MOMENTUM

2023 TRI-STATE ANNUAL REPORT

OUR MOMENTUM

Picturing the stability we achieve in our electric grid, one might envision a steady stance – two feet planted firmly on the ground, braced for any challenges that may come. And while a steady foundation is important, when we think of our evolving energy landscape, we know that stability comes from putting one foot in front of the other and moving forward in the direction of progress. With that movement, we can continuously rebalance and refocus toward our members' goals with every step.

"Watch our feet" has been our mantra, as we've committed to make good on our promises, delivering to our members the reliable, affordable, responsible electricity and services defined in our mission. And with our members, we haven't just been moving, we've been steadily gaining momentum.

RELIABLE

RESILIENT

AFFORDABLE

RESPONSIBLE

FLEXIBLE

LETTER FROM THE CHAIRMAN

FORWARD PROGRESS

The strength of our cooperative business model is in the way we come together to achieve more than any one of us could do alone. It is built on a foundation of democratic governance, with each director contributing to our board their individual wisdom and sensibilities, along with the diverse perspectives of those in their community who elected us to serve. And throughout 2023, the voice of each board member helped define and move forward the initiatives most important to our association.

We know that we're in a time of transition, and Tri-State will look different at the end of this decade. As we advance this transition, I witness on a monthly basis the thoughtful, and often long and complex, work of our board, considering topics central to our membership's and Tri-State's future. In 2023, we dug deep into the association's long-term resource planning and pursued federal funding to design our transition to benefit the communities we and our members serve. We worked together to determine the elements of our wholesale rate design, and approved a $10.09 million patronage capital retirement, reinforcing the unique value of our cooperative business model and Tri-State's financial strength.

We came together to celebrate our progress, gathering with members and local officials at the Escalante Solar Project, a 200-megawatt project at our retired Escalante Station coal power plant near Grants, New Mexico. This project is one example of how Tri-State reinvests in our local communities to advance our membership's goals. It's also a step forward in our progress toward having 50% of the energy used by our members generated from renewable resources in 2025.

We worked through times of uncertainty over the course of the year and continued to achieve a greater level of clarity about our future, knowing our focus is on remaining a strong and resilient not-for-profit power supplier for our member owners.

Greater contract flexibility remains a priority, and our membership will be reviewing the structure of our wholesale electric service contract in 2024, discussing options and gathering feedback. We see opportunities for contract updates to align with our member owners' needs and our strategic plan.

While 2023 marked a year of positive progress, we're looking forward to picking up even more momentum in the years ahead.

Tim Rabon, Chairman

TIM RABON

CHAIRMAN

DUANE HIGHLEY CEO

RECOGNITION FOR OUR PROGRESS

National recognition of Tri-State's collaborative energy transition was provided in the Keystone Policy Center's Leadership award, which CEO Duane Highley accepted on behalf of the association.

Keystone notes in this award, "Since joining Tri-State as CEO, Highley has driven real change at the cooperative through his ability to collaborate and innovate. With governance and direction provided by the Tri-State member-comprised board of directors, he is advancing a remarkably rapid clean energy transition to the benefit of Tri-State's members and their communities across the West, while also demonstrating a path forward for other electric utilities."

LETTER FROM THE CEO

MOVING IN THE SAME DIRECTION

It's great to have an ambitious plan, but it's even better to take the actions to bring that plan into reality. That's why when we committed to our energy transition in 2020, we said "watch our feet." We knew we had to prove that we were serious about our goals by taking consistent steps, across every aspect of our cooperative, to make measurable progress.

Looking back on 2023, we've made more progress than I could have imagined, especially given that we operate in a changing industry, in a challenging time for the economy and supply chains, and with diverse utility members' needs to balance. But with every bit of progress, we're gaining momentum and reinforcing our commitment to provide a reliable, resilient, affordable and responsible supply of electricity.

Tri-State remains a financially strong, high-performing and agile cooperative power supplier. The work we do is on behalf of our members, and I had the privilege of meeting with the majority of our member boards over the course of the last year. Hearing from them, it just reinforces why we do what we do. We are here for members, managing all the risks of supplying power, and when they face challenges, we're there to support them, like by bringing in teams of people or mobile substations to help preserve reliability. We take on initiatives like leveraging federal resources to ensure the new services we offer and the energy transition we’re in the midst of will provide the greatest value at the lowest cost.

And together we’re looking to the future. We submitted a Letter of Interest to the USDA New ERA program to seek federal funding to support more than two billion dollars of investment in clean energy projects to serve the members, and developed a complementary Electric Resource Plan that demonstrates a new standard for reliability and resiliency.

In 2023, we reached the milestone of having 100% of our loads and resources in either a regional transmission organization (RTO) or an energy imbalance market – a key step on our way to full RTO participation. And with our commitment, along with six other regional utilities, to expand the Southwest Power Pool RTO into the western grid, we will see greater power market efficiencies, regional transmission planning, and stronger resource adequacy requirements for all participants.

An energy transformation like the one we’ve undertaken doesn’t come without challenges, but we continue to approach those challenges from a place of collaboration – working with the members, stakeholders and communities, along with our talented employees, who are all a part of our collective success. When we’re all in alignment, I believe we’re unstoppable.

Duane Highley, Chief Executive Officer

2023 PERFORMANCE

FINANCIALS

Operating revenue

$1.4B

Total assets

$5B

Patronage capital returned

$10.09M

Avg. member wholesale rate

7.3¢/kWh

Total energy sold

18.2M MWh

GOVERNANCE

WE'RE IN THE NEIGHBORHOOD

Each director lives within their service territory, pays a cooperative bill and is elected by the community to serve.

MEMBER REPRESENTATION

Each of our member systems can have representation on our board.

DEMOCRATIC LEADERSHIP

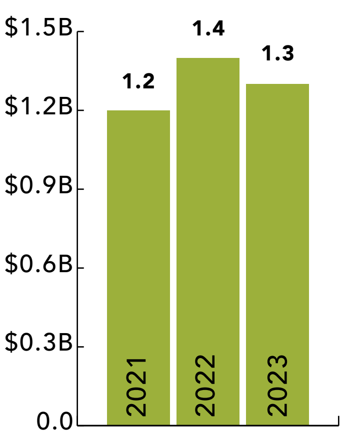
Each member system has equal voting power, and together members set the direction for Tri-State.

FINANCIAL TRANSPARENCY

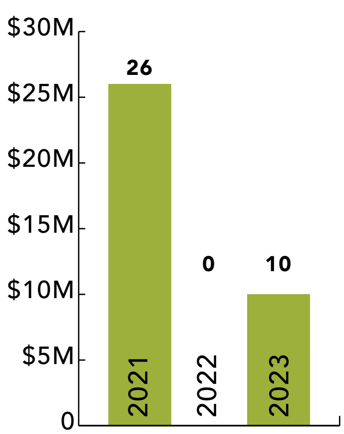
Our wholesale rate is approved by our board for filing with the Federal Energy Regulatory Commission.

COOPERATIVE PRINCIPLES

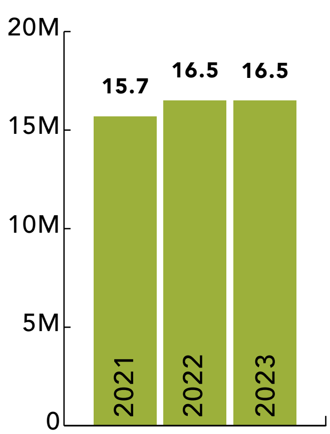
We are a not-for-profit wholesale electric cooperative and are owned by the members we serve.



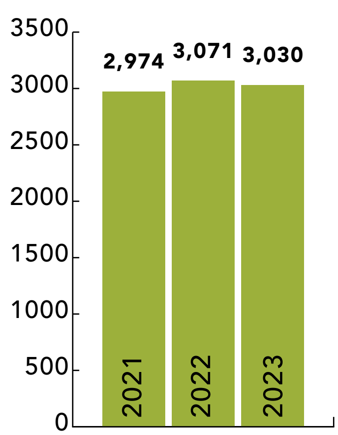
OPERATING EXPENSES



NET MARGIN*



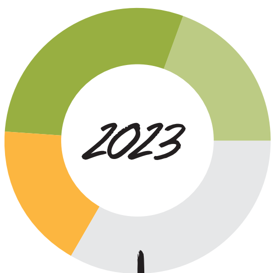
ENERGY SOLD TO MEMBERS (MWh)



MEMBER COINCIDENT PEAK DEMAND (MW)

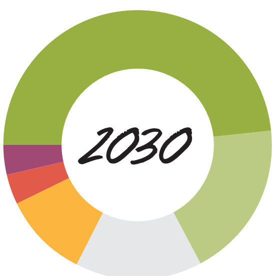
*Tri-State's board of directors adjusted our financial goals policy to allow for zero margins in 2022 to preserve rate stabilization efforts through 2023.

ENVIRONMENTAL



2023 RESOURCES

- **1366 MW** RENEWABLES
- **822 MW** NAT. GAS/OIL
- **1549 MW** COAL
- **898 MW** PURCHASED



2030 RESOURCES**

- **2858 MW** RENEWABLES
- **1112 MW** NAT. GAS/OIL
- **903 MW** COAL
- **608 MW** PURCHASED
- **210 MW** ENERGY STORAGE
- **209 MW** ENERGY EFFICIENCY/ DEMAND RESPONSE

70% OF OUR MEMBERS' ENERGY MIX WILL COME FROM CLEAN SOURCES IN 2030.**

33%	50%	70%
IN 2023	IN 2025	IN 2030

WE'RE REDUCING EMISSIONS

In 2023, 33% of energy consumed by members was renewable

2010-2022 REDUCTIONS

- ↓ **54%** NOx
- ↓ **29%** SO_2
- ↓ **18%** CO_2

2030 REDUCTIONS**

- ↓ **89%** GHG in Colorado
- ↓ **55%** GHG system-wide

**Based on preferred plan of 2023 Electric Resource Plan

SOCIAL

Through our members, Tri-State invested $4.71 million in residential, commercial and industrial energy service programs. This includes commercial lighting, air-source heat pumps and custom commercial electrification such as a new program supporting the electrification of the oil and gas industry.

80 In 2023, Tri-State's energy services team averaged 80 electric vehicle charger rebates a month.

+50% Compared to 2021, air-source heat pump rebate applications increased more than 50% in 2023.

40+ Our energy efficiency program has been around for 40+ years, and Tri-State has processed and approved thousands of rebates.

In 2023, Tri-State employees donated $123,092 to 73 chosen charities in our communities. Matched by Tri-State, this impact reached a total of $246,184.

RESOURCE PLAN | ESG REPORT | EFFICIENCY

MO-MEN-

2024-2025 SOLAR PROJECTS

With new direct pay tax credits available, Tri-State will own two of our upcoming solar projects. Once completed, these projects will bring us to a total of 680 MW of utility-scale solar in our resource portfolio. We currently have three solar projects, totaling 85 MW.

200 MW Escalante Solar

140 MW Spanish Peaks Solar I & II

110 MW Dolores Canyon Solar (Tri-State owned)

145 MW Axial Basin Solar (Tri-State owned)

SUSAN HUNTER, VP OF ENERGY RESOURCES

"2024 AND 2025 ARE GOING TO BE *EXCITING* YEARS FOR TRI-STATE IN TERMS OF *GROWTH* IN OUR SOLAR PORTFOLIO WITH THE ADDITION OF *595 MW* OF NEW SOLAR IN OUR MEMBERS' SERVICE TERRITORIES."

Our momentum comes from the combined weight of the initiatives we've tackled, and the speed at which we're moving toward our goals.

Over the last four years, Tri-State has defined our goals and mobilized our entire organization to become leaders in the utility industry. Today, the results speak for themselves. Momentum isn't a buzzword for us, it's the accumulation of our collaboration with members, employees and all stakeholders.

TUM

ACCELERATING OUR TRANSITION

Looking to the future, we have an ambitious plan focused on electric system resilience and reduced costs. Built on a foundation of collaboration, our plan is designed to benefit the electric consumers across our four states, while accelerating our clean energy transition.

Elements of Tri-State's 2023 Electric Resource Plan's preferred plan:

- 1,250 MW of geographically distributed renewables and battery storage added between 2026 and 2031
- Retirement of coal-fired generation:
  - Craig Station (Colorado) retirement in 2028, with ongoing support for impacted communities
  - Springerville Station Unit 3 (Arizona) retirement in 2031 (pending sufficient New ERA award and successful negotiation of early termination of relevant Springerville 3 contracts.)
- New 290 MW combined-cycle natural gas unit in 2028, with carbon capture and sequestration added in 2031
- Pursuit of federal funding through a New ERA award from the USDA

AMPLIFYING RELIABILITY WITH ENERGY STORAGE

With the development of multiple renewable energy projects, there will be times when we have excess renewable energy, and energy storage is going to be an important component in our resource mix. Included in our 2023 ERP preferred plan is 310 MW of storage, including:

- Standalone 100-hour iron air batteries
- Standalone 4-hour batteries
- 4-hour batteries with wind and storage hybrids

THE 500,000-PANEL ESCALANTE SOLAR WILL BE ONLINE IN 2024.

Operating in a dynamic industry calls for an openness to continuous improvement. Together with our members, we are a force for progress, taking action on the initiatives that prepare us for the future. In 2023, that resulted in measurable results on multiple fronts.

WE ARE PARTNERING WITH THE USDA TO BRING LOW- OR NO-COST ENERGY ASSESSMENTS TO AGRICULTURAL PRODUCERS.

ACHIEVING FINANCIAL GOALS

In 2023, we met all of our financial goals and exceeded our margin forecast, allocating nearly $30 million to our members. At year's end, our board voted to return more than $10 million in patronage capital to our members, marking the 41st year in a row Tri-State has returned capital to our members.

Tri-State has maintained our investment-grade credit ratings, a sign of the confidence in our financial future, and we are well positioned to meet the needs of our members. In 2023, we successfully secured $250 million in new financing. Our debt service ratio for 2023 was 1.2, with an equity to capitalization ratio of 24%, meeting our goals.

CERTAINTY FOR THE FUTURE

Following the successful work of the membership's Rate Design Committee, we filed a new formulary wholesale rate with the Federal Energy Regulatory Commission. The formulary rate will bring greater financial certainty to Tri-State and our members. We have the financial agility to optimize and capitalize the investments needed to implement our accelerated resource plan.

FERC also advanced Tri-State's contract termination payment methodology proceeding, issuing an order that reinforces the importance of rate neutrality for remaining members when a member chooses to terminate its contract and withdraw from Tri-State membership.

REINVENTING OUR ENERGY PORTFOLIO

In 2023, Tri-State filed an ambitious Electric Resource Plan, focusing on electric system resilience, lower emissions, clean energy and reduced costs. The result of a collaborative process with members and other stakeholders, this plan would encompass the largest resource acquisition in Tri-State history, including 1,250 MW of geographically distributed renewables and battery storage between 2026 and 2031.

GETTING AHEAD OF THE GAME

By seeking to leverage available federal funding, we can do more than just meet the current greenhouse gas emissions reduction targets. This plan will result in a cleaner energy portfolio that exceeds existing regulatory requirements, while also saving our members money through lower rates than a business-as-usual approach and strengthening Tri-State financially.

RAISING THE BAR FOR RELIABILITY

As part of this process, we also established reliability metrics and extreme weather event sensitivity parameters to help keep our system reliable into the future as our portfolio changes.

COMBINING OUR RESOURCES

On April 1, 2023, Tri-State reached a milestone of having 100% of our loads and resources in either a Regional Transmission Organization (RTO) or an Energy Imbalance Market, with the benefit of lower costs, higher reliability and more efficient dispatch of resources.

BUILDING A POWERHOUSE TEAM

Tri-State made the commitment, along with six other regional utilities, to expand the Southwest Power Pool RTO in the western grid. The SPP will begin its western RTO operations in 2026, bringing greater power market efficiencies, regional transmission planning, and stronger resource adequacy to participants.

INNOVATING TO BENEFIT MEMBERS

We invest in innovation and programs aimed at optimizing our members' distribution systems with our generation and transmission system, saving our members money and reducing emissions. We're expanding distributed energy resource management, beneficial electrification–the use of clean, low-cost electric alternatives (i.e. electric vehicles, electric heat pumps, electric lawnmowers)–as well as providing energy efficiency rebates and piloting innovative technology projects.

SEEING MEASURABLE RESULTS

Tri-State, in working with our members, has provided more than 10,000 electrification and efficiency rebates as a part of our Electrify and Save® program. In 2023, we met our 2020 Electric Resource Plan energy efficiency goal in Colorado, achieving energy savings of 39.01 GWh, as well as capturing energy savings across Nebraska, New Mexico and Wyoming.

DISTRIBUTING THE GAINS

In support of Tri-State's energy transition, we submitted a Letter of Interest to USDA for grants and loans under the Inflation Reduction Act's New ERA program. Since then, we received an invitation to proceed with a full application for the program.

Tri-State has secured funding for initiatives that directly benefit our members and end-use consumers, including:

- $26.8 million from the Department of Energy for development of a Distributed Energy Resource Management (DERMs) platform, allowing our members to save money on their Tri-State bill by optimizing their operations more closely with Tri-State.
- $200,000 grant from the U.S. Department of Agriculture's (USDA) Rural Energy for America (REAP) Technical Assistance Grant program (TAG), which we'll use to recruit potential applicants for energy assessments and assistance to meet the technical requirements of the REAP program.
- $75 million zero-interest loan from USDA Rural Energy Savings Program (RESP) for an on-bill repayment program to reduce the cost to consumers of energy efficiency and electrification.

Safety is our core value, and in 2023 we reinforced our safety vision and the supporting behaviors that bring it to life.

