

We Deliver:



Tri-State Generation and Transmission Association

2010 Second Quarter Report

Interim Consolidated Statements of Financial Position (unaudited)

(Thousands)

	June 30, 2010	December 31, 2009
ASSETS		
Electric plant		
In service	\$ 4,274,555	\$ 4,163,867
Construction work in progress	159,247	133,111
Total electric plant	4,433,802	4,296,978
Less allowances for depreciation and amortization	(1,560,270)	(1,502,234)
Net electric plant	2,873,532	2,794,744
Other assets and investments		
Investments in other associations	109,528	110,368
Investments in coal mines	30,920	30,976
Deferred equity note	9,294	8,851
Other noncurrent assets	14,899	15,549
Total other assets and investments	164,641	165,744
Current assets		
Cash and cash equivalents	260,927	145,585
Deposits and advances	13,630	16,323
Accounts receivable - members	86,858	84,460
Other accounts receivable	21,945	27,783
Coal inventory	44,031	49,371
Materials and supplies	53,843	52,215
Total current assets	481,234	375,737
Deferred charges	289,968	352,530
Total assets	\$ 3,809,375	\$ 3,688,755
EQUITY AND LIABILITIES		
Capitalization		
Patronage capital equity	\$ 670,377	\$ 652,613
Noncontrolling interest	127,264	129,675
Total patronage capital equity and noncontrolling interest	797,641	782,288
Long-term debt	2,576,353	2,509,129
Total capitalization	3,373,994	3,291,417
Current liabilities		
Member advances	7,990	8,539
Accounts payable	71,984	67,465
Accrued expenses	61,924	63,920
Current maturities of long-term debt	145,745	122,486
Total current liabilities	287,643	262,410
Deferred credits and other liabilities	139,352	126,760
Accumulated postretirement benefit and postemployment obligations	8,386	8,168
Commitments and contingencies	-	-
Total equity and liabilities	\$ 3,809,375	\$ 3,688,755

Tri-State Generation and Transmission Association 2010 Second Quarter Report

Interim Consolidated Statements of Operations (unaudited)

(Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Operating revenues				
Member electric sales	\$ 232,194	\$ 219,675	\$ 464,836	\$ 432,177
Non-member electric sales	50,111	45,787	106,799	100,177
Other	6,062	7,078	13,650	15,049
	288,367	272,540	585,285	547,403
Operating expenses				
Purchased power	66,306	62,891	125,348	104,875
Fuel	56,621	51,492	119,086	113,990
Production	28,239	23,853	55,762	46,692
Lease expense	6,375	17,617	11,757	35,349
Transmission	25,997	25,313	52,688	48,737
General and administrative	5,702	4,490	9,589	7,669
Generation maintenance	28,034	28,634	48,137	46,073
Transmission maintenance	5,229	4,371	9,681	9,004
Depreciation and amortization	33,118	25,784	65,383	51,552
Income taxes	-	994	-	1,898
	255,621	245,439	497,431	465,839
	32,746	27,101	87,854	81,564
Operating margins				
Other income				
Interest income	3,794	3,195	7,022	5,363
Allowance for equity funds used during construction	-	-	-	1,420
Capital credits from cooperatives	303	939	1,173	3,179
Other income	1,014	710	2,026	1,722
	5,111	4,844	10,221	11,684
Interest and other deductions				
Interest expense, net of amounts capitalized	34,864	24,305	68,707	47,327
Other deductions	1,780	1,045	3,961	3,097
	36,644	25,350	72,668	50,424
Net margins including noncontrolling interest	1,213	6,595	25,407	42,824
Noncontrolling interest	1,170	-	2,411	-
	2,383	6,595	27,818	42,824
Net margins attributable to the Association				
Megawatt-hours sold – members	3,511,059	3,320,653	7,140,796	6,662,885
Megawatt-hours sold – non-members	962,335	928,441	2,052,976	2,036,078
Wholesale member cost – mills/kWh	65.76	66.15	64.79	64.86
Total sales – mills/kWh	62.82	62.47	61.94	61.20

Tri-State Generation and Transmission Association

2010 Second Quarter Report

Interim Consolidated Statements of Cash Flows (unaudited)

(Thousands)

