



Financial Highlights

ELECTRIC PLANT IN SERVICE and CONSTRUCTION WORK IN PROGRESS increased \$37.3 million and \$56.6 million, respectively, to \$2.991 billion and \$143.7 million, respectively, as of September 30, 2008. These increases resulted from expenditures for construction projects to expand generation, transmission and telecommunications capabilities.

PREPAID LEASE EXPENSE increased \$14.5 million to \$104.2 million at September 30, 2008 due to the additional payments for the Springerville Generating Station Unit 3 lease that commenced on July 28, 2006.

SALES TO MEMBERS increased 502,318 megawatt-hours to 10,696,825 megawatt-hours for the nine-month period ended September 30, 2008 compared to the same period in 2007. This 4.9 percent increase resulted from continued growth in the regions served by Tri-State and the member systems. Member electric sales revenue increased \$94.8 million, or 16.6 percent, to \$667.4 million for the nine-month period ended September 30, 2008 compared to \$572.6 million for the same period in 2007 due to the increased sales and an 11.4 percent rate increase effective January 1, 2008.

SALES TO NON-MEMBERS decreased 105,968 megawatt-hours to 3,669,093 megawatt-hours for the nine-month period ended September 30, 2008 compared to the same period in 2007. Despite this 2.8 percent decrease the 15.7 percent increase in the average price of sales to non-members resulted in non-member electric sales revenue increasing 12.5 percent to \$218.7 million for the nine-month period ended September 30, 2008 compared to \$194.5 million for the same period in 2007.

PURCHASED POWER expense increased \$83.6 million, or 55.7 percent, to \$233.9 million for the nine-month period ended September 30, 2008 compared to the same period in 2007. This was primarily due to an increase in purchases in 2008 resulting from the increase in scheduled and unscheduled major maintenance outages in 2008 compared to 2007.

GENERATION MAINTENANCE expense increased \$23.7 million, or 55.5 percent, to \$66.5 million for the nine-month period ended September 30, 2008 compared to the same period in 2007. This was primarily due to an increase in scheduled and unscheduled major maintenance outages during 2008 compared to 2007.



The interim financial statements for September 30, 2008 and 2007 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 2007 Annual Report.

Tri-State Generation and Transmission Association

2008 Third Quarter Report

Interim Consolidated Statements of Financial Position (unaudited)

(Thousands)

As of September 30,	2008	2007
Assets		
Electric plant		
In service	\$ 2,991,200	\$ 2,953,863
Construction work in progress	143,703	87,114
	3,134,903	3,040,977
Less allowances for depreciation and amortization	(1,417,028)	(1,331,672)
	1,717,875	1,709,305
Other assets and investments		
Investments in other associations	90,123	94,055
Investments in coal mines	22,788	21,623
Deferred equity note	9,771	9,673
Prepaid lease expense	104,165	89,673
Other noncurrent assets	15,594	16,561
	242,441	231,585
Current assets		
Cash and cash equivalents	103,798	111,107
Deposits and advances	9,888	10,688
Accounts receivable - members	68,681	60,359
Other accounts receivable	35,339	32,890
Coal inventory	19,271	15,838
Materials and supplies	49,105	41,758
	286,082	272,640
Deferred charges	206,674	202,768
Total assets	\$ 2,453,072	\$ 2,416,298
EQUITY AND LIABILITIES		
Capitalization		
Patronage capital equity	\$ 532,210	\$ 462,137
Long-term debt	1,565,957	1,591,998
	2,098,167	2,054,135
Current liabilities		
Member advances	6,741	10,264
Accounts payable	74,736	67,686
Accrued expenses	41,535	52,747
Current maturities of long-term debt	132,479	142,389
	255,491	273,086
Deferred credits and other liabilities	91,791	81,891
Accumulated postretirement benefit and postemployment obligations	7,623	7,186
Commitments and contingencies	-	-
Total equity and liabilities	\$ 2,453,072	\$ 2,416,298

Tri-State Generation and Transmission Association

2008 Third Quarter Report

Interim Consolidated Statements of Cash Flows (unaudited)

(Thousands)