OUR 2023 MILESTONES:

- All supervisory employees at Craig Station completed safety leadership training, and three of our transmission safety coordinators completed the Certified Loss Control Professional Program.
- Four generating stations achieved more than 10 consecutive years without an injury or illness: Burlington, Knutson, Limon and Pyramid Stations.
- Three individual employees at our Colowyo Mine received awards from the Colorado Mining Association for excellence in individual safety for working 30 years without injury.
- Craig Station received the Significant Improvement Award from the National Safety Council after a 75% reduction in injuries or illness involving days away from work in 2023 compared to 2022.

FOSTERING STRONG PEOPLE & SYSTEMS

Tri-State's values are safety, integrity, teamwork and service, and these concepts play out every day in our work. We collaborate, learn together and have each other's backs – all in the spirit of serving our members.

FOCUSING ON THE WHOLE PERSON

We continue to support our employees in a multitude of ways: offering flexible work schedules and hybrid work arrangements; committing to employee learning and development; offering benefits in support of physical, mental and financial health; and continuing to listen and respond to the needs of our employees.

STRENGTHENING OUR PLAYBOOK

We successfully met the first stage of implementation of our Oracle Cloud project, which touches almost every aspect of our operations. Implementation will continue through 2024, resulting in greater efficiency and potential cost savings across the organization as we modernize our technology.

ENHANCING OUR SECURITY

In 2023, we improved our cybersecurity posture by enhancing our security policies, processes and technology. We have successfully defended Tri-State's assets from myriad cyber threats and are continually adapting our protection strategies. Moving forward in 2024, we are building a zero-trust security roadmap, and are focusing our efforts on our cloud migration including Oracle Cloud.

STAYING RESILIENT & RESPONSIVE

Resilience is a combination of proactively planning for the future and being poised to respond when things change.

RESPONDING AND REBUILDING

When tornadoes damaged three transmission lines in a six-day period in the summer of 2023, our teams worked together with committed focus. Bringing dedication and skill, they responded to the outages quickly, efficiently and safely. We've also deployed our mobile substations to get the lights back on for our members in Colorado and New Mexico.

PLANNING AHEAD TO AVOID RISKS

In 2023, Tri-State completed the second phase of a large and complex vegetation management project to extend the right-of-way clearing for one of our 115-kV lines in western Colorado. Vegetation management is one element of how we mitigate wildfire risk, and we have 300+ miles of vegetation management projects ongoing and planned through 2026.

EXPANDING RENEWABLES

IN NOVEMBER 2023, TRI-STATE, OUR MEMBERS, ORIGIS ENERGY, AS WELL AS STATE AND LOCAL LEADERS MET AT ESCALANTE SOLAR TO COMMEMORATE THE HALFWAY POINT FOR THE INSTALLATION WITH A PANEL-SIGNING CEREMONY AT THE PLANT.

PLANNING FOR RELIABILITY

Lisa Tiffin leads the teams that develop Tri-State's resource plans. In 2023, the teams reached a milestone with Tri-State's filing of the 2023 Electric Resource Plan.

LISA TIFFIN

PLANNING & ANALYTICS

Q&A WITH VP LISA TIFFIN

"RELIABILITY IS THE FIRST PRIORITY AT TRI-STATE, AND THAT'S BUILT INTO THE WAY WE PLAN."

WHAT IS THE PURPOSE OF THE ELECTRIC RESOURCE PLAN (ERP) TRI-STATE FILED IN 2023?
Tri-State is regulated for resource planning on a systemwide basis by the state of Colorado. The overall purpose of this process is reliable resource planning to serve our member needs in the most affordable manner while also meeting our regulatory requirements. Importantly, the resource planning process and the identification of our preferred plan demonstrate how Tri-State is pursuing our energy transition to ensure reliable, affordable and responsible power for our members.

HOW DOES THE PREFERRED PLAN ALIGN WITH TRI-STATE'S GOALS?
Our ERP's preferred plan achieves an 89% reduction in greenhouse gas emissions by 2030 as compared to a 2005 baseline in Colorado, exceeding the state's 80% goal. Our plan also forecasts that by 2030, 70% of the energy our members use will come from clean resources. We are able to advance our members' goals while reducing the financial impact of a transitioning grid through the potential New ERA funding as submitted in Tri-State's Letter of Interest to USDA.

HOW DO WE FACTOR IN RELIABILITY AND RESILIENCE AS WE LOOK AT ADDING RENEWABLE GENERATION AND RETIRING COAL?
Reliability is the first priority at Tri-State, and that's built into the way we plan. Tri-State includes standard industry reliability metrics in our planning process. That includes setting a planning reserve margin threshold to limit the loss of load expectation to one day in ten years while minimizing expected unserved energy. However, this is the threshold where Tri-State's reliability and resilience efforts begin, not end.

Due to the extreme weather events we're seeing with increasing regularity across our system and the grid, Tri-State along with our member systems established a second threshold for reliability that we call our "Level II Reliability Metrics." We define periods within the planning horizon and stress related model assumptions (resource output, load, etc.) for those time periods and then measure the reliability of the system under stressed conditions against our Level II metrics.

This is an area we are continuously improving between ERP phases through engagement with stakeholders and industry organization staff as well as through additional studies. It's our intent to continue to encourage our utility peers, the North American Electric Reliability Corporation (NERC) and others to help us evolve these metrics and see a more grid-wide approach to planning for extreme weather events.

The bottom line is no matter the weather and if our member demand is high, we demonstrate we can keep the lights on, and do it affordably.

WHY ARE OUR MEMBERS AND STAKEHOLDERS SO IMPORTANT TO THE ERP PROCESS?
Member and stakeholder engagement is critical to an effective ERP process. We're able to proactively work through issues or concerns with stakeholders through education on Tri-State's system and the needs of our members. Additionally, Tri-State's planning processes benefit from the inclusion of insights provided by diverse stakeholder perspectives. Stakeholder engagement in our 2020 ERP was key to building trust to allow us to reach an unopposed comprehensive settlement, and Tri-State continues to take a collaborative approach in our resource planning proceedings.

Our approach is to continuously engage with our members and stakeholders. We conduct multiple public meetings before modeling in each ERP phase and provide additional updates to stakeholders when warranted during the modeling processes. We also engage stakeholder subgroups for topics requiring a deeper dive and ultimately bring any outputs of those discussions back to the full stakeholder group.

WHAT'S NEXT IN THE 2023 ERP PROCESS?
The ERP process has two parts. In Phase I, we worked with stakeholders to determine assumptions and scenarios, modeled generic resources and arrived at a preferred plan that represents the most affordable resource mix while respecting reliability metrics and environmental and transmission constraints.
The Phase I proceeding includes discovery, testimony, settlement discussions and, if needed, a hearing which leads to a Colorado Public Utilities Commission decision on the preferred plan along with guidance for Phase II.

In Phase II Tri-State will issue RFPs seeking bids for our resource need as defined in Phase I. Bids are then evaluated through screening processes and modeling. Tri-State will move to acquire resources in our Phase II preferred portfolio once commission approval is received.

SUSAN HUNTER

ENERGY RESOURCES

DIVERSIFYING OUR PORTFOLIO

>>>

In 2023, Susan Hunter and the team kept the momentum on new renewable energy projects currently being built, while also planning for upcoming growth and embracing new transactional structures that will enable project ownership.

WHAT PROGRESS IS TRI-STATE CURRENTLY MAKING RELATED TO NEW RENEWABLE ENERGY PROJECTS?

2024 and 2025 are going to be exciting years for Tri-State in terms of growth in our solar portfolio with the addition of 595 MW of new solar in our members' service territories.

The 200 MW Escalante Solar Project is scheduled for completion in the spring of 2024. This project is unique because of its location on the land surrounding the former Escalante Generating Station in McKinley County, New Mexico, and in the service territory of Tri-State member Continental Divide Electric Cooperative. Tri-State is buying the output of that project under a long-term contract with Origis Energy, the project's owner. Later in 2024, the 140 MW Spanish Peaks Solar Projects will be completed. These projects are located in Las Animas County, Colorado, and in the service territory of Tri-State member San Isabel Electric Association. Their output will be purchased under a long-term contract with Deriva Energy.

In 2025, Tri-State expects two additional solar projects to achieve commercial operation – the 110 MW Dolores Canyon Solar Project and the 145 MW Axial Basin Solar Project. Both will be located in western Colorado, in the Tri-State member service territories of Empire Electric Association and White River Electric Association, respectively. What is especially exciting about these projects is that they will mark Tri-State's first ownership of renewable projects. This was made possible by the direct pay provision in the Inflation Reduction Act of 2022, which allows entities such as Tri-State to receive the payment of tax credits previously not accessible to most electric cooperatives.

When these five projects are completed, Tri-State will have 680 MW of utility-scale solar in our resource portfolio, placing us among the largest solar co-ops in the nation.

HOW DO WE APPROACH THE PROCESS OF ACQUIRING NEW RESOURCES TO FULFILL THE 2023 ELECTRIC RESOURCE PLAN?

Our preferred plan in the 2023 ERP calls for 1,250 MW of geographically distributed renewables and battery storage between 2026 and 2031, including:

- 500 MW of wind resources
- 200 MW of wind resources with storage hybrids
- 310 MW of storage
- 240 MW of solar resources

Tri-State will follow a competitive resource solicitation as we have done before when acquiring new resources. We will evaluate a large number of project proposals and find those that can most reliably and economically serve our members.

In Phase II of the ERP process, we release a Request for Proposals, evaluate the proposals, and then model the competitive proposals that advance beyond the initial screening. The bid evaluation process looks not only at pricing and interconnection viability, but also at non-price factors such as community stewardship (like locating a new project in a member system service territory where the local economy can benefit), certainty of equipment supply, and counterparty experience.

The Phase II modeling results are presented to the Colorado Public Utilities Commission in portfolios of resources depending on the scenario modeled. Once the commission issues a final decision, Tri-State can negotiate agreements for those resources that were approved.

WHAT IS TRI-STATE'S APPROACH TO OWNING RENEWABLE PROJECTS IN THE FUTURE, VS. CONTINUING POWER PURCHASE AGREEMENTS?

As I mentioned, the Inflation Reduction Act provided tremendous opportunity, not only through the direct payment of tax credits, but also through the availability of federal funding in the form of grants and low-cost loans. The availability of direct pay is a substantial benefit to owning our own projects, but with the prospect of additional financial assistance, the effective power purchase agreement (PPA) costs for projects over their 35-40 year lives are also especially competitive. Although ownership of these resources is an exciting development, we believe a mix of ownership and PPAs represents a balanced approach that will mitigate risk for Tri-State and our members.

WHAT CHALLENGES HAS TRI-STATE FACED RECENTLY IN BRINGING RENEWABLE PROJECTS ONLINE?

There has been unprecedented turmoil in the renewable development industry over the last several years, which has most certainly impacted our projects, as well as those planned by neighboring utilities in our region and throughout the United States. The 595 MW of solar I discussed earlier were all supposed to come online in 2023. Given many factors – which one could call a perfect storm of challenges – these projects have been delayed. Inflation driving up the cost of materials, transportation and labor combined with uncertainty of equipment supply due to supply chain pressures, along with developers' limited access to investment capital, have all resulted in the cancellation of many projects around the country. We are fortunate to have committed development partners and a committed board of directors who have enabled all these projects to move forward.

+1250 MW OF
RENEWABLES
AND STORAGE

BRINGING EFFICIENCY WITHIN REACH

PETE RUSIN | ENERGY SERVICES

Pete Rusin and his team are spearheading Tri-State's energy efficiency and electrification programs, helping members' end consumers save money and reduce emissions.

Q&A WITH ELECTRIFICATION MANAGER PETE RUSIN

"WE'RE BUILDING A STRONG FOUNDATION, MOMENTUM AND DIRECTION AS WE MOVE INTO 2024."

HOW DOES TRI-STATE SUPPORT OUR MEMBERS' ELECTRIFICATION AND ENERGY-EFFICIENCY GOALS?
Along with reliable and affordable power, our members work to provide cost-saving energy services to their consumers. As as Generation and Transmission Association (G&T), we're in a unique position to help our members achieve their individual goals at lower cost and with greater efficiency. We can leverage the economy of scale of all members to support their staff, identify opportunities, help secure funding, and provide back-office services.

HOW DO YOU IDENTIFY THE PROGRAMS TO FOCUS ON FOR ENERGY EFFICIENCY AND COST SAVINGS?
We work with our members to identify the ways technology and best practices can help them advance electrification. With our targeted approach, we are focused on a few specific programs with big impacts that can help members sell more electricity or reduce their system demand. On-bill repayment is one of the programs that will allow us to support our members to make a real difference for consumers and businesses.

We're partnering with Colorado Clean Energy Fund to offer on-bill repayment (OBR) services to our members across all the states we serve. Residents and businesses can participate and make electrification and energy-efficient upgrades at no initial cost. The upgrade expenses are repaid monthly, and in many cases, their monthly energy savings is greater than their monthly repayment.

To enhance the value of the program, we've brought in a technical service provider to conduct an energy assessment for the home or business, whether it's a small commercial operation, an agriculture building or pumping plant. They identify energy use and energy-saving improvements that will have the most impact. For a home, it could be better insulation or an HVAC system. In an agriculture operation, there may be energy efficiency potential through a new motor for the irrigation system or new lighting in the barn.

The OBR program can also be used as bridge funding. For agricultural producers, there are exciting funding opportunities available from the USDA, but there can be a gap between applying for and receiving the funds. OBR can bridge that funding gap so the member can start reaping those energy-saving benefits right away.

HOW DO MEMBERS BENEFIT FROM ON-BILL REPAYMENT?
To make the program successful, we've done a lot of upfront work and collaborated with a few key early adopter members. We wanted to make sure the administrative processes were clear and that the aim was specific and measurable. The end goal is for our members to see the benefits of increased load or load growth and their end-use consumers to see reduced utility bills.

With all the potential benefits of participation in OBR, we make accessing the program as smooth as possible. A few of the advantages we can provide:

- We can offer low-interest loans due to the funding we received from the USDA Rural Energy Savings Program, with $50M earmarked for OBR.
- We have vetted contractors that will select and install the right equipment.
- We provide all the back-of-house administration so it's easy for members to participate and for their member consumers, financing is easy and shows as a line item on the member's utility bill.

We continue to develop new tools, and we can show members in the program what they can expect as far as revenue and savings. What's key is that the efficiency benefit doesn't stop at the member level – it flows to their member consumers. Electrification helps everybody out. If we improve load factor or we sell more electricity when it costs less, it will eventually impact everyone down the line in a positive way.

WHERE DO TRI-STATE MEMBERS SEE POTENTIAL GROWTH?
Our oil and gas electrification program is a member-driven idea that can bring electrification to that industry. The focus is on electrification, efficiency, and demand response – it's the whole package. Every step of extracting, transporting and refining oil and gas requires energy and offers room for efficiencies.

Like many industries, oil and gas producers are expected to decarbonize and some face increasingly stringent state regulations. We are creating solutions and putting them at their doorstep. We're piloting the electrification components that, once proven beneficial, we can replicate. Efficient, electrified oil and gas load could become a big part of our portfolio over the next five years.

In 2023, Evan and the team saw the results of Tri-State and our members' work build momentum as new federal funding opportunities emerged for rural electric cooperatives through the Inflation Reduction Act and other programs.

ACCELERATING OUR FUTURE

EVAN JURKOVICH

ENERGY POLICY & FEDERAL AFFAIRS

TELL US ABOUT THE PROGRESS WE MADE IN 2023 TO SECURE FEDERAL FUNDING.
Since the passage of the Infrastructure Investment and Jobs Act (IIJA) in 2021 and the Inflation Reduction Act (IRA) in 2022, Tri-State identified the value that federal funding opportunities can play in supporting our mission and direction. Among our pursuit of federal funding opportunities is the Letter of Interest (LOI) we submitted to the U.S. Department of Agriculture's (USDA) electric cooperative-only $9.7 billion Empowering Rural America (New ERA) program, which provides co-ops with funding to aid in the transition to clean, affordable and reliable energy. We took a leading role in developing the program and in its inclusion in the IRA. Tri-State submitted a strong, innovative and transformational proposal in our LOI, seeking funding that would accelerate our energy transition, reduce emissions, and set us up for success well into the 2030s while maintaining competitive rates for our members. In early 2024, we were excited to receive word that following USDA's evaluation of the LOIs, Tri-State was selected to submit a full application.

The USDA received LOIs asking for more than four times the amount of funding available, and we are honored to be selected to move forward with our application. Additionally, we applied for and received a $26.5 million award to help optimize energy efficiency, renewable energy consumption and grid resilience through the U.S. Department of Energy's Grid Resilience Innovation Partnership Program.

HOW DOES THIS EFFORT BENEFIT TRI-STATE MEMBERS AND END-USE CONSUMERS?
The IIJA and the IRA represent a once-in-a-generation funding allocation for energy infrastructure and electric cooperatives. Some of the programs and funding could benefit work that is already planned, reduce costs for new projects, support future goals in a cost-effective manner, or provide new opportunities to affordably add reliability, resiliency and flexibility to our system.

Our goal is to benefit our members and the communities we serve. We invest the time and resources to pursue this funding so the entire Tri-State family can benefit. Pursuing federal funding isn't easy, and we know it's even harder for many of our members to seek on their own. The ability for members to benefit from federal funding through our work is part of the value of being a Tri-State member.

By pursing federal programs, we can utilize funds to lessen the burden on consumers created by stranded assets as we retire coal plants, resource procurement, and state requirements, avoiding some costs to the energy transition that would otherwise be incurred and decreasing rate pressure on our members and rural communities.

