options—including coal, natural gas, nuclear technology and renewable generation projects.

We also focus a great deal of emphasis on new technology development—including innovations that support the cost-effective management of

carbon emissions—preserving coal as an affordable and reliable option. These include investments in carbon capture and sequestration investigations and the integration of renewable and fossil resources.

In the environmental and regulatory arenas, there are a number of challenges that have the potential to impact our ability to produce and deliver affordable electricity to our members. We will remain vigilant in our efforts to ensure that regulation is reasonable and that we can implement new, cost-effective technologies to successfully address our energy and environmental goals.

To better manage the risks and uncertainties associated with the myriad future challenges, Tri-State has implemented significant projects to enhance and mature our forecasting, analytic and risk assessment capabilities. We continue to make the investment in our human resources one of our top priorities, and we also remain committed to innovate, seek reasonable technology solutions and protect our members’ consumer-owners’ access to affordable power.

