

Financial Highlights and Five-Year Financial Summary

Tri-State reached its financial goals in 2009 by immediately addressing the challenging economic times head on. In February 2009, the association successfully refinanced the \$46.8 million Moffat Pollution Control Revenue Bonds and thereby saved \$3 million in annual interest costs. In April 2009, the association issued \$300 million of First Mortgage Obligations in a private placement. These two transactions were accomplished during times of extreme financial market uncertainty and completing them is a testament to the financial strength of Tri-State.

The association was able to use these funds to take bold steps to assure reliable and affordable electricity far into the future. Along with numerous 2009 capital improvements and system upgrades, in December 2009, the association acquired a 49 percent equity interest (including the 1 percent general partner equity interest) in the Springerville Unit 3 Partnership LP which is the 100 percent owner of the Owner Lessor in the Springerville Generating Station Unit 3 Lease in which Tri-State has been the lessee since 2006. This effectively gives the association ownership of 49 percent of the unit today rather than having to acquire this valuable asset under a purchase option at the end of the lease in 2040 after making lease payments for the entire lease.

The acquisition gives Tri-State the power and discretion to operate, manage and control the affairs of the Springerville Partnership. Therefore, beginning on the December 18, 2009 acquisition date, the Springerville Partnership and the Owner Lessor are included in the association's consolidated financial statements. Starting on this date, there is no longer Springerville Unit 3 Lease expense on Tri-State's consolidated statements of operations. Instead, 100 percent of the assets, liabilities and expenses of the Springerville Partnership and the Owner Lessor (consisting solely of the Springerville Generating Station Unit 3 assets, debt and related expenses) are included in the consolidated financial statements of the association.

This transaction was accounted for as an acquisition of assets and the association recorded the Springerville Generating Station Unit 3 assets as a \$980 million addition to electric plant in service. This is the primary reason that electric plant in service increased \$1.1 billion from December 31, 2008 to \$4.164 billion as of December 31, 2009.

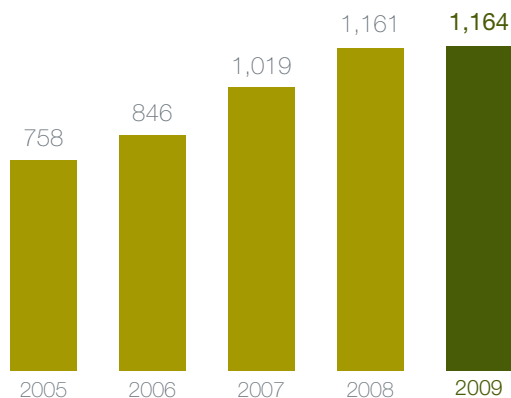
The Springerville Partnership acquisition also resulted in Tri-State recording long-term debt of \$708 million. This debt and the \$300 million First Mortgage Obligations were the primary reasons that long-term debt increased \$937 million from December 31, 2008 to \$2.5 billion as of December 31, 2009.

The association provides power to its member systems and also sells power to other utilities in the region under long-term contracts and market sale arrangements. Member electric sales for 2009 reached a new record 14,245,565 megawatt-hours, which was 1.5 percent greater than 2008's record setting 14,028,575 megawatt-hours. This continued growth in member electric sales and the 4.1 percent rate increase effective January 1, 2009 resulted in member electric sales revenue increasing \$56.5 million from 2008 to \$926.4 million in 2009.

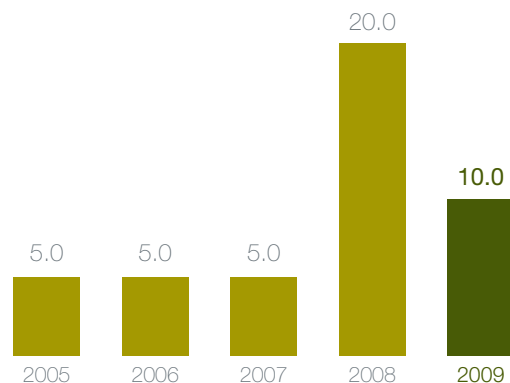
The 2009 non-member electric sales revenue decreased \$48.7 million and purchased power expense decreased \$36.7 million due primarily to the decrease in the market price of electricity in 2009 compared to 2008.

The association continues to maintain its strong liquidity and, as of December 31, 2009, Tri-State had \$145.6 million in cash, \$150 million of unused committed lines of credit and a secured revolving credit facility with a total commitment of \$219 million on which it had drawn \$102.2 million.