WHAT KIND OF COLLABORATION HAS BEEN NECESSARY TO GET US HERE?
The New ERA program represents the largest investment in electric cooperatives since the passage of the 1936 Rural Electrification Act, and Tri-State is a big reason it happened. Over three years, we led efforts with stakeholders to develop, and sell to Congress, a program that would aid cooperatives making a clean energy transition. We took a concept agreed to by stakeholders including Sierra Club, Rural Power Coalition and RMI, negotiated provisions of the concept, and turned it into draft legislation. With a strong policy argument for why cooperatives uniquely needed assistance in the energy transition, Tri-State and collaborators took the legislative proposal to Capitol Hill. Tri-State largely led lobbying efforts on Capitol Hill and with the White House, leaning on policy experience and strong connections to build support for the proposal, which ultimately became the New ERA program in the IRA.

Our efforts didn't stop there. Once the proposal became law, we worked with USDA on developing program details. We met with top Rural Development leadership and staff, emphasizing key points that USDA should focus on and providing real world examples of the benefits and challenges that distribution cooperatives and generation and transmission cooperatives (G&Ts) may face under different scenarios and rules. Years of effort proved successful, as the details and rules of the New ERA program significantly reflect our members' priorities, including the eligibility of stranded costs from the early retirement of coal assets.

Tri-State also helped with another feature of the IRA by playing a key role in helping secure direct-pay tax credits for cooperatives in the legislation, including ensuring Tri-State's eligibility for the credits.

Together, New ERA and direct-pay tax provisions provide a game-changing opportunity for Tri-State and electric cooperatives across the country to prepare their systems for the future, reduce emissions and own renewable projects that will keep more of the benefits of those projects in our communities. Tri-State knew the benefits of programs like these and we provided the leadership needed to do what many thought was impossible. We continue to look for ways to be innovative in our approach to energy policy and to be a leader for electric cooperatives and rural America as we move forward in our energy transition.

LEADING THE CONVERSATION

IN MEMORY

HAL KEELER

Champion of the cooperative way for over 50 years

In January 2024 we lost long-time board member Hal Keeler of Columbus Electric. Hal was a retired farm owner-operator and a bank board member, with a dedication to electric cooperatives that shined brightly for more than 50 years.

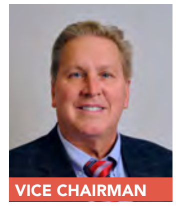
Service to electric cooperatives was Hal's passion since he joined the Columbus Electric Board of Trustees in 1970, and served as president of the board from 1984 to 2008. Hal was the Columbus Electric director on Plains Electric's board from 1997 through the merger with Tri-State in 2000, and then served on the Tri-State Board of Directors for 24 years. Thank you to Hal for his dedicated service.

"Hal had one of the sharpest minds I have ever known. He was a great mentor for me and many other cooperative directors with his depth of knowledge and sensible view of the world."

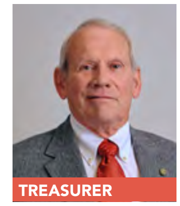
– TIM RABON, CHAIRMAN

OUR BOARD OF DIRECTORS >>>


CHAIRMAN
Tim Rabon
Otero County Electric


VICE CHAIRMAN
Don Keairns
San Isabel Electric


SECRETARY
Julie Kilty
Wyrulec Company


TREASURER
Stuart Morgan
Wheat Belt Public Power


Willie Bridges
Big Horn Rural Electric


Clay Thompson
Carbon Power & Light


Stan Propp
Chimney Rock Public Power


Hal Keeler
Columbus Electric


Elias Coriz
Jemez Mountains Electric


Robert Bledsoe
K.C. Electric


Kohler McInnis
La Plata Electric


Robert Baca
Mora-San Miguel Electric

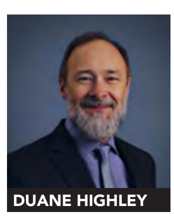

Kevin Cooney
San Miguel Power

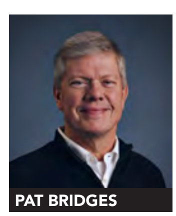

Darryl Sullivan
Sierra Electric

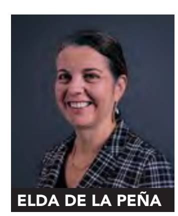

Leroy Anaya
Socorro Electric

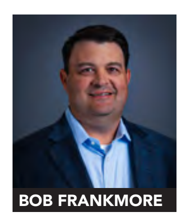

Lawrence Brase
Southeast Colorado Power

OUR EXECUTIVE TEAM >>>


DUANE HIGHLEY
Chief Executive Officer

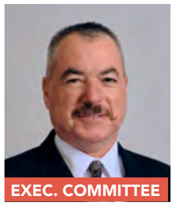

PAT BRIDGES
Senior Vice President and Chief Financial Officer

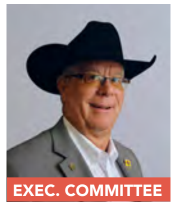

ELDA DE LA PEÑA
Chief Administrative Officer and CHRO

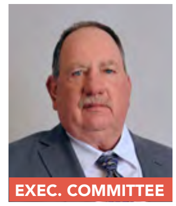

BOB FRANKMORE
Chief of Staff


ASST. SECRETARY
Thaine Michie
Poudre Valley Rural Electric


ASST. SECRETARY
Scott Wolfe
San Luis Valley Rural Electric


EXEC. COMMITTEE
Charles Abel II
Sangre de Cristo Electric


EXEC. COMMITTEE
Wayne Connell
Central New Mexico Electric


EXEC. COMMITTEE
Shawn Turner
Midwest Electric Cooperative


Joe Hoskins
Continental Divide Electric


Jerry Fetterman
Empire Electric


Peggy Ruble
Garland Light & Power


Mark Daily
Gunnison County Electric


Leo Brekel
Highline Electric


Matt Brown
High Plains Power


Kevin Thomas
High West Energy


Larry Hoozee
Morgan County Rural Electric


Rick Gordon
Mountain View Electric


William Wilson
Niobrara Electric


Steve Rendon
Northern Rio Arriba Electric


Lucas Bear
Northwest Rural Public Power


Phil Zochol
Panhandle Rural Electric


Wes Ullrich
Roosevelt Public Power

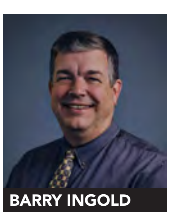

Joel Gilbert
Southwestern Electric


Gary Shaw
Springer Electric

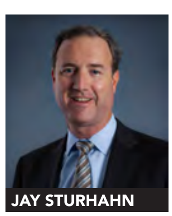

Jack Finnerty
Wheatland Rural Electric

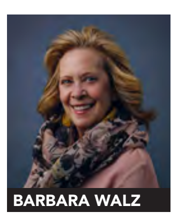

Ron Hilkey
White River Electric


Roger Schenk
Y-W Electric


BARRY INGOLD
Chief Operating Officer


REG RUDOLPH
Chief Energy Innovations Officer


JAY STURHAHN
Senior Vice President and General Counsel


BARBARA WALZ
Senior Vice President, Policy & Compliance, and Chief Compliance Officer

"Congratulations to the leaders on our executive team who retired in late 2023 and early 2024. Thank you to Barbara Walz for her 26 years of service, and to Pat Bridges for his 17 years. They've been invaluable to Tri-State, and we wish them the best in retirement."

– DUANE HIGHLEY, CEO

OUR UTILITY MEMBERS

COLORADO

EM Empire Electric Association, Inc., Cortez
GC Gunnison County Electric Association, Inc., Gunnison
HL Highline Electric Association, Holyoke
KC K.C. Electric Association, Inc., Hugo
LP La Plata Electric Association, Inc., Durango
MC Morgan County Rural Electric Association, Fort Morgan
MP Mountain Parks Electric, Inc., Granby
MV Mountain View Electric Association, Inc., Limon
PV Poudre Valley Rural Electric Association, Inc., Fort Collins
SI San Isabel Electric Association, Inc., Pueblo West
SV San Luis Valley Rural Electric Cooperative, Inc., Monte Vista
SM San Miguel Power Association, Inc., Nucla
SC Sangre de Cristo Electric Association, Inc., Buena Vista
SE Southeast Colorado Power Association, La Junta
UN United Power, Inc., Brighton
WR White River Electric Association, Inc., Meeker
YW Y-W Electric Association, Inc., Akron

NEBRASKA

CR Chimney Rock Public Power District, Bayard
MW Midwest Electric Cooperative Corporation, Grant
NW Northwest Rural Public Power District, Hay Springs
PH Panhandle Rural Electric Membership Association, Alliance
RS Roosevelt Public Power District, Scottsbluff
WB Wheat Belt Public Power District, Sidney

NEW MEXICO

CN Central New Mexico Electric Cooperative, Inc., Mountainair
CO Columbus Electric Cooperative, Inc., Deming
CD Continental Divide Electric Cooperative, Inc., Grants
JM Jemez Mountains Electric Cooperative, Inc., Española
MO Mora-San Miguel Electric Cooperative, Inc., Mora
NR Northern Rio Arriba Electric Cooperative, Inc., Chama
OC Otero County Electric Cooperative, Inc., Cloudcroft
SR Sierra Electric Cooperative, Inc., Elephant Butte
SO Socorro Electric Cooperative, Inc., Socorro
SW Southwestern Electric Cooperative, Inc., Clayton
SP Springer Electric Cooperative, Inc., Springer

WYOMING

BH Big Horn Rural Electric Company, Basin
CB Carbon Power & Light, Inc., Saratoga
GL Garland Light & Power Company, Powell
HP High Plains Power, Inc., Riverton
HW High West Energy, Inc., Pine Bluffs
NB Niobrara Electric Association, Inc., Lusk
WL Wheatland Rural Electric Association, Wheatland
WY Wyrulec Company, Torrington

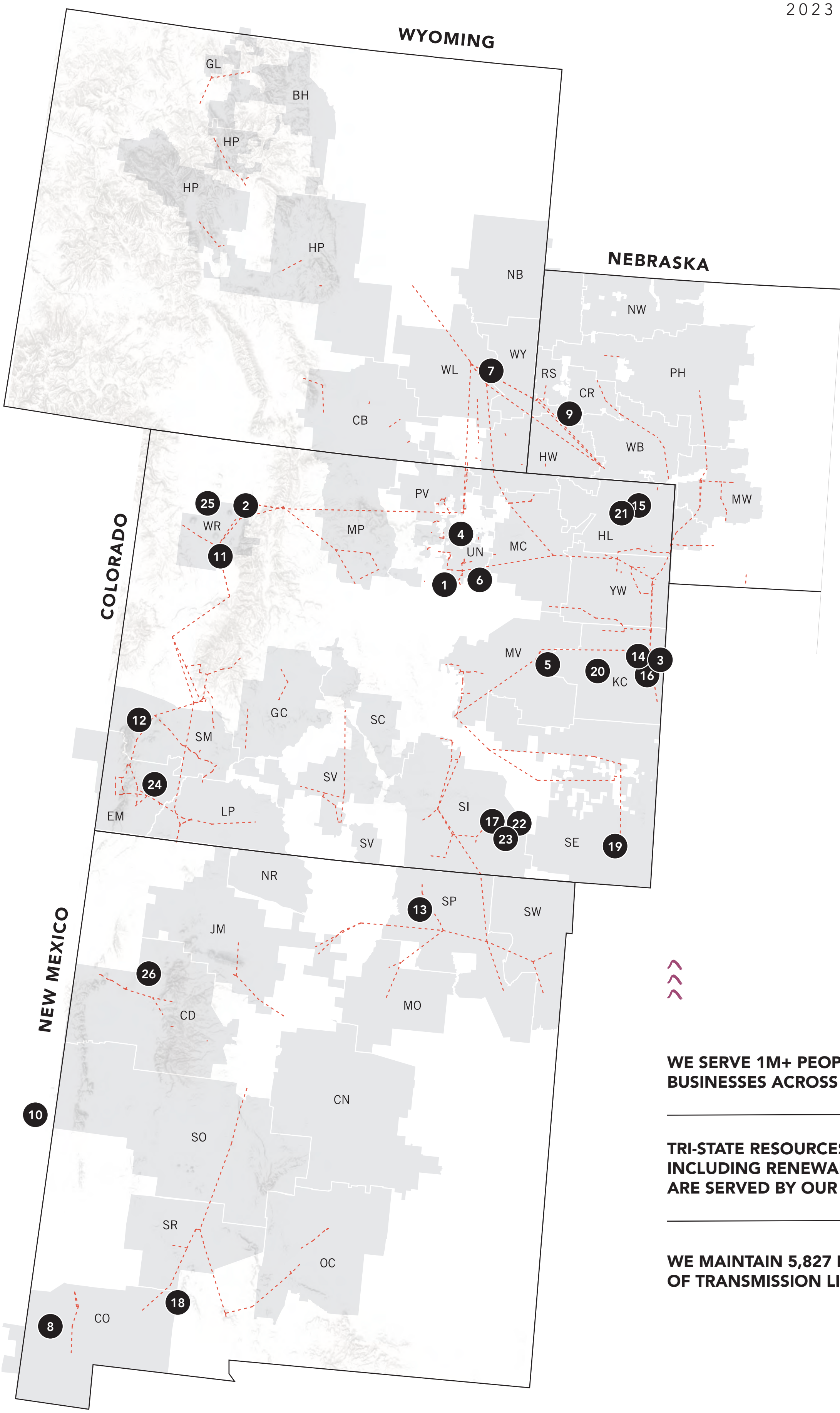
OUR NON-UTILITY MEMBERS

Ellgen Ranch Company
MIECO, Inc.
Olson's Greenhouses of Colorado, LLC

OUR RESOURCES

1. Headquarters and Operations Center – Westminster, CO
2. Craig Station – Craig, CO
3. Burlington Station – Burlington, CO
4. J.M. Shafer Generating Station – Fort Lupton, CO
5. Limon Generating Station – Limon, CO
6. Frank R. Knutson Generating Station – Brighton, CO
7. Laramie River Station – Wheatland, WY
8. Pyramid Generating Station – Lordsburg, NM
9. David A. Hamil DC Tie – Stegall, NE
10. Springerville Generating Station – Springerville, AZ
11. Colowyo Mine – Meeker, CO
12. New Horizon Mine (in full reclamation) – Nucla, CO
13. Cimarron Solar – Colfax County, NM
14. Kit Carson Windpower – Kit Carson County, CO
15. Colorado Highlands Wind – Logan County, CO
16. Carousel Wind – Kit Carson County, CO
17. San Isabel Solar – Las Animas County, CO
18. Alta Luna Solar – Luna County, NM
19. Twin Buttes II Wind – Prowers County, CO
20. Crossing Trails Wind – Kit Carson & Cheyenne Counties, CO
21. Niyol Wind – Logan County, CO
22. Spanish Peaks Solar (2024) – Las Animas County, CO
23. Spanish Peaks II Solar (2024) – Las Animas County, CO
24. Dolores Canyon Solar (2025) – Dolores County, CO
25. Axial Basin Solar (2025) – Moffat County, CO
26. Escalante Solar (2024) – McKinley County, NM

Tri-State also receives power from several small hydropower projects and under long-term contracts with the Western Area Power Administration and Basin Electric Power Cooperative.



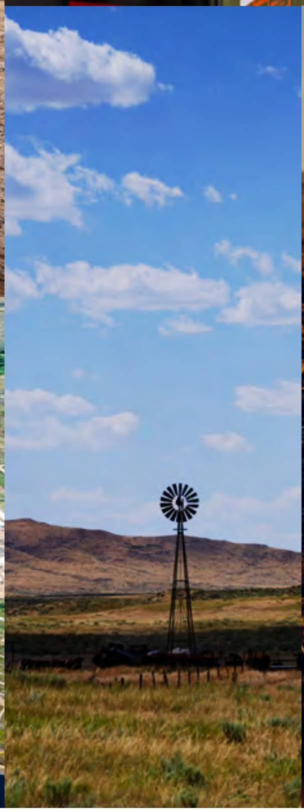
WE SERVE 1M+ PEOPLE AND BUSINESSES ACROSS 200,000 MI²

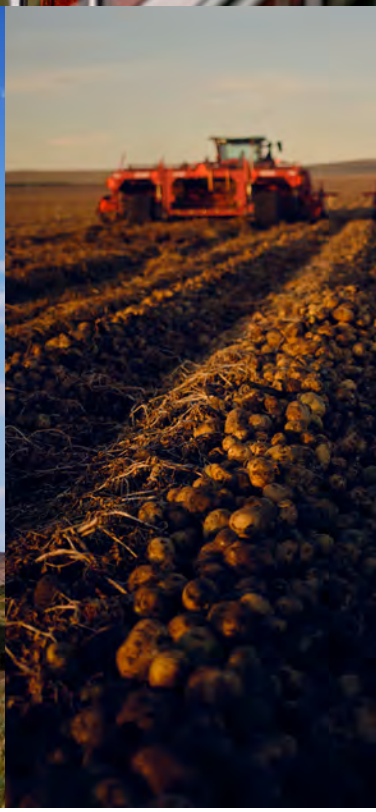
TRI-STATE RESOURCES, INCLUDING RENEWABLES, ARE SERVED BY OUR MEMBERS

WE MAINTAIN 5,827 MILES OF TRANSMISSION LINE


Shell
POP 74
ELEV 4210


ELECTRIFY
AND SAVE
WWW.TRISTATE.COOP/BE






WATCH our FEET

Report of Independent Registered Public Accounting Firm

To the Members and the Board of Directors of Tri-State Generation and Transmission Association, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Tri-State Generation and Transmission Association, Inc. (the "Association") as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Association at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Association in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Association is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Asset Retirement Obligations – Colowyo Coal Mines

Description of the Matter	As discussed in Note 2 and 4 to the consolidated financial statements, the Association's obligations for the final reclamation costs and post-reclamation monitoring of the Association's coal mines are recognized at management's estimated fair value at the time the obligations are incurred and capitalized as part of the related long-lived asset or reflected in earnings in the period an estimate is revised, as applicable. As changes in estimates occur, such as mine plans, estimated

Report of Independent Registered Public Accounting Firm

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We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Association is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion.

