





{ability}

Today, the ability to generate and deliver a constant supply of electric power is more important than ever. Our daily lives, livelihoods and the economy itself are dependent on the benefits and value provided by affordable, reliable and responsible electricity.

Although the number of challenges and obstacles to accomplishing this goal seems to be increasing year after year, Tri-State has proven to have the appropriate resources, experience and motivation necessary to succeed.

Tri-State relied heavily on all those qualities in 2010 to record another successful year, both operationally and financially. While doing so, the association continued to develop and implement a number of plans and initiatives designed to identify and mitigate various potential risks and threats to its core business operations.

On the power generation side of its operations, Tri-State is in a secure resource position. In recent years, the association has entered into contracts

with other utilities and independent power producers to obtain generation resources to meet growing member demand.

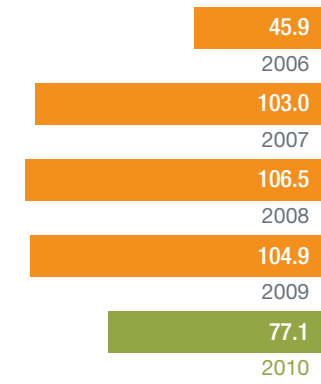
Geared toward further diversifying Tri-State's generation resource mix, two major utility-scale renewable energy projects from which Tri-State purchases power came to fruition toward the end of the year, when the Kit Carson Windpower project and the Cimarron Solar project both became operational in November. Both projects serve as excellent examples of Tri-State's ability to harness and utilize some of the many natural resources available in the West.

First to come on-line was the Kit Carson Windpower facility, located just outside

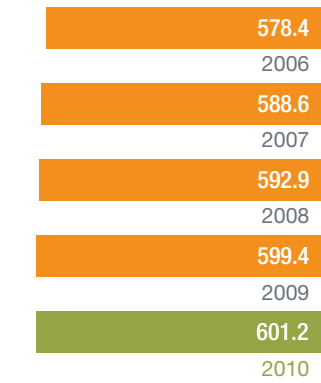


afford{ability}

Tri-State's priority and commitment are ensuring that our members' power remains affordable. As a vital commodity, electricity should not become a financial burden. We work every day to make sure its cost is fair and manageable for our members.



Net Margins
(\$ millions)



Member Consumer-Meters
(thousands)

the town of Burlington on the eastern Colorado Plains. The 51-megawatt project consists of 34, 1.5-megawatt General Electric turbines spread across a 6,000-acre area. Duke Energy owns and operates the wind farm; Tri-State is purchasing the electric output under a 20-year power purchase agreement with Duke. The project was directly connected to an existing Tri-State transmission line.

The 30-megawatt Cimarron Solar project—one of the largest of its kind in the United States—came on-line within weeks of the new wind farm. The 250-acre facility in northeast New Mexico consists of 500,000 thin-film photovoltaic panels produced by First Solar, Inc. The project is owned and operated through a partnership between Southern Company and Turner Renewable Energy; Tri-State is purchasing the electricity generated at the solar plant under a 25-year power purchase agreement.

Tri-State continues to develop a number of resource options to reliably and cost-effectively meet its members' and the region's long-term power requirements. Given regulatory and marketplace uncertainties, the association is considering a wide range of fuels and technologies, including coal, natural gas, nuclear and renewable options.

In 2010, the association developed a required resource plan filing for the

Colorado PUC and the Western Area Power Administration that is foundational for future business decisions. The filing was developed with significant public input and review through several public participation meetings that were held to receive comments from interested parties. The plan was ultimately reviewed and approved for filing by Tri-State's board of directors.

Late last year, an air permit was issued to Sunflower Electric Power Corporation for the proposed Holcomb Station expansion in western Kansas. With other utilities, Tri-State is a partner in the proposed project. In 2011, Tri-State will assess the activities necessary to meet the permit's conditions and will continue to perfect the Holcomb option for consideration. Given the long lead times required to site, permit and construct new generation resources, the association is analyzing multiple resource options to meet its long-term resource needs.

Tri-State continues to make investment in technology development, with a focus on preserving coal-based power as a responsible and affordable option. With several public and private partners, Tri-State is a participant in a major carbon sequestration assessment project in northwestern Colorado near its Craig Station. As an active member of the Electric Power Research Institute, the association is a participant in several



reli{ability}

For nearly 60 years, the electric power produced and delivered by Tri-State has been dependable, sufficient and safe. Members know they can rely not only on the power itself, but also on our ongoing dedication to keep the lights on.



adapt{ability}

In a rapidly-evolving industrial climate, Tri-State has demonstrated the ability to adjust to change, time and again. Whether it's taking on increased regulation, reaching compliance or upholding our position in the market, our ability to keep pace and demonstrate leadership within the industry continues to be a proven strength.



national research efforts, including serving as the host for a potential solar augmentation project at Tri-State's coal-based Escalante Station in New Mexico. In 2010, the association also received an EPRI technology transfer award for its Greenhouse Gas Management Roadmap.

The ability to reliably and safely deliver power to the member co-ops is highly dependent on Tri-State's multi-state, high-voltage transmission system. The association continues to place a significant focus on transmission infrastructure, which is vital to ensuring the long-term viability of its power delivery system and meeting its goals and mission.