Tri-State's strong financial position and credit worthiness provide the association with the continued ability to meet the future needs of the member distribution systems and their consumers.



Total Operating Revenue
(\$ millions)



Patronage Capital Retirements
(\$ millions)

<i>(Thousands)</i>	2009	2008	2007	2006	2005
Operating revenues					
Member	\$ 926,428	\$ 869,960	\$ 750,838	\$ 651,993	\$ 602,166
Non-member	237,468	290,678	267,808	194,051	155,454
Operating expenses					
Power costs	(669,590)	(703,047)	(574,094)	(514,672)	(456,717)
Lease expense	(71,115)	(64,991)	(56,143)	(27,884)	(6,930)
Transmission	(115,128)	(106,578)	(96,015)	(89,250)	(68,948)
General and administrative	(16,514)	(11,589)	(9,226)	(9,498)	(7,166)
Depreciation and amortization	(104,973)	(98,936)	(95,158)	(92,438)	(85,963)
Income taxes	(7,615)	(1,954)	(2,219)	—	(2)
Operating margins	178,961	173,543	185,791	112,302	131,894
Other income	28,739	36,173	24,024	31,136	21,774
Other deductions					
Interest expense	(97,560)	(97,567)	(104,107)	(103,908)	(100,261)
Other expense	(5,476)	(5,700)	(2,701)	6,398	(5,994)
Net margins including noncontrolling interest	\$ 104,664	\$ 106,449	\$ 103,007	\$ 45,928	\$ 47,413
Noncontrolling interest	210	—	—	—	—
Net margins attributable to the Association	\$ 104,874	\$ 106,449	\$ 103,007	\$ 45,928	\$ 47,413
Plant in service (net)	\$2,661,633	\$1,596,339	\$1,607,432	\$1,622,638	\$1,552,201
Construction work in progress	133,111	143,861	107,408	90,944	59,508
Total plant	2,794,744	1,740,200	1,714,840	1,713,582	1,611,709
Cash and temporary investments	145,585	85,873	135,347	116,063	113,741
Accounts receivable	112,243	104,177	96,190	86,360	75,015
Inventories	101,586	75,474	63,109	51,312	46,765
Other current assets	16,323	13,880	13,016	82,064	8,349
Total current assets	375,737	279,404	307,662	335,799	243,870
Investments in other associations	110,368	105,917	95,202	96,537	96,398
Prepaid lease expense	—	90,202	75,710	1,188	22,451
Other assets	407,906	295,526	252,458	228,538	150,739
Total other assets	518,274	491,645	423,370	326,263	269,588
Total assets	\$3,688,755	\$2,511,249	\$2,445,872	\$2,375,644	\$2,125,167
Long-term debt	\$2,509,129	\$1,571,793	\$1,641,151	\$1,637,784	\$1,448,215
Current liabilities	262,410	268,462	237,279	274,335	244,503
Deferred credits and APBO	134,928	113,506	95,872	89,894	99,829
Total liabilities	2,906,467	1,953,761	1,974,302	2,002,013	1,792,547
Patronage capital equity	652,613	557,488	471,570	373,631	332,620
Noncontrolling interest	129,675	—	—	—	—
Total equity	782,288	557,488	471,570	373,631	332,620
Total equity and liabilities	\$3,688,755	\$2,511,249	\$2,445,872	\$2,375,644	\$2,125,167
Other data:					
Megawatt-hours sold—member	14,245,565	14,028,575	13,456,791	13,094,448	12,465,924
—non-member	4,311,891	4,979,993	4,857,818	3,519,288	2,829,968
System coincident peak demand—megawatts	2,447	2,498	2,417	2,309	2,299
Average member mills/kWh—sales	65.03	62.01	55.80	49.79	48.19
Average member mills/kWh—capital refunds	0.70	1.43	0.37	0.38	0.40
Plant additions (cash)	\$ 298,791	\$ 116,208	\$ 89,600	\$ 186,338	\$ 152,837
Capital credit allocations received	12,712	19,252	5,387	6,612	6,474
Tri-State capital credits retired	10,000	20,000	5,000	5,000	5,000
Long-term debt repaid	171,141	125,087	134,464	101,885	80,047
Weighted average long-term debt interest rate	5.9%	5.7%	5.9%	6.1%	6.3%
Equity as a % of total capitalization	22.9%	24.6%	21.1%	17.4%	17.7%