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	Asset Retirement Obligations – Colowyo Coal Mines
Description of the Matter	As discussed in Note 2 and 4 to the consolidated financial statements, the Association's obligations for the final reclamation costs and post-reclamation monitoring of the Association's coal mines are recognized at management's estimated fair value at the time the obligations are incurred and capitalized as part of the related long-lived asset or reflected in earnings in the period an estimate is revised, as applicable. As changes in estimates occur, such as mine plans, estimated

costs and timing of reclamation activities, the Association makes revisions to the related obligation at the appropriate discount rate.

Auditing the Association's asset retirement obligations for coal mines required us to make subjective auditor judgements because the estimates underlying the determination of the obligations were based on significant assumptions utilized by management and their engineering staff. In particular, the fair value calculations of the asset retirement obligations are based on, among other things, estimates of disturbed areas, reclamation costs, timing of reclamation activities, and probability of outcomes.

How We Addressed the Matter in Our Audit

To audit the asset retirement obligations for coal mines, our procedures included evaluating the appropriateness of the Association's methodology and testing significant assumptions, as discussed above, and the underlying data used by the Association in its estimate. To assess the estimates of disturbed areas, reclamation costs, timing of reclamation activities, and probability of outcomes, we evaluated significant changes from the prior year estimate and verified consistency between the timing of activities to the projected mine life or reclamation plan. We also considered the appropriateness of the estimated reclamation costs for coal mines, compared anticipated labor and equipment costs to recent operating data and third-party evidence including common industry references, and recalculated management's estimate. We involved our specialists in our assessment of the Association's asset retirement obligations including reviewing the Association's methodology, interviewing members of the Association's engineering staff, evaluating the reasonableness of the cost estimates and assumptions, and assessing completeness of the estimate with respect to regulatory requirements.

Ernst + Young LLP

We have served as the Association's auditor since 1977.

Denver, Colorado
March 15, 2024

Tri-State Generation and Transmission Association, Inc.
Consolidated Statements of Financial Position
(dollars in thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment		
Electric plant		
In service	$ 5,722,679	$ 5,659,423
Construction work in progress	163,954	81,555
Total electric plant	**5,886,633**	**5,740,978**
Less allowances for depreciation and amortization	(2,739,924)	(2,392,363)
Net electric plant	**3,146,709**	**3,348,615**
Other plant	952,318	954,144
Less allowances for depreciation, amortization and depletion	(711,896)	(694,774)
Net other plant	**240,422**	**259,370**
Total property, plant and equipment	**3,387,131**	**3,607,985**
Other assets and investments		
Investments in other associations	187,684	177,477
Investments in and advances to coal mines	1,619	1,914
Restricted cash and investments	3,408	4,257
Other noncurrent assets	15,264	15,828
Total other assets and investments	**207,975**	**199,476**
Current assets		
Cash and cash equivalents	106,005	105,852
Restricted cash and investments	605	573
Deposits and advances	37,455	34,233
Accounts receivable—Utility Members	101,394	103,246
Other accounts receivable	23,123	32,436
Coal inventory	54,979	34,723
Materials and supplies	106,893	93,514
Total current assets	**430,454**	**404,577**
Deferred charges		
Regulatory assets	919,483	650,421
Prepayment—NRECA Retirement Security Plan	5,372	10,745
Other	36,121	40,445
Total deferred charges	**960,976**	**701,611**
Total assets	**$ 4,986,536**	**$ 4,913,649**
EQUITY AND LIABILITIES		
Capitalization		
Patronage capital equity	$ 984,581	$ 984,865
Accumulated other comprehensive loss	(839)	(468)
Noncontrolling interest	134,269	126,180
Total equity	**1,118,011**	**1,110,577**
Long-term debt	2,896,506	2,869,963
Total capitalization	**4,014,517**	**3,980,540**
Current liabilities		
Utility Member advances	14,333	17,070
Accounts payable	123,674	109,109
Short-term borrowings	184,305	274,102
Accrued expenses	39,268	42,506
Current asset retirement obligations	21,635	5,419
Accrued interest	24,549	25,431
Accrued property taxes	31,986	36,477
Current maturities of long-term debt	223,523	92,920
Total current liabilities	**663,273**	**603,034**
Deferred credits and other liabilities		
Regulatory liabilities	2,317	49,931
Deferred income tax liability	15,223	19,275
Asset retirement and environmental reclamation obligations	195,566	181,588
Other	84,125	68,374
Total deferred credits and other liabilities	**297,231**	**319,168**
Accumulated postretirement benefit and postemployment obligations	11,515	10,907
Total equity and liabilities	**$ 4,986,536**	**$ 4,913,649**

The accompanying notes are an integral part of these consolidated financial statements.

Tri-State Generation and Transmission Association, Inc.
Consolidated Statements of Operations
(dollars in thousands)

	For the years ended December 31,		
	2023	**2022**	**2021**
Operating revenues			
Member electric sales	$ 1,208,352	$ 1,213,234	$ 1,161,291
Non-member electric sales	145,228	163,355	114,908
Rate stabilization	47,127	95,613	78,457
Provision for rate refunds	94	(51)	(10,196)
Other	66,615	61,420	56,341
	1,467,416	**1,533,571**	**1,400,801**
Operating expenses			
Purchased power	404,876	409,513	381,477
Fuel	258,894	329,046	236,089
Production	191,095	177,413	185,016
Transmission	187,874	175,889	182,327
General and administrative	88,621	79,640	57,243
Depreciation, amortization and depletion	171,460	184,047	190,237
Coal mining	44,548	9,899	5,323
Other	(31,341)	53,509	7,191
	1,316,027	**1,418,956**	**1,244,903**
Operating margins	**151,389**	**114,615**	**155,898**
Other income			
Interest	8,614	4,447	3,609
Capital credits from cooperatives	19,369	26,185	9,466
Other	11,447	10,027	4,152
	39,430	**40,659**	**17,227**
Interest expense			
Interest	175,557	148,609	143,328
Interest charged during construction	(4,800)	(1,486)	(3,786)
	170,757	**147,123**	**139,542**
Income tax expense (benefit)	4	(249)	295
Net margins including noncontrolling interest	**20,058**	**8,400**	**33,288**
Net margin attributable to noncontrolling interest	(9,971)	(8,400)	(6,942)
Net margins attributable to the Association	**$ 10,087**	**$ —**	**$ 26,346**

The accompanying notes are an integral part of these consolidated financial statements.

Tri-State Generation and Transmission Association, Inc.
Consolidated Statements of Comprehensive Income
(dollars in thousands)

	For the years ended December 31,		
	2023	2022	2021
Net margins including noncontrolling interest	$ 20,058	$ 8,400	$ 33,288
Other comprehensive income (loss):			
Unrealized loss on securities available for sale	127	(333)	(108)
Unrecognized prior service credit on postretirement benefit obligation	—	—	5,698
Unrecognized actuarial gain on postretirement benefit obligation	757	32	784
Amortization of actuarial loss on postretirement benefit obligation included in net margin	(84)	102	78
Amortization of prior service credit on postretirement benefit obligation included in net margin	(1,637)	(1,636)	(2,139)
Unrecognized actuarial gain (loss) on executive benefit restoration obligation	(909)	1,740	(778)
Unrecognized prior service cost on executive benefit restoration obligation	—	(308)	(1,050)
Amortization of actuarial loss on executive benefit restoration obligation included in net margin	219	426	515
Curtailment and settlement	—	(187)	141
Amortization of prior service cost on executive benefit restoration obligation included in net margin	1,156	1,156	1,113
Other comprehensive income (loss)	**(371)**	**992**	**4,254**
Comprehensive income including noncontrolling interest	**19,687**	**9,392**	**37,542**
Net comprehensive income attributable to noncontrolling interest	(9,971)	(8,400)	(6,942)
Comprehensive income attributable to the Association	**$ 9,716**	**$ 992**	**$ 30,600**

The accompanying notes are an integral part of these consolidated financial statements.

Tri-State Generation and Transmission Association, Inc.
Consolidated Statements of Equity
(dollars in thousands)

	For the years ended December 31,		
	2023	2022	2021
Patronage capital equity at beginning of period	$ 984,865	$ 994,865	$ 978,519
Net margins attributable to the Association	10,087	—	26,346
Retirement of patronage capital	(10,371)	(10,000)	(10,000)
Patronage capital equity at end of period	**984,581**	**984,865**	**994,865**
Accumulated other comprehensive loss at beginning of period	(468)	(1,460)	(5,714)
Unrealized gain (loss) on securities available for sale	127	(333)	(108)
Reclassification adjustment for actuarial (gain) loss on postretirement benefit obligation included in net margin	(84)	102	78
Reclassification adjustment for prior service credit on postretirement benefit obligation included in net margin	(1,637)	(1,636)	(2,139)
Reclassification adjustment for actuarial loss on executive benefit restoration obligation included in net margin	219	426	515
Curtailment and settlement	—	(187)	141
Reclassification adjustment for prior service cost on executive benefit restoration obligation included in net margin	1,156	1,156	1,113
Unrecognized prior service credit on postretirement benefit obligation	—	—	5,698
Unrecognized actuarial gain on postretirement benefit obligation	757	32	784
Unrecognized actuarial gain (loss) on executive benefit restoration obligation	—	1,740	(778)
Unrecognized prior service cost on executive benefit restoration obligation	(909)	(308)	(1,050)
Accumulated other comprehensive loss at end of period	**(839)**	**(468)**	**(1,460)**
Noncontrolling interest at beginning of period	126,180	119,100	114,851
Net comprehensive income attributable to noncontrolling interest	9,971	8,400	6,942
Equity distribution to noncontrolling interest	(1,882)	(1,320)	(2,693)
Noncontrolling interest at end of period	**134,269**	**126,180**	**119,100**
Total equity at end of period	**$ 1,118,011**	**$ 1,110,577**	**$ 1,112,505**

The accompanying notes are an integral part of these consolidated financial statements.

Tri-State Generation and Transmission Association, Inc.
Consolidated Statements of Cash Flows *(dollars in thousands)*

	For the years ended December 31,		
	2023	2022	2021
Operating activities			
Net margins including noncontrolling interest	$ 20,058	$ 8,400	$ 33,288
Adjustments to reconcile net margins to net cash provided by operating activities:			
Depreciation, amortization and depletion	171,460	184,047	190,237
Amortization of NRECA Retirement Security Plan prepayment	5,372	5,372	5,372
Amortization of debt issuance costs	2,423	3,105	2,479
Impairment loss and other closure costs	261,600	29,098	—
Deferred impairment loss and other closure costs	(261,600)	(29,098)	—
Deposits associated with generator interconnection requests	9,880	6,716	17,130
Rate stabilization	(47,127)	(95,613)	(78,457)
Capital credit allocations from cooperatives and income from coal mines under (over) refund distributions	(9,911)	(14,115)	512
Changes in operating assets and liabilities:			
Accounts receivable	18,019	(30,135)	(3,618)
Coal inventory	(20,256)	24,978	(3,453)
Materials and supplies	(13,380)	(6,281)	(4,714)
Accounts payable and accrued expenses	2,333	19,102	13,114
Accrued interest	(1,882)	(285)	(1,804)
Accrued property taxes	(4,492)	2,600	1,082
New Horizon Mine environmental obligation	(44,869)	44,869	—
Other	36,773	(164)	(1,261)
Net cash provided by operating activities	**124,401**	**152,596**	**169,907**
Investing activities			
Purchases of plant	(179,398)	(121,527)	(118,422)
Changes in deferred charges	4,339	(4,617)	(13,054)
Proceeds from other investments	—	94	72
Net cash used in investing activities	**(175,059)**	**(126,050)**	**(131,404)**
Financing activities			
Changes in Member advances	(2,969)	(282)	183
Payments of long-term debt	(394,447)	(232,946)	(94,288)
Proceeds from issuance of long-term debt	550,000	—	—
Debt issuance costs	(664)	(1,475)	—
Change in short-term borrowings, net	(89,297)	224,105	49,997
Retirement of patronage capital	(10,044)	(8,445)	(18,067)
Equity distribution to noncontrolling interest	(1,882)	(1,320)	(2,693)
Other	(703)	(637)	(573)
Net cash provided by (used in) financing activities	**49,994**	**(21,000)**	**(65,441)**
Net increase (decrease) in cash, cash equivalents and restricted cash and investments	**(664)**	**5,546**	**(26,938)**
Cash, cash equivalents and restricted cash and investments – beginning	**110,682**	**105,136**	**132,074**
Cash, cash equivalents and restricted cash and investments – ending	**$ 110,018**	**$ 110,682**	**$ 105,136**
Supplemental cash flow information:			
Cash paid for interest	$ 173,147	$ 145,350	$ 143,394
Cash paid for income taxes	$ —	$ —	$ —
Supplemental disclosure of noncash investing and financing activities:			
Change in plant expenditures included in accounts payable	$ 1,005	$ (1,076)	$ 1,383

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION

Tri-State Generation and Transmission Association, Inc. ("Tri-State," "we," "our," "us," or "the Association") is a taxable wholesale electric power generation and transmission cooperative operating on a not-for-profit basis serving large portions of Colorado, Nebraska, New Mexico and Wyoming. We were incorporated under the laws of the State of Colorado in 1952. We have three classes of membership: Class A – utility full requirements members, Class B - utility partial requirements members, and Non-Utility Members. We have forty-two electric distribution member systems who are Class A members, to which we provide electric power pursuant to long-term wholesale electric service contracts. We currently have no Class B members. We have three Non-Utility Members. Our Class A members and any Class B members are collectively referred to as our "Utility Members." Our Class A members, any Class B members, and Non-Utility Members are collectively referred to as our "Members." Our rates are subject to regulation by the Federal Energy Regulatory Commission ("FERC"). On December 23, 2019, our stated rate to our Class A members was filed at FERC and was accepted by FERC on March 20, 2020. On August 2, 2021, FERC approved our settlement agreement related to our stated rate to our Class A members. On June 16, 2023, we filed with FERC a new Class A rate that uses a formula rate and requested for the new rate to take effect on January 1, 2024. See Note 14—Commitments and Contingencies—Legal.

We also sell a portion of our electric power to other utilities in our regions pursuant to long-term contracts and short-term sale arrangements. In 2023, 2022 and 2021, total megawatt-hours sold were 18.2, 18.6 and 17.6 million, respectively, of which 90.7, 88.8 and 89.1 percent, respectively, were sold to Utility Members. Total revenue from electric sales was $1.4 billion for 2023 and 2022 and $1.3 billion for 2021 of which 86.2, 82.4, and 86.4 percent in 2023, 2022 and 2021, respectively, was from Utility Member sales. Energy resources were provided by our generation and purchased power, of which 48.2, 54.3 and 52.1 percent in 2023, 2022 and 2021, respectively, were from our generation.

Power is provided to Utility Members at rates determined by our Board of Directors ("Board"), subject to FERC approval. Rates are designed to recover all costs and provide margins to increase Utility Members' equity and to meet certain financial covenants, including a debt service ratio ("DSR") requirement and equity to capitalization ratio ("ECR") requirement.

We supply wholesale power to our Utility Members through the utilization of a portfolio of resources, including generation and transmission facilities, long-term purchase contracts and short-term energy purchases. Our generating facilities also include undivided ownership interests in jointly owned generating facilities. See Note 3—Property, Plant and Equipment. In support of our coal-fired generating facilities, we have direct ownership in coal mines.

We, including our subsidiaries, employ 1,120 people, of which 215 are subject to collective bargaining agreements. None of these agreements expire within one year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION: Our consolidated financial statements include the accounts of the Association, our wholly owned and majority owned subsidiaries, and certain variable interest entities for which we or our subsidiaries are the primary beneficiaries. See Note 13—Variable Interest Entities. Our consolidated financial statements also include our undivided interests in jointly owned facilities.

All significant intercompany balances and transactions have been eliminated in consolidation. The accompanying consolidated statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") as applied to regulated enterprises.

JOINTLY OWNED FACILITIES: We own undivided interests in two jointly owned generating facilities that are operated by the operating agent of each facility under joint facility ownership agreements with other utilities as tenants in common. These projects include the Yampa Project (operated by us) and the Missouri Basin Power Project ("MBPP") (operated by Basin Electric Power Cooperative ("Basin")). Each participant in these agreements receives a portion of the total output of the generation facilities, which approximates its percentage ownership. Each participant provides its own financing for its share of each facility and accounts for its share of the cost of each facility. The operating agent for each of these projects allocates the fuel and operating expenses to each participant based upon its share of the use of the facility. Therefore, our share of the plant asset cost, interest, depreciation and operating expenses is included in our consolidated financial statements. See Note 3—Property, Plant and Equipment.

SEGMENT REPORTING: We were organized for the purpose of supplying wholesale power to our Utility Members and do so through the utilization of a portfolio of resources, including generation and transmission facilities, long-term purchase contracts and short-term energy purchases. In support of our coal-fired generating resources, we have direct ownership in coal mines. Our Board serves as our chief operating decision maker who manages and reviews our operating results and allocates resources as one operating segment. Therefore, we have one reportable segment for financial reporting purposes. Our significant segment expenses include purchased power expense and fuel expense, which are regularly provided to our chief operating decision maker. As we have only one operating segment, these values agree to those disclosed in our Consolidated Statement of Operations.