For the twelve months ended September 30,	2008	2007
Operating activities		
Net margins	\$ 90,509	\$ 96,699
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	97,581	94,569
Capital credit allocations from cooperatives over (under) refund distributions and income from coal mines	3,977	(1,693)
Allowance for equity funds used during construction	(3,088)	(2,585)
Recognition of deferred revenue	(13,000)	–
Deferred revenue	20,000	–
Changes in operating assets and liabilities:		
Accounts receivable	(10,771)	(15,683)
Coal inventory	(3,433)	(1,879)
Prepaid lease expense	(14,492)	(61,719)
Accounts payable and accrued expenses	(4,162)	(4,982)
Other	6,301	(23,831)
Net cash provided by operating activities	169,422	78,896
Investing activities		
Purchases of plant, net of retirements	(98,506)	(93,331)
Changes in investing assets	(18,751)	22,250
Net cash used in investing activities	(117,257)	(71,081)
Financing activities		
Member advances	(3,523)	3,059
Payments of long-term debt	(142,722)	(112,580)
Advance payments to RUS and funds on deposit with trustees	32,861	(57,920)
Retirement of patronage capital	(20,000)	(5,000)
Proceeds from issuance of debt	73,910	176,415
Net cash provided by (used in) financing activities	(59,474)	3,974
Net increase (decrease) in cash and cash equivalents	(7,309)	11,789
Cash and cash equivalents – beginning	111,107	99,318
Cash and cash equivalents – ending	\$ 103,798	\$ 111,107
Supplemental information:		
Cash paid for interest	\$ 121,686	\$ 106,407
Cash paid for income taxes	\$ 2,756	\$ 84

Tri-State Generation and Transmission Association

2008 Third Quarter Report

Interim Consolidated Statements of Operations (unaudited)

(Thousands)

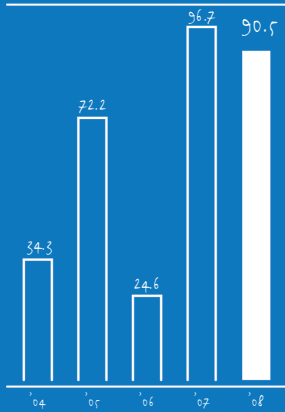
	Nine months ended September 30,		Twelve months ended September 30,	
	2008	2007	2008	2007
Operating revenues				
Member electric sales	\$ 667,406	\$ 572,624	\$ 845,620	\$ 728,564
Non-member electric sales	218,746	194,492	284,428	258,062
Other	6,413	5,684	8,363	7,781
	892,565	772,800	1,138,411	994,407
Operating expenses				
Purchased power	233,851	150,235	278,595	192,603
Fuel	179,664	173,369	240,784	225,624
Production	69,924	64,009	91,034	81,682
Lease expense	44,752	42,115	58,780	58,112
Transmission	66,379	60,671	85,252	81,613
General and administrative	6,996	5,008	11,214	9,151
Generation maintenance	66,476	42,753	83,230	57,235
Transmission maintenance	12,801	12,273	16,999	16,566
Depreciation and amortization	73,613	71,190	97,581	94,569
Income taxes	1,071	269	3,021	269
	755,527	621,892	966,490	817,424
Operating margins	137,038	150,908	171,921	176,983
Other income				
Interest income	6,967	9,063	9,977	12,850
Allowance for equity funds used during construction	2,339	1,524	3,088	2,585
Capital credits from cooperatives	2,692	3,816	4,263	7,396
Other income	2,641	3,539	3,393	4,323
	14,639	17,942	20,721	27,154
Interest and other deductions (credits)				
Interest expense, net of amounts capitalized	73,129	78,311	98,925	104,942
Other deductions (credits)	2,657	2,150	3,208	2,496
	75,786	80,461	102,133	107,438
Net margins	\$ 75,891	\$ 88,389	\$ 90,509	\$ 96,699

Megawatt-hours sold – members	10,696,825	10,194,507	13,959,109	13,317,520
Megawatt-hours sold – non-members	3,669,093	3,775,061	5,081,930	4,969,901
Wholesale member cost – mills/kWh	62.39	56.17	60.58	54.71
Total sales – mills/kWh	61.68	54.91	59.72	53.95

Net Margins

(£ millions)

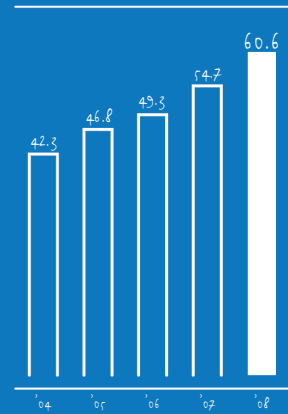
For the twelve months ended September 30



Average Member Cost

(mills/kwh)

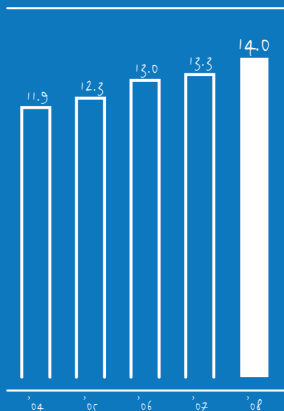
For the twelve months ended September 30



Megawatt-hour Sales to Member Systems

(millions)

For the twelve months ended September 30



TRI-STATE

Generation and Transmission
Association, Inc.

A Touchstone Energy® Cooperative 