	Three Months Ended June 30, 2010		Six Months Ended June 30, 2010	
	2009	2009	2009	2009
Operating activities				
Net margins\$	2,383	\$ 6,595	\$ 27,818	\$ 42,824
Adjustments to reconcile net margins to net cash provided by operating activities:				
Depreciation and amortization	33,118	25,784	65,383	51,552
Noncontrolling interest	(1,170)	-	(2,411)	-
Capital credit allocations from cooperatives and income from coal mines (over) under refund distributions	(588)	(117)	896	3,869
Allowance for equity funds used during construction	-	-	-	(1,420)
Recognition of deferred revenue	(1,527)	-	(2,545)	-
Changes in operating assets and liabilities:				
Accounts receivable	(6,834)	(5,748)	3,440	3,906
Coal inventory	928	(15,105)	5,340	(15,991)
Materials and supplies	(798)	(503)	(1,628)	(1,840)
Prepaid lease expense	-	13,963	-	(19,507)
Accounts payable and accrued expenses	8,546	2,218	2,523	(13,539)
Other	9,414	(1,375)	13,002	2,873
Net cash provided by operating activities	43,472	25,712	111,818	52,727
Investing activities				
Purchases of plant, net of retirements	(41,209)	(56,946)	(141,180)	(104,164)
Changes in deferred charges	(297)	14,842	63,568	4,506
Changes in other noncurrent assets	1,664	658	3,152	20,119
Net cash used in investing activities	(39,842)	(41,446)	(74,460)	(79,539)
Financing activities				
Member advances	(28)	3,275	(549)	2,358
Payments of long-term debt	(26,230)	(84,642)	(77,555)	(109,868)
Advance payments to RUS and funds on deposit with trustees	(278,598)	(77,065)	(241,920)	(86,438)
Retirement of patronage capital	-	-	(10,000)	-
Proceeds from issuance of debt	395,504	308,207	408,008	367,273
Net cash provided by financing activities	90,648	149,775	77,984	173,325
Net increase in cash and cash equivalents	94,278	134,041	115,342	146,513
Cash and cash equivalents – beginning	166,649	98,345	145,585	85,873
Cash and cash equivalents – ending	\$ 260,927	\$ 232,386	\$ 260,927	\$ 232,386
Supplemental information:				
Cash paid for interest	\$ 30,681	\$ 22,827	\$ 53,516	\$ 49,325
Cash paid for income taxes	\$ -	\$ 1,898	\$ -	\$ 3,406

Financial Highlights

ELECTRIC PLANT IN SERVICE increased \$110.7 million to \$4.3 billion as of June 30, 2010 largely due to the transfer of \$68.8 million of land and water rights for future generation from deferred charges to electric plant in service as this acquisition effort was completed during the first quarter of 2010. Additionally, increases resulted from expenditures for construction projects to expand generation, transmission and telecommunications capabilities.

CASH and CASH EQUIVALENTS increased \$115.3 million to \$260.9 million at June 30, 2010 primarily due to the investment of \$88.5 million of the proceeds from the June 2010 issuance of the \$400 million First Mortgage Bonds.

DEFERRED CHARGES decreased \$62.6 million to \$290.0 million at June 30, 2010 primarily due to the transfer of \$68.8 million of land and water rights to electric plant in service as this acquisition effort was completed during the first quarter of 2010.

LONG-TERM DEBT increased \$67.2 million to \$2.6 billion at June 30, 2010 due to the June 2010 \$400 million First Mortgage Bonds which were issued at an \$8.0 million discount. This initial \$392 million increase in long-term debt was reduced by the offset to long-term debt resulting from immediately using \$300 million of the bond proceeds to make an advance payment to the Rural Utilities Service. This advance is irrevocable and can only be used to pay Rural Utilities Service or Federal Financing Bank debt and is therefore recorded and disclosed as a reduction in long-term debt.

SALES TO MEMBERS increased 477,911 megawatt-hours to 7,140,796 megawatt-hours for the six-month period ended June 30, 2010 compared to the same period in 2009. This 7.2 percent increase resulted from continued growth in the regions served by Tri-State and its member systems. This growth in megawatt-hour sales and an increase in member peak demand resulted in member electric sales revenue increasing \$32.7 million, or 7.6 percent, to \$464.8 million for the six-month period ended June 30, 2010 compared to \$432.2 million for the same period in 2009.

SALES TO NON-MEMBERS increased 16,898 megawatt-hours, or 0.8 percent, to 2,052,976 megawatt-hours for the six-month period ended June 30, 2010 compared to the same period in 2009. This increase and the 5.7 percent increase in the average price of sales to non-members resulted in non-member electric sales revenue increasing 6.6 percent to \$106.8 million for the six-month period ended June 30, 2010 compared to \$100.2 million for the same period in 2009.

PURCHASED POWER expense increased \$20.5 million, or 19.5 percent, to \$125.3 million for the six-month period ended June 30, 2010 compared to the same period in 2009. This was due to an 8.0 percent increase in megawatt-hours purchased and a 13.1 percent increase in the average cost of purchased power for the six-month period ended June 30, 2010 compared to the same period in 2009.

LEASE EXPENSE decreased \$23.6 million to \$11.8 million for the six-month period ended June 30, 2010 compared to the same period in 2009. This 66.7 percent decrease was due to the December 18, 2009 acquisition of 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. The acquisition and the required consolidation of the Springerville Partnership and the Owner Lessor in Tri-State's consolidated financial statements results in there no longer being Springerville Unit 3 Lease expense.

INTEREST EXPENSE increased \$21.4 million, or 45.2 percent, to \$68.7 million for the six-month period ended June 30, 2010 compared to the same period in 2009. The increase was primarily due to \$20.3 million of 2010 interest expense incurred on the debt recorded in the December 18, 2009 acquisition and consolidation of the Springerville Unit 3 Partnership LP and the Owner Lessor. Additionally, interest expense increased as a result of the June 2010 issuance of the \$400 million First Mortgage Bonds.

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The interim financial statements for June 30, 2010 and 2009 are unaudited. In the opinion of Management, all adjustments (which are normal recurring accruals) necessary for a fair presentation of results for interim periods have been included. The interim financial statements should be read in conjunction with the Notes to the Financial Statements included in the 2009 Annual Report.



P.O. Box 33695 Denver, Colorado 80233 | www.tristate.coop