USE OF ESTIMATES: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

IMPAIRMENT EVALUATION: Long-lived assets (property, plant and equipment, intangible assets, investments and preliminary surveys and investigation costs) that are held and used are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value based on quoted market prices or other valuation techniques. In 2023 as part of preparing our financial statements, we recognized an impairment loss of $261.6 million associated with the planned early retirement of Craig Generating Station Units 2 and 3. In 2022, we recognized an impairment loss of $3.7 million associated with the early retirement of the Rifle Generating Station. We also recognized an impairment loss of $25.4 million associated with additional asset retirement obligations at the Nucla and Escalante Generating Stations related to a change in cost estimates. There were no impairments of long-lived assets recognized in 2021. These impairment losses were deferred in accordance with the accounting requirements related to regulated operations at the discretion of our Board and subject to FERC approval, if applicable. See Note 2—Accounting for Rate Regulation.

VARIABLE INTEREST ENTITIES: We evaluate our arrangements and relationships with other entities, including our investments in other associations in accordance with the accounting standard related to consolidation of variable interest entities. This guidance requires us to identify variable interests (contractual, ownership or other financial interests) in other entities and whether any of those entities in which we have a variable interest meet the criteria of a variable interest entity. An entity is considered to be a variable interest entity when its total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, or its equity investors, as a group, lack the characteristics of having a controlling financial interest. In making this assessment, we consider the potential that our arrangements and relationships with other entities provide subordinated financial support, the potential for us to absorb losses or rights to residual returns of an entity, the ability to directly or indirectly make decisions about the entity's activities and other factors. If an entity that we have a variable interest in meets the criteria of a variable interest entity, we must determine whether we are the primary beneficiary of that entity. The primary beneficiary is the entity that has the power to direct the activities of the variable interest entity that most significantly impact the variable interest entity's economic performance, and the obligation to absorb losses or the right to receive benefits from the variable interest entity that could be potentially significant to the variable interest entity. If we are determined to be the primary beneficiary of (has controlling financial interest in) a variable interest entity, then we would be required to consolidate that entity. In certain situations, it may be determined that power is shared among multiple unrelated parties such that no one party has the power to direct the activities of a variable interest entity that most significantly impact the variable interest entity's economic performance (decisions about those activities require the consent of each of the parties sharing power). In accordance with the accounting guidance prescribed by consolidation of variable interest entities, if the determination is made that power is shared among multiple unrelated parties, then no party is the primary beneficiary. See Note 13—Variable Interest Entities.

ACCOUNTING FOR RATE REGULATION: In accordance with the accounting requirements related to regulated operations, some revenues and expenses have been deferred at the discretion of our Board, subject to FERC approval, if based on regulatory orders or other available evidence, it is probable that these amounts will be refunded or recovered through future rates. Regulatory assets are costs we expect to recover from our Utility Members based on rates approved by the applicable authority. Regulatory liabilities represent probable future reductions in rates associated with amounts that are expected to be refunded to our Utility Members based on rates approved by the applicable authority. Expected recovery of deferred costs and returning deferred credits are based on specific ratemaking decisions by FERC or precedent for each item. We recognize regulatory assets as expenses and regulatory liabilities as operating revenue, other income, or a reduction in expense concurrent with their recovery through rates.

Regulatory assets and liabilities are as follows (dollars in thousands):

	December 31, 2023	December 31, 2022
Regulatory assets		
Deferred income tax expense (1)	$ 15,223	$ 19,279
Deferred prepaid lease expense – Springerville Unit 3 Lease (2)	74,551	76,842
Goodwill – J.M. Shafer (3)	37,749	40,598
Goodwill – Colowyo Coal (4)	33,062	34,095
Deferred debt prepayment transaction costs (5)	106,417	115,045
Deferred Holcomb expansion impairment loss (6)	74,795	79,470
New Horizon Mine environmental obligation (7)	44,869	—
Unrecovered plant (8)	532,817	285,092
Total regulatory assets	**919,483**	**650,421**
Regulatory liabilities		
Interest rate swap - realized gain (9) and other	1,854	2,341
Membership withdrawal (10)	463	47,590
Total regulatory liabilities	**2,317**	**49,931**
Net regulatory asset	**$ 917,166**	**$ 600,490**

(1) A regulatory asset or liability associated with deferred income taxes generally represents the future increase or decrease in income taxes payable that will be received or settled through future rate revenues.

(2) Represents deferral of the loss on acquisition related to the Springerville Generating Station Unit 3 ("Springerville Unit 3") prepaid lease expense upon acquiring a controlling interest in the Springerville Unit 3 Partnership LP ("Springerville Partnership") in 2009. The regulatory asset for the deferred prepaid lease expense is being amortized to depreciation, amortization and depletion expense in the amount of $2.3 million annually through the 47-year period ending in 2056 and recovered from our Utility Members in rates.

(3) Represents goodwill related to our acquisition of Thermo Cogeneration Partnership, LP ("TCP") in December 2011. Goodwill is being amortized to depreciation, amortization and depletion expense in the amount of $2.8 million annually through the 25-year period ending in 2036 and recovered from our Utility Members in rates.

(4) Represents goodwill related to our acquisition of Colowyo Coal Company LP ("Colowyo Coal") in December 2011. Goodwill is being amortized to depreciation, amortization and depletion expense in the amount of $1.0 million annually through the 44-year period ending in 2056 and recovered from our Utility Members in rates.

(5) Represents transaction costs that we incurred related to the prepayment of our long-term debt in 2014. These costs are being amortized to depreciation, amortization and depletion expense in the amount of $8.6 million annually over the 21.4-year period ending in 2036 and recovered from our Utility Members in rates.

(6) Represents deferral of the impairment loss related to development costs, including costs for the option to purchase development rights for the expansion of the Holcomb Generating Station. The regulatory asset for the deferred impairment loss is being amortized to other operating expenses in the amount of $4.7 million annually over the 20-year period ending in 2039 and recovered from our Utility Members in rates.

(7) Represents $44.9 million of New Horizon Mine environmental obligation expense that was recorded in 2022 and reversed as a regulatory item in 2023 as part of our June 2023 Class A rate schedule (A-41) filing with FERC with a planned January 1, 2024 effective date. The regulatory asset for the deferred environmental obligation expense will be amortized to expense in the amount of $1.8 million annually over 25 years beginning in 2024 through 2048 and recovered from our Utility Members in rates.

(8) Represents deferral of the impairment losses and other closure costs related to the early retirement of the Escalante, Rifle and Craig Generating Station Units 2 and 3. The deferred impairment loss for Escalante Generating Station is being amortized to depreciation, amortization and depletion expense in the amount of $12.2 million annually over the 25-year period ending in 2045, which was the depreciable life of Escalante Generating Station, and recovered from our Utility Members through rates. The annual amortization approximates the former annual Escalante Generating Station depreciation for the remaining life of the asset. The deferred impairment loss for Rifle Generating Station is being amortized to depreciation, amortization and depletion expense in the amount of $0.6 million annually through 2028, which was the depreciable life of the Rifle Generating Station, and recovered from our Utility Members in rates. Because of our June 2023 Class A rate schedule (A-41) filing that uses a formula rate and the during evaluation of the probability of such

filing as part of preparing these financial statements, we recognized the early retirement of Craig Station Units 2 and 3 that is part of our rate filing with FERC and thus we concluded the impairment of incurred costs is probable of recovery through future rates. We recognized an impairment loss of $261.6 million and deferred the loss in accordance with accounting for rate regulation. The deferred impairment loss will be amortized to depreciation, amortization and depletion expense beginning in October 2028 through 2039 for Craig Generating Station Unit 2 and January 2030 through 2043 for Craig Generating Station Unit 3. These amortization periods are the depreciable lives of Craig Generating Station Unit 2 and 3. The annual amortization is expected to approximate the former annual Craig Generation Station Unit 2 and 3 depreciation for the remaining life of the asset.

(9) Represents deferral of a realized gain of $4.6 million related to the October 2017 settlement of a forward starting interest rate swap. This realized gain was deferred as a regulatory liability and is being amortized to interest expense over the 12-year term of the First Mortgage Obligations, Series 2017A and refunded to Utility Members through reduced rates when recognized in future periods.

(10) Represents the deferral of the recognition of other operating revenues related to the withdrawal of former Utility Members from membership in us. The deferred membership withdrawal income will be refunded to Utility Members through reduced rates when recognized in operating revenues. During 2023, $47.1 million was recognized in operating revenues as part of our rate stabilization measures.

ELECTRIC PLANT AND DEPRECIATION: Electric plant is stated at cost. The cost of internally constructed assets includes payroll, overhead costs and interest charged during construction. Interest rates charged during construction were 5.2 percent for 2023, 2.3 percent for 2022 and 4.4 percent for 2021. During 2022, Tri-State transitioned from using the "Indirect Costs" ("IDC") rate to the FERC prescribed "Allowance For Funds Used During Construction" ("AFUDC") rate. AFUDC is defined as the gross allowance for borrowed funds used during construction. The AFUDC rate is calculated with the assumption that short-term debt is the first source of funds used for construction. Any construction not covered by the short-term debt is then assumed to be covered by long-term debt. The AFUDC rate varies from the IDC rate, which assumes that total debt was used to cover construction costs. The amount of interest capitalized during construction was $4.8, $1.5 and $3.8 million during 2023, 2022 and 2021, respectively. At the time that units of electric plant are retired, original cost and cost of removal, net of the salvage value, are charged to the allowance for depreciation. Replacements of electric plant that involve less than a designated unit value are charged to maintenance expense when incurred. Electric plant is depreciated based upon estimated depreciation rates and useful lives that are periodically re-evaluated. See Note 3—Property, Plant and Equipment.

COAL RESERVES AND DEPLETION: Coal reserves are recorded at cost. Depletion of coal reserves is computed using the units-of-production method utilizing only proven and probable reserves.

LEASES: We determine if an arrangement is a lease upon commencement of the contract. If an arrangement is determined to be a long-term lease (greater than 12 months), we recognize a right-of-use asset and lease liability based on the present value of the future minimum lease payments over the lease term at the commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Our lease terms may also include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Right-of-use assets are included in other deferred charges, the current portion of lease liabilities is included in accrued expenses and the long-term portion of lease liabilities is included in other deferred credits and other liabilities on our consolidated statements of financial position. See Note 11—Leases.

We have elected to apply the short-term lease exception for contracts that have a lease term of twelve months or less and do not include an option to purchase the underlying asset. Therefore, we do not recognize a right-of-use asset or lease liability for such contracts. We recognize short-term lease payments as expense on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or rate are recognized as incurred.

INVESTMENTS IN OTHER ASSOCIATIONS: Investments in other associations include investments in the patronage capital of other cooperatives and other required investments in the organizations. Our investment in a cooperative increases when a cooperative allocates patronage capital credits to us, and it decreases when we receive a cash retirement of the allocated capital credits from the cooperative. A cooperative allocates its patronage capital credits to us based upon our patronage (amount of business done) with the cooperative.

Investments in other associations are as follows (dollars in thousands):

	December 31, 2023	December 31, 2022
Basin Electric Power Cooperative	$ 135,652	$ 127,640
National Rural Utilities Cooperative Finance Corporation - patronage capital	12,451	12,172
National Rural Utilities Cooperative Finance Corporation - capital term certificates	15,054	15,054
CoBank, ACB	18,809	16,727
Other	5,718	5,884
Investments in other associations	**$ 187,684**	**$ 177,477**

Our investments in other associations are considered equity securities without readily determinable fair values, and as such are measured at cost minus impairment. We have evaluated these investments for indicators of impairment. There were no impairments of these investments recognized during 2023, 2022 or 2021.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND INVESTMENTS: We consider highly liquid investments with an original maturity of three months or less to be cash equivalents. The fair value of cash equivalents approximates their carrying values due to their short-term maturity.

Restricted cash and investments represent funds designated by our Board for specific uses and funds restricted by contract or other legal reasons. A portion of the funds have been restricted by contract and are expected to be settled within one year. These funds are therefore classified as current on our consolidated statements of financial position. The other funds are restricted by contract or other legal reasons and are expected to be settled beyond one year. These funds are classified as noncurrent and are included in other assets and investments on our consolidated statements of financial position.

MARKETABLE SECURITIES: We hold marketable securities in connection with the directors' and executives' elective deferred compensation plans which consist of investments in stock funds, bond funds and money market funds. These securities are measured at fair value on a recurring basis with changes in fair value recognized in earnings. The estimated fair value of the investments is based upon their active market value (Level 1 inputs) and is included in other noncurrent assets on our consolidated statements of financial position. The cost and estimated fair value of the investments at December 31, 2023 were $0.6 million and $0.5 million, respectively. The cost and estimated fair value of the investments at December 31, 2022 were $0.6 million and $0.5 million, respectively.

INVENTORIES: Coal inventories at our owned generating facilities are stated at LIFO (last-in, first-out) cost and were $29.0 million and $3.7 million as of December 31, 2023 and 2022, respectively. The remaining coal inventories, other fuel, and materials and supplies inventories are stated at average cost. In 2023, there was no lower coal fuel expense as a result of a LIFO inventory liquidation at our generating facilities.

OTHER DEFERRED CHARGES: We make expenditures for preliminary surveys and investigations for the purpose of determining the feasibility of contemplated generation and transmission projects. If construction results, the preliminary survey and investigation expenditures will be reclassified to electric plant - construction work in progress. If the work is abandoned, the related preliminary survey and investigation expenditures will be charged to the appropriate operating expense account, or the expense could be deferred as a regulatory asset to be recovered from our Utility Members through rates subject to approval by our Board and FERC.

We make advance payments to the operating agents of jointly owned facilities to fund our share of costs expected to be incurred under each project, including MBPP – Laramie River Station and Yampa Project – Craig Generating Station Units 1 and 2. We also make advance payments to the operating agent of Springerville Unit 3.

A right-of-use asset represents a lessee's right to control the use of the underlying asset for the lease term. Right-of-use assets are included in other deferred charges and presented net of accumulated amortization. See Note 11—Leases.

Other deferred charges are as follows (dollars in thousands):

	December 31, 2023	December 31, 2022
Preliminary surveys and investigations	$ 12,845	$ 13,048
Advances to operating agents of jointly owned facilities	2,750	7,324
Operating lease right-of-use assets	6,477	6,771
Other	14,049	13,302
Total other deferred charges	**$ 36,121**	**$ 40,445**

DEBT ISSUANCE COSTS: We account for debt issuance costs as a direct deduction of the associated long-term debt carrying amount consistent with the accounting for debt discounts and premiums. Deferred debt issuance costs are amortized to interest expense using an effective interest method over the life of the respective debt.

ASSET RETIREMENT AND ENVIRONMENTAL RECLAMATION OBLIGATIONS: We account for current obligations associated with the future retirement of tangible long-lived assets and environmental reclamation in accordance with the accounting guidance relating to asset retirement and environmental obligations. This guidance requires that legal obligations associated with the retirement of long-lived assets be recognized at fair value at the time the liability is incurred and capitalized as part of the related long-lived asset. Over time, the liability is adjusted to its present value by recognizing accretion expense, and the capitalized cost of the long-lived asset is depreciated in a manner consistent with the depreciation of the underlying physical asset. In the absence of quoted market prices, we determine fair value by using present value techniques in which estimates of future cash flows associated with retirement activities are discounted using a credit adjusted risk-free rate and a market risk premium. As changes in estimates occur, such as mine plans, estimated costs, and timing of the performance of reclamation activities, we make revisions to the asset and obligation at the appropriate discount rate. Upon settlement of an asset retirement obligation, we apply payment against the estimated liability and incur a gain or loss if the actual retirement costs differ from the estimated recorded liability.

Environmental reclamation costs are accrued based on management’s best estimate at the end of each period of the costs expected to be incurred. Such cost estimates may include ongoing care, maintenance and monitoring costs. Changes in reclamation estimates are reflected in earnings in the period an estimate is revised. Estimates of future expenditures for environmental reclamation obligations are not discounted. See Note 4—Asset Retirement and Environmental Reclamation Obligations.

OTHER DEFERRED CREDITS AND OTHER LIABILITIES: In 2015, we renewed transmission right-of-way easements on tribal nation lands where certain of our electric transmission lines are located. We will pay $25.7 million for these easements from 2023 through the individual easement terms ending between 2036 and 2040. The present value of the remaining easement payments was $17.9 million and $18.6 million as of December 31, 2023 and December 31, 2022, respectively, which is recorded as other deferred credits and other liabilities.

OATT deposits represent refundable transmission customer deposits related to interconnection and transmission requests from third parties. An OATT deposit is refundable should the interconnection or transmission request not move forward.

Financial liabilities-reclamation represent financial obligations that we have for our share of the reclamation costs at jointly owned facilities in which we have undivided interests in.

A contract liability represents an entity’s obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. We have received deposits from others and these deposits are reflected in contract liabilities (unearned revenue) until recognized in other operating revenues over the life of the agreement. We have received deposits from various parties and those that may still be required to be returned are a liability and these are reflected in customer deposits.

The following other deferred credits and other liabilities are reflected on our consolidated statements of financial position (dollars in thousands):

	December 31, 2023	December 31, 2022
Transmission easements	$ 17,862	$ 18,636
OATT deposits	27,872	17,476
Financial liabilities - reclamation	16,895	12,429
Customer deposits	12,091	8,616
Contract liabilities (unearned revenue) - noncurrent	3,125	3,765
Operating lease liabilities - noncurrent	1,396	1,251
Other	4,884	6,201
Total other deferred credits and other liabilities	**$ 84,125**	**$ 68,374**

PATRONAGE CAPITAL: Our net margins are treated as advances of capital from our Members and are allocated to our Utility Members on the basis of their electricity purchases from us and to our Non-Utility Members as provided in their respective membership agreements. Margins not yet distributed to Members constitute patronage capital. Patronage capital is held for the account of our Members and is distributed through patronage capital retirements when our Board deems it appropriate to do so, subject to debt instrument restrictions.

ELECTRIC SALES REVENUE: Revenue from electric energy deliveries is recognized when delivered. See Note 10—Revenue.

OTHER OPERATING REVENUE: Other operating revenue consists primarily of wheeling, transmission, and coal sales revenue. See Note 10—Revenue.