In the near-term, Tri-State's 2011 capital construction budget includes \$160 million earmarked for transmission investments—the initial phase of a long-term plan that includes significant infrastructure investments through 2019.

Tri-State is currently moving forward with several new transmission projects, including a partnership to construct needed power lines from southern Colorado's San Luis Valley to Pueblo, as well as the development of new power paths from New Mexico into southwest Colorado. Also included in its long-range plans are a number of other large projects that support reliability, growth and the interconnection of new generation resources.

cap{ability}

Qualified. Competent. Experienced. The wealth of resources that forms Tri-State's foundation ensures our members that our product and services will continue to meet their needs. These resources include our 44 member cooperatives; our symbiotic relationship with each allows us all to be greater than the sum of our parts.



One project that got off the ground—and under it, as well—in 2010 is the long-anticipated line upgrade running between Tri-State's Nucla and Sunshine substations in southwest Colorado. Construction began in June on the 51-mile, 115-kilovolt line after being delayed by landowner concerns and legal maneuvering for approximately 10 years.

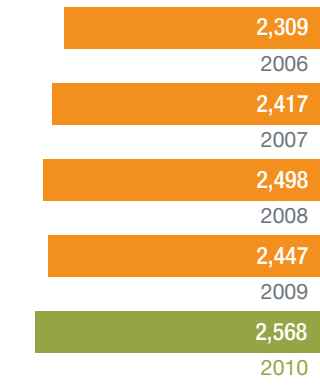
The new line is replacing an aging 69-kilovolt line that was originally constructed in 1948 and is at the end of its useful life. Work will continue on the new line during next year's construction season as well as in 2012, which is when it is scheduled to be energized.

Approximately 10 miles of the line is being built underground as a result of an agreement reached between the counties involved, private landowners, Tri-State and its local member co-op, San Miguel Power Association.

Another major step underway impacting Tri-State's power delivery operations began when the association's board adopted changes to policies aimed at providing consistent, system-wide delivery point voltage practices to all of its member co-ops. The "low-side delivery point" policy changes assign all existing transmission equipment—100 kilovolts and higher—under Tri-State's ownership and maintenance oversight.

The policy changes are largely driven by evolving federal regulatory compliance standards that are placing increasing legal obligations on electric utilities, as well as Tri-State and member efforts to help streamline the process of meeting those standards. Hundreds of transformers will be transitioned from the members to Tri-State over a three-year to four-year period, which also is expected to create efficiencies and provide significant long-term value to the members.

An effort that has been providing energy efficiency opportunities for a quarter of a century is Tri-State's Energy Efficiency Credits program.



Member Coincident Peak Demand
(megawatts)



sustain{ability}

By focusing on future initiatives, investing in the continual development of our human resources and taking strategic steps today, we're securing our position as a power supplier for our member co-ops well into the future. More than a half century of careful, calculated growth has created an overarching culture of sustainability at Tri-State.



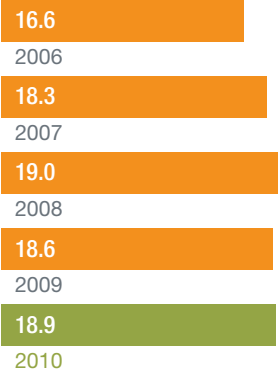
The program—which provides end-use consumers with financial incentives to purchase and install energy efficient electric heating and cooling systems, appliances, motors and other technologies—has consistently grown throughout its 25 years of existence. In 2010, Tri-State returned \$1.3 million to electric co-op consumers and businesses who made the decision to “plug in and save.”

Over the years, as new energy-saving devices are developed and marketed to the public, Tri-State has modified and expanded the program to better meet the needs of its members and their consumers. The net result to Tri-State

has been a cumulative savings of more than 75 megawatts in demand and 80,000 megawatt-hours in energy over the life of the program.

Along with encouraging and assisting consumers with energy savings initiatives, Tri-State supports the communities in which it operates in a number of other ways. Tri-State has assisted in establishing and funding linemen training schools in Colorado, Nebraska and New Mexico—in part to help train and groom potential future employees for itself and its members.

The association has a longstanding practice of investing in future generations,



Total Megawatt-hour Sales (millions)





Average Wholesale Rate to Members
(cents/kilowatt-hour)

through its support of Future Farmers of America foundations and 4-H programs throughout its service territory. It also has been active in supporting agricultural education and development through its ongoing sponsorship participation with the Colorado State Fair Junior Livestock Auction and the National Western Stock Show and Rodeo.

Putting into practice the Touchstone Energy core value of “commitment to community,” Tri-State and its members are long-time supporters and participants in activities that help raise funds and awareness for a variety of charitable organizations, such as St. Jude Children’s Research Hospital, the Ronald McDonald House and the United Way.

Tri-State’s ability to produce and deliver an affordable, reliable and responsible source of power for its members and their communities throughout the West extends far beyond brick and mortar power plants and the steel and wood of transmission towers. That ability is also comprised of a commitment and dedication to deliver value, quality and a level of excellence second to none.

account{ability}

It’s the integrity and responsibility to stand behind every decision and every action, which is as important today as it has ever been. Organizations that carry respect—for themselves, for their industry and for those they serve—are a benchmark for operational excellence.