INCOME TAXES: We are a taxable cooperative subject to federal and state taxation. As a taxable electric cooperative, we are allowed a tax exclusion for margins allocated as patronage capital. We utilize the liability method of accounting for income taxes which requires that deferred tax assets and liabilities be determined based on the expected future income tax consequences of events that have been recognized in the consolidated financial statements. We adopted the normalization method effective January 1, 2020 pursuant to FERC regulation. Our subsidiaries not subject to FERC regulation continued to use a flow-through method for recognizing deferred income taxes whereby changes in deferred tax assets or liabilities result in the establishment of a regulatory asset or liability, as approved by our Board. A regulatory asset or liability associated with deferred income taxes generally represents the future increase or decrease in income taxes payable that will be settled or received through future rate revenues. Under this regulatory accounting approach, any income tax expense or benefit on our consolidated statements of operation includes only the current portion. Pursuant to our new Class A rate that uses a formula rate filed with FERC, we will follow the flow-through method which will not have a material impact on our financial statements. See Note 9—Income Taxes.

INTERCHANGE POWER: We occasionally engage in interchanges, or non-cash swapping, of energy. Based on the assumption that all energy interchanged will eventually be received or delivered in-kind, interchanged energy is generally valued at the average cost of fuel to generate power. Additionally, portions of the energy interchanged are valued per contract with the utility involved in the interchange. When we are in a net energy advance position, the advanced energy balance is recorded as an asset. If we owe energy, the net energy balance owed to others is recorded as a liability. The net activity for the year is included in purchased power expense. The interchange liability balance of $4.1 million and $4.7 million at December 31, 2023 and 2022, respectively, is included in accounts payable. The net interchange activity recorded in purchased power expense was a credit of $2.1 million in 2023, an expense of $1.5 million in 2022 and an expense of $0.6 million in 2021.

ACCOUNTING PRONOUNCEMENTS - NOT YET ADOPTED: In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The purpose of ASU 2023-09 is to enhance the transparency and decision usefulness of income tax disclosures by providing additional information related to the following:

(1) Rate reconciliation: ASU 2023-09 requires a tabular rate reconciliation using both percentages and dollar amounts of the reported income tax expense (or benefit) from continuing operations to the product of income (or loss) from continuing operating before income taxes and the applicable statutory federal income tax rate of the county of domicile using specific categories. The following specific categories are required to be disclosed in the rate reconciliation; state and local income tax (qualitative disclosure required for states that make up over 50% of this category), foreign tax effect, effect of changes in tax

laws or rates enacted in the current period, effect of cross-border tax laws, tax credits, changes in valuation allowances, nontaxable or nondeductible items, changes in unrecognized tax benefits, and any other item that meets the 5 percent threshold.

(2) Income taxes paid: ASU 2023-09 requires all reporting entities to disclose the year-to-date amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign jurisdictions. It also requires additional disaggregation of income taxes paid to an individual jurisdiction equal to or greater than 5 percent of total income taxes paid (net of refunds). Entities are required to disclose pre-tax income (or loss) from continuing operations disaggregated by domestic and foreign along with income tax expense (or benefit) disaggregated by federal, state, and foreign components.

ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2024, with early adoption and retrospective or prospective application permitted. We have evaluated the impact of ASU 2023-09 and believe that the adoption of this update will not have a material impact on our consolidated financial statement disclosures.

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consists of electric plant and other plant. Both of these are discussed below and are included on our consolidated statements of financial position.

ELECTRIC PLANT: At December 31, 2023, our investment in electric plant and the related annual rates of depreciation or amortization calculated using the straight-line method are as follows (dollars in thousands):

	Annual Depreciation Rate			Plant In Service	Accumulated Depreciation	Net Book Value
Generation plant	0.89 %	to	6.27 %	$ 3,082,133	$ (1,669,941)	$ 1,412,192
Transmission plant	1.11 %	to	2.09 %	1,983,629	(708,412)	1,275,217
General plant	1.46 %	to	9.53 %	410,856	(266,013)	144,843
Other	2.75 %	to	10.00 %	246,061	(95,558)	150,503
Electric plant in service (at cost)				**$ 5,722,679**	**$ (2,739,924)**	**2,982,755**
Construction work in progress						163,954
Electric plant						**$ 3,146,709**

At December 31, 2022, our investment in electric plant and the related annual rates of depreciation or amortization calculated using the straight-line method are as follows (dollars in thousands):

	Annual Depreciation Rate			Plant In Service	Accumulated Depreciation	Net Book Value
Generation plant	0.89 %	to	6.27 %	$ 3,048,918	$ (1,353,042)	$ 1,695,876
Transmission plant	1.11 %	to	2.09 %	1,956,378	(690,517)	1,265,861
General plant	1.46 %	to	9.53 %	412,879	(257,761)	155,118
Other	2.75 %	to	10.00 %	241,248	(91,043)	150,205
Electric plant in service (at cost)				**$ 5,659,423**	**$ (2,392,363)**	**3,267,060**
Construction work in progress						81,555
Electric plant						**$ 3,348,615**

At December 31, 2023, we had $38.9 million of commitments to complete construction projects, of which approximately $19.5, $15.3 and $4.1 million are expected to be incurred in 2024, 2025 and 2026, respectively.

JOINTLY OWNED FACILITIES: Our share in each jointly owned facility is as follows as of December 31, 2023 (these electric plant in service, accumulated depreciation and construction work in progress amounts are included in the electric plant table above) (dollars in thousands):

	Tri-State Share	Electric Plant in Service	Accumulated Depreciation	Construction Work In Progress
Yampa Project - Craig Generating Station Units 1 and 2	24.00 %	$ 392,510	$ 358,839	$ 23
MBPP - Laramie River Station	28.50 %	540,365	346,959	2,114
Total		**$ 932,875**	**$ 705,798**	**$ 2,137**

OTHER PLANT: Other plant consists of mine assets (discussed below) and non-utility assets which consist of facilities not in service, land and irrigation equipment.

We own 100 percent of Elk Ridge Mining and Reclamation, LLC ("Elk Ridge"), organized for the purpose of acquiring coal reserves and supplying coal to us. Elk Ridge is the owner of the Colowyo Mine, a surface coal mine near Craig, Colorado, and the New Horizon Mine near Nucla, Colorado. The New Horizon Mine is in post-reclamation monitoring and no longer produces coal. The expenses related to the Colowyo Mine coal used by us are included in fuel expense on our consolidated statements of operations.

Other plant assets are as follows (dollars in thousands):

	December 31, 2023	December 31, 2022
Colowyo Mine assets	$ 396,441	$ 386,898
New Horizon Mine assets	6,448	5,995
Accumulated depreciation and depletion	(184,239)	(155,653)
Net mine assets	**218,650**	**237,240**
Non-utility assets	549,430	561,251
Accumulated depreciation	(527,658)	(539,121)
Net non-utility assets	**21,772**	**22,130**
Net other plant	**$ 240,422**	**$ 259,370**

NOTE 4 – ASSET RETIREMENT AND ENVIRONMENTAL RECLAMATION OBLIGATIONS

Coal mines: We have asset retirement obligations for the final reclamation costs and environmental obligations for post-reclamation monitoring related to the Colowyo Mine and the New Horizon Mine. The New Horizon Mine is currently in post-reclamation monitoring. Two pits at the Colowyo Mine are in final reclamation with the other pit still being actively mined.

Generation: We have asset retirement obligations related to equipment, dams, ponds, wells, ash landfill and underground storage tanks at the generating facilities.

Aggregate carrying amounts of asset retirement obligations and environmental reclamation obligations are as follows (dollars in thousands):

	2023	2022
Obligations at beginning of period	$ 187,007	$ 90,281
Liabilities incurred	—	—
Liabilities settled	(5,711)	(3,184)
Accretion expense	5,298	6,163
Change in estimate	30,607	93,747
Total obligations at end of period	**$ 217,201**	**$ 187,007**
Less current obligations at end of period	(21,635)	(5,419)
Long-term obligations at end of period	**$ 195,566**	**$ 181,588**

During 2023, we increased the asset retirement obligations related to two pits at the Colowyo Mine by $25.5 million due to revised cost estimates and timing adjustments, with an offsetting decrease in the asset retirement obligation related to the third pit of $1.4 million due to reclamation costs paid and a gain on settlement. In the second quarter of 2022, we increased the environmental reclamation obligation at the New Horizon Mine by $44.9 million due to revised cost estimates. The New Horizon Mine environmental remediation liability is $67.3 million as of December 31, 2023. Of this amount, $36.8 million is recorded on a discounted basis, using a discount rate of 3.25 percent, with total estimated undiscounted future cash outflows of $57.9 million. Environmental obligation expense is included in other operating expenses on our consolidated statement of operations. In the fourth quarter of 2023, we reversed the $44.9 million of environmental obligation expense that was recorded in 2022 as a regulatory item to be amortized to expense over 25 years and recovered from our Utility Members through rates. During 2022, we recorded an additional asset retirement obligation of $36.8 million related to a change in cost estimates for our pond, ash landfill and post-closure reclamation obligations at various generating facilities.

We also have asset retirement obligations with indeterminate settlement dates. These are made up primarily of obligations attached to transmission and other easements that are considered by us to be operated in perpetuity and therefore the measurement of the obligation is not possible. A liability will be recognized in the period in which sufficient information exists to estimate a range of potential settlement dates as is needed to employ a present value technique to estimate fair value.

NOTE 5 – CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract Assets

A contract asset represents an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). We have no contract assets as of December 31, 2023 and December 31, 2022.

Accounts Receivable

We record accounts receivable for our unconditional rights to consideration arising from our performance under contracts with our Members and other parties. Uncollectible amounts, if any, are identified on a specific basis and charged to expense in the period determined to be uncollectible. See Note 10—Revenue.

Contract liabilities (unearned revenue)

A contract liability represents an entity's obligation to transfer goods or services to a customer, for which the entity has received consideration from the customer. We have received deposits from others, and these deposits are reflected in unearned revenue (included in other deferred credits and other liabilities on our consolidated statements of financial position) before revenue is recognized, resulting in contract liabilities. We recognized $1.0 million of this unearned revenue in 2023 in other operating revenues on our consolidated statements of operations.

Our contract assets, accounts receivable and liabilities consist of the following (dollars in thousands):

	December 31, 2023	December 31, 2022
Accounts receivable - Members	**$ 101,394**	**$ 103,246**
Other accounts receivable - trade:		
Non-member electric sales	9,657	17,213
Other	11,077	9,141
Total other accounts receivable - trade	**20,734**	**26,354**
Other accounts receivable - nontrade	2,389	6,082
Total other accounts receivable	**$ 23,123**	**$ 32,436**
Contract liabilities (unearned revenue)	**$ 4,159**	**$ 5,123**

NOTE 6 – LONG-TERM DEBT

We have $2.9 billion of long-term debt which consists of mortgage notes payable, pollution control revenue bonds and the Springerville certificates. The mortgage notes payable and pollution control revenue bonds are secured on a parity basis by a Master First Mortgage Indenture, Deed of Trust and Security Agreement ("Master Indenture"). Substantially all our assets, rents, revenues and margins are pledged as collateral. The Springerville certificates are secured by the assets of Springerville Unit 3. All long-term debt contains certain restrictive financial covenants, including a DSR requirement on an annual basis and an ECR requirement of at least 18 percent at the end of each fiscal year. Other than long-term debt for the Springerville certificates that has a DSR requirement of at least 1.02 on an annual basis, all other long-term debt contains a DSR requirement of at least 1.10 on an annual basis. A DSR below 1.025 under the Master Indenture would require us to transfer all cash to a special fund managed by the trustee of the Master Indenture.

We have a secured revolving credit facility with National Rural Utilities Cooperative Finance Corporation ("CFC"), as lead arranger and administrative agent, in the amount of $520 million ("2022 Revolving Credit Agreement") that expires on April 25, 2027. We had no outstanding borrowings under the 2022 Revolving Credit Agreement as of December 31, 2023. As of December 31, 2023, we had $336 million in availability (including $315 million under the commercial paper back-up sublimit) under the 2022 Revolving Credit Agreement.

On March 24, 2023, we entered into a two-year, $150 million variable rate syndicated multiple advance term loan agreement with CoBank, ACB, as the administrative agent. On the date of closing, we drew $100 million from the loan. On June 13, 2023, we drew the remaining $50 million from the loan.

On December 19, 2023 we entered into a 27-year, $100 million fixed rate term loan with CFC.

The First Mortgage Bonds, Series 2014 E-1, of $128 million, are maturing in November 2024. We will refinance or repay this debt depending upon market conditions, liquidity, Utility Member withdrawals and the amount of contract termination payments received.

Long-term debt, including applicable terms and interest rates as of December 31, 2023, consists of the following (dollars in thousands):

	December 31, 2023	December 31, 2022
Mortgage notes payable		
2.32% to 6.44% CFC, due through 2050	$ 177,260	$ 85,855
2.63% to 4.43% CoBank, ACB, due through 2042	159,736	174,985
First Mortgage Obligations, Series 2017A, Tranche 1, 3.34%, due through 2029	60,000	60,000
First Mortgage Obligations, Series 2017A, Tranche 2, 3.39%, due through 2029	60,000	60,000
First Mortgage Bonds, Series 2016A, 4.25% due 2046	228,783	228,783
First Mortgage Bonds, Series 2014E-1, 3.70% due 2024	128,002	128,002
First Mortgage Bonds, Series 2014E-2, 4.70% due 2044	250,000	250,000
First Mortgage Bonds, Series 2010A, 6.00% due 2040	499,805	499,805
First Mortgage Obligations, Series 2014B, Tranche 1, 3.90%, due through 2033	180,000	180,000
First Mortgage Obligations, Series 2014B, Tranche 2, 4.30%, due through 2039	20,000	20,000
First Mortgage Obligations, Series 2014B, Tranche 3, 4.45%, due through 2045	550,000	550,000
Variable rate CFC, SOFR-based term loans, due through 2049	152,220	152,220
Variable rate CoBank, ACB, SOFR-based term loans, due through 2044	273,925	296,430
Syndicated variable rate, SOFR-based term loan due 2025	150,000	—
Pollution control revenue bonds		
Moffat County, CO, 2.90% term rate through October 2027, Series 2009, due 2036	46,800	46,800
Springerville certificates and other debt		
Series B, 7.14%, due through 2033	200,503	248,601
New Horizon Mine remaining land installment payments	500	—
Total long-term debt	**3,137,534**	**2,981,481**
Less debt issuance costs	(19,723)	(21,481)
Less debt discounts	(8,678)	(8,960)
Plus debt premiums	10,896	11,843
Total debt adjusted for discounts, premiums and debt issuance costs	**3,120,029**	**2,962,883**
Less current maturities	(223,523)	(92,920)
Long-term debt	**$ 2,896,506**	**$ 2,869,963**

Annual maturities of total long-term debt adjusted for debt issuance costs, discounts and premiums at December 31, 2023 are as follows (dollars in thousands):

2024 (1)	$ 223,523
2025 (2)	238,845
2026	90,538
2027	92,421
2028	99,241
Thereafter	2,375,461
	$ 3,120,029

(1) Includes $128 million bullet maturity for the First Mortgage Bonds, Series 2014 E-1.

(2) Includes $150 million maturity for the syndicated variable rate SOFR-based term loan.

NOTE 7 – SHORT-TERM BORROWINGS

We have a commercial paper program under which we issue unsecured commercial paper in aggregate amounts not exceeding the commercial paper back-up sublimit under our 2022 Revolving Credit Agreement, which is the lesser of $500 million or the amount available under our 2022 Revolving Credit Agreement. The commercial paper issuances are used to provide an additional financing source for our short-term liquidity needs. The maturities of the commercial paper issuances vary but may not exceed 397 days from the date of issue. The commercial paper notes are classified as current and are included in current liabilities as short-term borrowings on our consolidated statements of financial position.

Commercial paper consisted of the following (dollars in thousands):

	2023	2022
Commercial paper outstanding, net of discounts	$ 184,205	$ 274,102
Short-term borrowings - other	$ 100	$ —
Weighted average interest rate	5.62 %	4.61 %

At December 31, 2023, $315 million of the commercial paper back-up sublimit remained available under the 2022 Revolving Credit Agreement. See Note 6—Long-Term Debt.

NOTE 8 – FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market, or in the most advantageous market when no principal market exists. The fair value measurements accounting guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability (market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not under duress). In considering market participant assumptions in fair value measurements, a three-tier fair value hierarchy for measuring fair value was established which prioritizes the inputs used in measuring fair value as follows:

Level 1 inputs are based upon quoted prices for identical instruments traded in active (exchange-traded) markets. Valuations are obtained from readily available pricing sources for market transactions (observable market data) involving identical assets or liabilities.

Level 2 inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques (such as option pricing models and discounted cash flow models), for which all significant assumptions are observable in the market.

Level 3 inputs consist of unobservable market data which is typically based on an entity's own assumptions of what a market participant would use in pricing an asset or liability as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Executive Benefit Restoration Plan Trust

We have an irrevocable trust with an independent third party to fund the NRECA Executive Benefit Restoration Plan. The trust is funded quarterly to the prior year obligation as determined by the NRECA actuary. The trust consists of investments in equity and debt securities and are measured at fair value on a recurring basis. Changes in the fair value of investments in equity securities are recognized in earnings, and changes in fair value of investments in debt securities classified as available-for-sale are recognized in other comprehensive income until realized. The estimated fair value of the investments is based upon their active market value (Level 1 inputs) and is included in other noncurrent assets on our consolidated statements of financial position. The cost and fair values of our investments in the Executive Benefit Restoration Plan trust are as follows (dollars in thousands):

	December 31, 2023		December 31, 2022	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Marketable securities	$ 10,821	$ 10,298	$ 10,604	$ 9,808

Marketable Securities

We hold marketable securities in connection with the directors' and executives' elective deferred compensation plans which consist of investments in stock funds, bond funds and money market funds. These securities are measured at fair value on a recurring basis with changes in fair value recognized in earnings. The estimated fair value of the investments is based upon their active market value (Level 1 inputs) and is included in other noncurrent assets on our consolidated statements of financial position. The amortized cost and fair values of our marketable securities are as follows (dollars in thousands):

	December 31, 2023		December 31, 2022	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Marketable securities	$ 576	$ 530	$ 558	$ 489

Cash Equivalents

We invest portions of our cash and cash equivalents in commercial paper, money market funds, and other highly liquid investments. The fair value of these investments approximates our cost basis in the investments. In aggregate, the fair value was $83.0 million and $101.8 million as of December 31, 2023 and 2022, respectively.

Debt

The fair values of debt were estimated using discounted cash flow analyses based on our current incremental borrowing rates for similar types of borrowing arrangements. These valuation assumptions utilize observable inputs based on market data obtained from independent sources and are therefore considered Level 2 inputs (quoted prices for similar assets, liabilities (adjusted) and market corroborated inputs). The principal amounts and fair values of our debt are as follows (dollars in thousands):

	December 31, 2023		December 31, 2022	
	Principal Amount	Estimated Fair Value	Principal Amount	Estimated Fair Value
Total long-term debt	$ 3,137,534	$ 2,909,301	$ 2,981,481	$ 2,725,606

NOTE 9 – INCOME TAXES

We had no current income tax expense or benefit in 2023 or 2022. We had a deferred income tax expense of $4 thousand in 2023 and deferred income tax benefit of $249 thousand in 2022.

We utilize the liability method of accounting for income taxes, which requires that deferred tax assets and liabilities be determined based on the expected future income tax consequences of events that have been recognized in the consolidated financial statements. In accordance with our regulatory accounting treatment, changes in deferred tax assets or liabilities result in the establishment of a regulatory asset or liability. A regulatory asset or liability associated with deferred income taxes generally represents the future increase or decrease in income taxes payable that will be received or settled through future rate revenues. Under this regulatory accounting approach, the income tax expense (benefit) on our consolidated statements of operations includes only the current portion.

Components of our net deferred tax liability are as follows (dollars in thousands):

	December 31, 2023	December 31, 2022
Deferred tax assets		
Net operating loss carryforwards	$ 192,591	$ 165,636
Operating lease liabilities	94,862	105,039
Deferred revenues and membership withdrawal	4,812	16,028
Safe harbor lease receivables	9,379	8,939
Other	34,171	43,795
	335,815	**339,437**
Less valuation allowance	—	—
	335,815	**339,437**
Deferred tax liabilities		
Basis differences- property, plant and equipment and other	168,948	166,568
Operating lease right-of-use assets	121,125	125,939
Capital credits from other associations	35,638	34,236
Deferred debt prepayment transaction costs	25,327	27,381
Other	—	4,588
	351,038	**358,712**
Net deferred tax liability	**$ (15,223)**	**$ (19,275)**

Net deferred tax liabilities decreased by $4.1 million in 2023 which is deferred and reflected as a decrease in the regulatory asset established for deferred income tax expense. The accounting for regulatory assets is discussed further in Note 2—Accounting for Rate Regulation. The regulatory asset balance associated with deferred income tax expense under the liability method is $15.2 million and $19.3 million at December 31, 2023 and 2022, respectively.

The reconciliation between the statutory federal income tax rate and the effective tax rate is as follows (dollars in thousands):

	2023	2022	2021
Pretax GAAP income at Federal statutory rate	2,118	—	5,435
Pretax GAAP income at State statutory rate, net of federal benefit	282	—	725
Patronage exclusion	(2,401)	—	(6,159)
Asset retirement and environmental reclamation obligations	(6,302)	16,655	10,917
Deferred revenues and membership withdrawal	(11,216)	(22,759)	18,673
Operating liabilities, net of right-of-use assets (1)	(5,281)	(4,919)	1,165
Valuation Allowance	—	—	—
Net operating loss carryforward	26,955	21,034	(27,539)
Other items, net	(4,690)	(9,445)	(2,531)
Impairment	—	—	—
Regulatory treatment of deferred taxes	539	(815)	(391)
Total deferred income tax expense (benefit)	**$ 4**	**$ (249)**	**$ 295**

(1) Net deferred tax liability established as a result of adopting ASC 842. See Note 11 - Leases.

We had an estimated tax loss of $97.6 million for 2023. At December 31, 2023, we have an estimated consolidated federal net operating loss carryforward of $809.2 million of which pre-2018 tax years in the amount of $444.5 million are subject to expiration periods between 2031 and 2037 and $364.7 million have no expiration but are limited to 80 percent of taxable income in the year of utilization. We have $585.5 million of state net operating loss carryforwards, of which $552.4 million is subject to expiration periods between 2030 and 2039 and $33.1 million have no expiration. We did not establish a valuation allowance because it is more likely than not that the benefit from the federal and state net operating losses will be realized in the future.

We file a U.S. federal consolidated income tax return and income tax returns in state jurisdictions where required. The statute of limitations remains open for federal and state returns for the years 2019 forward. We do not have any reserves recorded for uncertain tax positions.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was enacted into law. The IRA enacted many provisions intended to mitigate climate change by providing various sources of funding and tax credit incentives for investments designed to reduce greenhouse gas emissions. These provisions do not impact our current consolidated financial statements but could affect future financial statements due to the impact of such investments. These provisions are subject to regulations and other guidance to be released by the U.S. Department of the Treasury, the U.S. Department of Agriculture and other governmental agencies over time. We are monitoring developments and evaluating opportunities to utilize these incentives. In September 2023, we submitted a Letter of Interest to apply for funding through the U.S. Department of Agriculture's Empowering Rural America ("New ERA") Program. The New ERA Program implements the $9.7 billion funded in the IRA.

NOTE 10 - REVENUE

Revenue from contracts with customers

Our revenues are derived primarily from the sale of wholesale electric service to our Utility Members pursuant to long-term wholesale electric service contracts. Our contracts with our forty-two Utility Members extend through 2050.

Member electric sales

Revenues from wholesale electric power sales to our Utility Members are primarily from our Class A rate schedule filed with FERC. Our Class A rate schedule for electric power sales to our Utility Members consist of three billing components: an energy rate and two demand rates. Our Class A rate schedule is variable and is approved by our Board and FERC. Energy and demand have the same pattern of transfer to our Utility Members and are both measurements of the electric power provided to our Utility Members. Therefore, the provision of electric power to our Utility Members is one performance obligation. Prior to our Utility Members' requirement for electric power, we do not have a contractual right to consideration as we are not obligated to provide electric power until the Utility Member requires each incremental unit of electric power. We transfer control of the electric power to our Utility Members over time and our Utility Members simultaneously receive and consume the benefits of the electric power. Progress toward completion of our performance obligation is measured using the output method, meter readings are taken at the end of each month for billing purposes, energy and demand are determined after the meter readings and Utility Members are invoiced based on the meter reading. Payments from our Utility Members are received in accordance with the wholesale electric service contracts' terms, which is less than 30 days from the invoice date. Utility Member electric sales revenue is recorded as Utility Member electric sales on our consolidated statements of operations and accounts receivable – Members on our consolidated statements of financial position.

Revenue from one Utility Member, United Power, Inc. ("United Power"), was $237.2 million, or 19.6 percent, of our Utility Member revenue and 16.2 percent of our total operating revenues in 2023. No other Utility Member exceeded 10 percent of our Utility Member revenue or our total operating revenues in 2023.

In addition to our Utility Member electric sales, we have non-member electric sales and other operating revenue which consist of several revenue streams. The following revenue is reflected on our consolidated statements of operations as follows (dollars in thousands):

	2023	2022	2021
Non-member electric sales:			
Long-term contracts	$ 43,087	$ 56,570	$ 44,383
Short-term contracts	102,141	106,785	70,525
Rate stabilization	47,127	95,613	78,457
Provision for rate refunds	94	(51)	(10,196)
Coal sales	13,257	7,021	4,951
Other	53,358	54,399	51,390
Total non-member electric sales and other operating revenue	**$ 259,064**	**$ 320,337**	**$ 239,510**

Non-member electric sales

Revenues from wholesale electric power sales to non-members are primarily from long-term contracts and short-term market sales. Prior to our customers' demand for energy, we do not have a contractual right to consideration as we are not obligated to provide energy until the customer demands each incremental unit of energy. We transfer control of the energy to our customer over time and our customer simultaneously receives and consumes the benefits of the electric power. Progress toward completion of our performance obligation is measured using the output method. Payments are received in accordance with the contract terms, which is less than 30 days after the invoice is received by the customer.

Rate stabilization revenue

Rate stabilization represents recognition of income from withdrawal of former Utility Members from membership in us or non-member electric sales revenue that was previously deferred in accordance with accounting requirements related to regulated operations. We recognized $47.1 million of deferred membership withdrawal income for the year ended December 31, 2023, $95.6 million of deferred membership withdrawal income for the year ended December 31, 2022 and $78.5 million of deferred non-member electric sales revenue and deferred membership withdrawal income for the year ended December 31, 2021, as directed by our Board. See Note 2—Accounting for Rate Regulation.

Other operating revenue

Other operating revenue consists primarily of wheeling, transmission and coal sales revenue. Other operating revenue also includes revenue we receive from our Non-Utility Members. Wheeling revenue is received when we charge other energy companies for transmitting electricity over our transmission lines (payments are received in accordance with the contract terms which is within 20 days of the date the invoice is received). Transmission revenue is from Southwest Power Pool's scheduling of transmission across our transmission assets in the Eastern Interconnection because of our membership in it (Southwest Power Pool collects the revenue from the customer and pays us for the scheduling, system control, dispatch transmission service, and the annual transmission revenue requirement). Each of these services or goods are provided over time and progress toward completion of our performance obligations are measured using the output method. Coal sales revenue results from the sale of coal from the Colowyo Mine and other locations to third parties. We have an obligation to deliver coal and progress of completion toward our performance obligation is measured using the output method. Our performance obligation is completed as coal is delivered.

NOTE 11 – LEASES

Leasing Arrangements as Lessee

We have lease agreements as lessee for the right to use various facilities and operational assets. Rent expense for all short-term and long-term operating leases was $2.4 million in 2023 and $2.7 million in 2022. Rent expense is included in operating expenses on our consolidated statements of operations. As of December 31, 2023, there were no arrangements accounted for as finance leases.

Our consolidated statements of financial position include the following lease components (dollars in thousands):

	December 31, 2023	December 31, 2022
Operating leases		
Operating lease right-of-use assets	$ 9,072	$ 8,784
Less: Accumulated amortization	(2,595)	(2,013)
Net operating lease right-of-use assets	**$ 6,477**	**$ 6,771**
Operating lease liabilities – current	$ (371)	$ (441)
Operating lease liabilities – noncurrent	(1,396)	(1,251)
Total operating lease liabilities	**$ (1,767)**	**$ (1,692)**
Operating leases		
Weighted average remaining lease term (years)	7.0	7.6
Weighted average discount rate	4.68 %	3.87 %

Future expected minimum lease commitments under operating leases are as follows (dollars in thousands):

Year 1	$	416
Year 2		257
Year 3		202
Year 4		522
Year 5		188
Thereafter		461
Total lease payments	**$**	**2,046**
Less imputed interest		(279)
Total	**$**	**1,767**

Leasing Arrangements as Lessor

We have lease agreements as lessor for certain operational assets. The revenue from these lease agreements of $6.7 million in 2023 and $7.1 million in 2022 are included in other operating revenue on our consolidated statements of operations.

The lease arrangement with the Springerville Partnership is not reflected in our lease right right-of-use asset or liability balances as the associated revenues and expenses are eliminated in consolidation. See Note 13—Variable Interest Entities. However, as the noncontrolling interest associated with this lease arrangement generates book-tax differences, a deferred tax asset and liability have been recorded. See Note 9—Income Taxes.

NOTE 12 – EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PLAN: Substantially all of our 1,120 employees participate in the National Rural Electric Cooperative Association Retirement Security Plan ("RS Plan") except for the 192 employees of Colowyo Coal and any non-bargaining employees hired May 1, 2021 or later and bargaining employees hired July 1, 2021 or later. The RS Plan is a defined benefit pension plan qualified under Section 401(a) and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multiemployer plan under the accounting standards for compensation - retirement benefits. The plan sponsor's Employer Identification Number is 53-116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits to any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

Our contributions to the RS Plan in each of the years 2023, 2022 and 2021 represented less than 5 percent of the total contributions made each year to the plan by all participating employers. We made contributions to the RS Plan of $31.6, $25.2 and $26.7 million in 2023, 2022 and 2021, respectively.

In December 2012, the National Rural Electric Cooperative Association ("NRECA") approved an option to allow participating cooperatives in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount is equal to approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, the annual contribution was reduced by approximately 25 percent, retroactive to January 1, 2013. The reduced annual contribution is expected to continue for approximately 15 years. However, changes in interest rates, asset returns, other plan experiences different from expected, plan assumption changes and other factors may have an impact on future contributions and the 15-year period.

In May 2013, we elected to make a contribution prepayment of $71.2 million to the RS Plan. This contribution prepayment was determined to be a long-term prepayment and therefore recorded in deferred charges and amortized beginning January 1, 2013 over the 13-year period calculated by subtracting the average age of our workforce from our normal retirement age under the RS Plan.

Our contributions to the RS Plan include contributions for substantially all of the 215 bargaining unit employees that are made in accordance with collective bargaining agreements. We ceased to add new bargaining employees hired July 1, 2021 or later and non-bargaining employees hired May 1, 2021 or later to the RS Plan.

For the RS Plan, a “zone status” determination is not required, and therefore not determined, under the Pension Protection Act (“Act”) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded at both January 1, 2023 and January 1, 2022, based on the Act funding target and the Act actuarial value of assets on those dates.

Because the provisions of the Act do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

We participate in the NRECA Pension Restoration Plan and the NRECA Executive Benefit Restoration Plan, both of which are intended to provide a supplemental benefit to the defined benefit plan for an eligible group of highly compensated employees. Eligible employees include the Chief Executive Officer and any other employees that become eligible. All our executive employees with a hire date prior to May 1, 2021 participate in one of the following pension restoration plans: the NRECA Pension Restoration Plan or the NRECA Executive Benefit Restoration Plan. Eligibility is determined annually and is based on January 1 base salary that exceeds the limits of the defined benefit plan. Employees hired May 1, 2021 or later are not eligible for either plan.

The NRECA Executive Benefit Restoration Plan obligations are determined annually (during the first quarter of the subsequent year) by an NRECA actuary and are included in accumulated postretirement benefit and postemployment obligations on our consolidated statements of financial position as follows (dollars in thousands):

	2023	2022
Executive benefit restoration obligation at beginning of period	$ 8,485	$ 9,852
Service cost	323	468
Interest cost	441	300
Plan amendments - prior service cost	—	308
Curtailment	—	(292)
Benefit payments	—	(110)
Actuarial (gain) loss	909	(2,041)
Executive benefit restoration obligation at end of period	**$ 10,158**	**$ 8,485**
Fair value of plan assets at beginning of year	$ 9,808	$ 8,640
Employer contributions	—	1,734
Benefits paid	—	(109)
Actual return on plan assets	490	(457)
Fair value of plan assets at end of year	**$ 10,298**	**$ 9,808**
Net (asset) liability recognized	**$ (140)**	**$ (1,323)**

The service cost component of our net periodic benefit cost is included in operating expenses on our consolidated statements of operations. The components of net periodic benefit cost other than the service cost component are included in other income (expense) on our consolidated statements of operations. We have an irrevocable trust with an independent third party to fund the NRECA Executive Benefit Restoration Plan. The trust is funded quarterly to the prior year obligation as determined by the NRECA actuary.

In accordance with the accounting standard related to defined benefit pension plans, actuarial gains and losses are not recognized in income but are instead recorded in accumulated other income on our consolidated statements of financial position. If the unrecognized amount is in excess of 10 percent of the projected benefit obligation, amounts are reclassified out of accumulated other comprehensive income and included in net income as the excess is amortized over the average remaining service lives of the active plan participants. Unrecognized actuarial gains and losses have been determined per actuarial studies for the executive benefit restoration obligation.

The net unrecognized actuarial gains and losses related to the executive benefit restoration obligations are included in accumulated other comprehensive income as follows (dollars in thousands):

	2023	2022
Accumulated other comprehensive loss at beginning of period	$ (2,105)	$ (4,932)
Plan amendments - prior service cost	—	(308)
Amortization of prior service cost into other income	1,156	1,156
Amortization of actuarial loss	219	426
Curtailment and settlement	—	(187)
Unrecognized actuarial gain (loss)	(909)	1,740
Accumulated other comprehensive loss at end of period	**$ (1,639)**	**$ (2,105)**

DEFINED CONTRIBUTION PLANS: We offer one 401(k) plan to all our employees. We contribute 1 percent of employee base salary for all non-bargaining employees hired prior to May 1, 2021. All non-bargaining employees hired May 1, 2021 or later and all bargaining employees hired July 1, 2021 or later are eligible for a maximum employer contribution of 10 percent which includes an employer base contribution and an employer match up to IRS allowed annual maximum. We offer one 401(k) plan to all employees of Colowyo Coal at the Colowyo Mine. We contribute 7 percent of employee salary and match up to an additional 5 percent of employee contributions for employees hired prior to May 1, 2021 and provide a maximum employer contribution of 10 percent which includes an employer base contribution and an employer match for employees hired May 1, 2021 or later. All employees are eligible to contribute up to 75 percent of their salary on a pre-tax basis. Under all plans, total 401(k) contributions are not to exceed annual IRS limitations, which are set annually. Employees who have attained age 50 in a calendar year are eligible for the catch-up contribution with maximum contribution limits determined annually by the IRS. We made contributions to the plan of $4.9 million, $3.9 million, and $3.3 million in 2023, 2022, and 2021, respectively.

Effective January 1, 2022 we adopted a 409(a) non-qualified plan. Senior managers, vice presidents and executive officers hired prior to May 1, 2021 are eligible to participate and contribute to the plan, but are not eligible for any employer contribution. Executive officers hired on or after May 1, 2021 will be eligible to participate and contribute to the plan, and are eligible for the employer contribution. The employer contribution is effective once the eligible executive has reached the maximum allowed contribution and employer contribution and match in our base 401(k) plan and includes a maximum employer contribution of 10 percent which includes an employer base contribution and an employer match. We made minimal contributions to the plan in 2022 and 2023.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS: We sponsor three medical plans for all non-bargaining unit employees under the age of 65. Two of the plans provide postretirement medical benefits to full-time non-bargaining unit employees and retirees who receive benefits under those plans, who have attained age 55, and who elect to participate. All three of these non-bargaining unit medical plans offer postemployment medical benefits to employees on long-term disability. The plans were unfunded at December 31, 2023, are contributory (with retiree premium contributions equivalent to employee premiums, adjusted annually) and contain other cost-sharing features such as deductibles. As of June 30, 2021, the plans ceased to provide postretirement medical benefits for employees who retire after June 30, 2021.

The postretirement medical benefit and post-employment medical benefit obligations are determined annually (during the fourth quarter) by an independent actuary and are included in accumulated postretirement benefit and postemployment obligations on our consolidated statements of financial position as follows (dollars in thousands):

	2023	2022
Postretirement medical benefit obligation at beginning of period	$ 2,092	$ 2,809
Interest cost	58	47
Benefit payments (net of contributions by participants)	(469)	(732)
Actuarial gain	(757)	(32)
Postretirement medical benefit obligation at end of period	**$ 924**	**$ 2,092**
Postemployment medical benefit obligation at end of period	243	97
Total postretirement and postemployment medical obligations at end of period	**$ 1,167**	**$ 2,189**

The service cost component of our net periodic benefit cost is included in operating expenses on our consolidated statements of operations. The components of net periodic benefit cost other than the service cost component are included in other income (expense) on our consolidated statements of operations.

In accordance with the accounting standard related to postretirement benefits other than pensions, actuarial gains and losses are not recognized in income but are instead recorded in accumulated other comprehensive income on our consolidated statements of financial position. If the unrecognized amount is in excess of 10 percent of the projected benefit obligation, amounts are reclassified out of accumulated other comprehensive income and included in net income as the excess amount is amortized over the average remaining service lives of the active plan participants. Unrecognized actuarial gains and losses have been determined per actuarial studies for the postretirement medical benefit obligation.

The net unrecognized actuarial gains and losses related to the postretirement medical benefit obligation are included in accumulated other comprehensive income as follows (dollars in thousands):

	2023	2022
Amounts included in accumulated other comprehensive income at beginning of period	$ 2,078	$ 3,580
Amortization of prior service credit into other income	(1,637)	(1,636)
Amortization of actuarial loss into other income	(84)	102
Actuarial gain	757	32
Plan amendments	—	—
Amounts included in accumulated other comprehensive income at end of period	**$ 1,114**	**$ 2,078**

The assumptions used in the 2023 actuarial study performed for our postretirement medical benefit obligation were as follows:

Weighted-average discount rate	5.01 %
Initial health care cost trend (2018)	7.25 %
Ultimate health care cost trend	4.50 %
Year that the rate reached the ultimate health care cost trend rate	2034
Expected return on plan assets (unfunded)	N/A
Average remaining service lives of active plan participants (years)	2.61

The following are the expected future benefits to be paid (net of contributions by participants) related to the postretirement medical benefit obligation during the next ten years (dollars in thousands):

2024	$ 360,535
2025	258,005
2026	175,368
2027	99,245
2028	65,168
2029 through 2033	49,246
	$ 1,007,567

NOTE 13 – VARIABLE INTEREST ENTITIES

The following is a description of our financial interests in variable interest entities that we consider significant. This includes an entity for which we are determined to be the primary beneficiary and therefore consolidate.

Consolidated Variable Interest Entity

Springerville Partnership: We own a 51 percent equity interest, including the 1 percent general partner equity interest, in the Springerville Partnership, which is the 100 percent owner of Springerville Unit 3 Holding LLC ("Owner Lessor"). The Owner Lessor is the owner of the Springerville Unit 3. We, as general partner of the Springerville Partnership, have the full, exclusive and complete right, power and discretion to operate, manage and control the affairs of the Springerville Partnership and take certain actions necessary to maintain the Springerville Partnership in good standing without the consent of the limited partners. Additionally, the Owner Lessor has historically not demonstrated an ability to finance its activities without additional financial support. The financial support is provided by our remittance of lease payments in order to permit the Owner Lessor, the holder of the Springerville Unit 3 assets, to pay the debt obligations and equity returns of the Springerville Partnership. We have the primary risk (expense) exposure in operating the Springerville Unit 3 assets and are responsible for 100 percent of the operation, maintenance and capital expenditures of Springerville Unit 3 and the decisions related to those expenditures including budgeting, financing and dispatch of power. Based on all these facts, it was determined that we are the primary beneficiary of the Owner Lessor. Therefore, the Springerville Partnership and Owner Lessor have been consolidated by us.

Assets and liabilities of the Springerville Partnership that are included in our consolidated statements of financial position are as follows (dollars in thousands):

	December 31, 2023	December 31, 2022
Net electric plant	$ 703,859	$ 721,997
Noncontrolling interest	134,269	126,180
Long-term debt	206,027	254,876
Accrued interest	5,968	7,400

Our consolidated statements of operations include the following Springerville Partnership expenses (dollars in thousands):

	2023	2022	2021
Depreciation, amortization and depletion	$ 18,138	$ 18,138	$ 18,138
Interest	13,859	17,064	20,038

The revenue and lease expense associated with the Springerville Partnership lease has been eliminated in consolidation. Income, losses and cash flows of the Springerville Partnership are allocated to the general and limited partners based on their equity ownership percentages. The net income or loss attributable to the 49 percent noncontrolling equity interest in the Springerville Partnership is reflected on our consolidated statements of operations.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

COAL PURCHASE REQUIREMENTS: We are committed to purchase coal for our generating plants under contracts that expire between 2024 and 2041. These contracts require us to purchase a minimum quantity of coal at prices subject to escalation reflecting cost increases incurred by the suppliers due to market conditions. The coal purchase projection includes estimated future prices. As of December 31, 2023, the minimum coal to be purchased under these contracts is as follows (dollars in thousands):

2024	$ 99,241
2025	25,575
2026	14,897
2027	11,866
2028	12,011
Thereafter	77,262
	$ 240,852

Our coal purchases were $119.7 million in 2023, $124.0 million in 2022, and $97.9 million in 2021.

ELECTRIC POWER PURCHASE CONTRACTS: Our largest long-term electric power purchase contracts are with Basin and Western Area Power Administration (“WAPA”). We purchase from Basin power pursuant to two contracts: one relating to all the power which we require to serve our Utility Members’ load in the Eastern Interconnection and one relating to fixed scheduled quantities of electric power in the Western Interconnection. Both contracts with Basin continue through December 31, 2050 and are subject to automatic extension thereafter.

We purchase renewable power under long-term contracts, including hydroelectric power from WAPA and from specified renewable generating facilities, including wind, solar and small hydro. We purchase from WAPA power pursuant to three contracts: (i) one contract relating to WAPA's Loveland Area Projects that terminates September 30, 2024 and replaced with one contract that commences delivery on October 1, 2024 and terminates September 30, 2054, and (ii) two contracts relating to WAPA's Salt Lake City Area Integrated Projects that terminate September 30, 2024 and replaced with one contract that commences delivery on October 1, 2024 and terminates September 30, 2057.

As of December 31, 2023, we have entered into renewable power purchase contracts to purchase the entire output from specified renewable facilities totaling approximately 1,381 MWs, including 674 MWs of wind-based power purchase contracts and 680 MWs of solar-based power purchase contracts that expire between 2030 and 2042.

Costs under the above electric power purchase contracts were as follows (dollars in thousands):

	2023	2022	2021
Basin	$ 142,456	$ 148,146	$ 146,532
WAPA	74,899	67,791	70,107
Renewables, other than WAPA	78,177	85,601	71,565

ENVIRONMENTAL: As with most electric utilities, we are subject to extensive federal, state and local environmental requirements that regulate, among other things, air emissions, water discharges and the use and management of hazardous and solid wastes. Compliance with these requirements requires significant expenditures for the installation, maintenance and operation of pollution control equipment, monitoring systems and other equipment or facilities.

Our operations are subject to environmental laws and regulations that are complex, change frequently and have historically become more stringent and numerous over time. Federal, state, and local standards and procedures that regulate environmental impact of our operations are subject to change. Consequently, there is no assurance that environmental regulations applicable to our facilities will not become materially more stringent, or that we will always be able to obtain all required operating permits. More stringent standards may require us to modify the design or operation of existing facilities or purchase emission allowances. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of our facilities that are not in compliance, including the shutting down of additional generating facilities or the shutting down of individual coal-fired generating facilities earlier than scheduled. The cost impact of the implementation of regulation on existing legislation and future legislation or regulation will depend upon the specific requirements thereof and cannot be determined at this time, but it could have a significant effect on our financial condition, results of operations and cash flow.

From time to time, we are alleged to be in violation or in default under orders, statutes, rules, regulations, permits or compliance plans relating to the environment. Additionally, we may need to deal with notices of violation, enforcement proceedings or challenges to construction or operating permits. In addition, we may be involved in legal proceedings arising in the ordinary course of business. However, we believe our facilities are currently in compliance with such regulatory and operating permit requirements.

LEGAL:

FERC Tariff. On September 3, 2019, we became FERC jurisdictional for our Utility Member rates, transmission service, and our market-based rates. We filed our tariff for wholesale electric service and transmission at FERC in December 2019. On March 20, 2020, FERC issued orders regarding tariff filings. FERC’s orders generally accepted our tariff filings and recognized that we became FERC jurisdictional on September 3, 2019. FERC also did not determine that our Utility Member rates and transmission service rates were just and reasonable and ordered FPA section 206 proceedings to determine the justness and reasonableness of our rates and wholesale electric service contracts. On August 2, 2021, FERC approved our settlement agreement related to our Utility Members stated rate. With the exception of four reserved issues contingent on United Power being a settling party, the settlement resolved all issues set for hearing and settlement procedures related to our Utility Member rates. On March 7, 2022, FERC approved our settlement agreement related to our transmission service rates. On August 15, 2023, FERC issued an order on the four reserved issues related to our Utility Members stated rate.

Petitions for review related to our tariff filings, including our Utility Member rates, were filed with the U.S. Court of Appeals for the District of Columbia Circuit ("D.C. Circuit Court of Appeals") by other parties, including United Power. The last petition for review, 20-1255, related to whether certain of our Board policies are required to be filed with FERC, was dismissed by the D.C. Circuit Court of Appeals on December 28, 2023 after United Power voluntarily filed to dismiss such petition on December 15, 2023.

United Power's Adams District Court Complaint. On May 4, 2020, United Power filed a Complaint for Declaratory Judgement and Damages in the Adams County District Court, 2020CV30649, against us and our three Non-Utility Members.

On July 2, 2021, the court granted United Power's motion to amend its May 2020 complaint to amend its claims as to our three Non-Utility Members and to add a claim that our addition of the Non-Utility Members violated Colorado law.

After the court dismissed some of the claims against us and the Non-Utility Members, the remaining claims included seeking declaratory orders that the addition of the Non-Utility Members violated Colorado law, the April 2019 Bylaws amendment that allows our Board to establish one or more classes of membership in addition to the then existing all-requirements class of membership is void, and the April 2020 Board approvals related to the methodology to calculate a contract termination payment and buy-down payment formula do not apply to United Power and are void, and that we have breached our Bylaws and our wholesale electric service contract with United Power.

On November 1, 2023, we and United Power executed a settlement Term Sheet that was approved by each party's Board. The parties agreed to a mutual release of claims, and to file a stipulation of dismissal, with prejudice, of the litigation pending in Adams County District Court after the parties executed a formal settlement agreement and other agreements related to power and asset sales to United Power. The parties executed the formal settlement agreement and related agreements on December 8, 2023. On December 11, 2023, the parties filed a joint dismissal of all claims with prejudice, and the court granted the motion and dismissed the lawsuit on December 12, 2023.

Energy Sales - Soft-Cap. In August 2020, we made certain energy sales to third parties in excess of the soft-cap price for short-term, spot market sales of $1,000 per megawatt hour established by the Western Electricity Coordinating Council. On October 7, 2020, we filed a report with FERC justifying the sales above the soft-cap and we did not recognize the revenue for the energy sales in excess of the soft-cap, EL21-65-000. Based upon additional guidance from FERC, we filed a supplemental report on July 19, 2021. On May 20, 2022, FERC issued an order directing us to refund only certain amounts of the energy sales revenue in excess of the soft-cap. Based upon the FERC order, in the second quarter of 2022, we recognized approximately $2.9 million in excess of the soft-cap and refunded $0.4 million to a third party. On July 22, 2022, the California Public Utilities Commission filed a petition for review with the DC Circuit Court of Appeals of FERC's May 20, 2022 order, 22-1169. On August 18, 2022, we filed a motion to intervene with the DC Circuit Court of Appeals and an order granting said motion was issued on September 6, 2022. On January 24, 2023, the parties to the proceeding filed a motion with the court to consolidate this proceeding with other related proceedings with the DC Circuit Court of Appeals and proposed a procedural schedule with final briefings due in October 2023. On March 6, 2023, the DC Circuit Court of Appeals granted the motion to consolidate the proceedings. On October 31, 2023, the final briefs were filed in this consolidated proceeding. The oral arguments were heard on January 17, 2024 and the parties await a decision. It is not possible to predict the outcome of this matter or whether we will be required to refund any additional amounts to third parties.

LPEA's La Plata County District Court Complaint. On November 10, 2023, La Plata Electric Association, Inc. ("LPEA") filed a Complaint in the La Plata County District Court, 2023CV30148, against us. The complaint alleges, among other things, that we have breached our Bylaws and our wholesale electric service contract with LPEA by failing to provide equitable terms and conditions for LPEA to withdraw from us and by violating the implied covenant of good faith and fair dealing. LPEA seeks a declaratory order that we have materially breached our Bylaws and our wholesale electric service contract and that LPEA is relieved from any further obligation to perform under those agreements, or in the alternative, damages from us for such alleged breach. On January 10, 2024, we filed a motion to dismiss stating that LPEA's claims are barred by federal preemption and the statute of limitations. The motion to dismiss is fully briefed and waiting for a court's ruling. It is not possible to predict the outcome of this matter, whether the litigation will be dismissed or whether we will incur any liability in connection with this matter, and in the event of liability, if any, the amount or type of damages, equitable relief or other legal relief that could be awarded or granted.

Basin Complaint. On January 12, 2024, Basin filed a complaint with the U.S. District Court District of North Dakota Eastern Division, 3:24-cv-00008-PDW-ARS, against us alleging that the filing of our modified contract termination payment tariff filed with FERC on September 1, 2021 constitutes a breach of our Wholesale Power Contract for the Eastern Interconnection with Basin. The complaint provides that Basin will seek a preliminary and permanent injunction, along with specific performance, that would restrict us from allowing a Utility Member in the Eastern Interconnection from terminating its wholesale electric service contract with us early. On February 1, 2024, Basin filed with the court a motion for preliminary injunction that would enjoin us from disposing of our assets in the Eastern Interconnection in violation of our Wholesale Power Contract for the Eastern Interconnection with Basin. Basin's preliminary injunction seeks to preclude us from allowing a Utility Member in the Eastern Interconnection from terminating its wholesale electric service contract with us prior to the end of 2050. On February 15, 2024, we filed a response to Basin's motion. We disputed much of the merit of Basin's motion, but did not oppose the court granting a limited preliminary injunction. On February 28, 2024, Northwest Rural Public Power District ("NRPPD") filed a motion to intervene in the case that was granted by the court. On March 6, 2024, NRPPD filed a response to Basin's motion seeking for the court to deny Basin's motion for preliminary injunction. Responses by Basin and us are due by March 20, 2024. It is not possible to predict the outcome of this matter or whether an injunction will be granted or if we will incur any liability in connection with this matter.

NOTE 15 – SUBSEQUENT EVENTS

We evaluated subsequent events through March 15, 2024, which is the date when the financial statements were issued.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual report, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of December 31, 2023, our disclosure controls and procedures were effective, to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures that, by their nature, can only provide reasonable assurance regarding management's control objectives.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board; and
- provide reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements are prevented or detected timely.

Management, including our principal executive officer and principal financial officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. In addition, any evaluation of the effectiveness of controls is subject to risks that those internal controls may become inadequate in future periods because of changes in business conditions, or that the degree of compliance with the policies or procedures deteriorates.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. Based on its evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2023.

Remediation of Previous Identified Material Weakness - Asset Retirement and Environmental Reclamation Obligation Process

As previously disclosed in "Controls and Procedures" in Item 9A of our 2022 Annual Report on Form 10-K, filed with the SEC on March 10, 2023, we identified a material weakness in our controls related to accounting for asset retirement and environmental reclamation obligations for coal mines.

We implemented internal control procedures over the asset retirement and environmental reclamation obligation process, including: (i) established separate accounts for each mine pit in order to segregate each related asset retirement obligation into its own individual account; (ii) established procedures to perform monthly rollforward schedules for each asset retirement and environmental reclamation obligation and utilize those rollforward schedules in the monthly account reconciliation process to identify issues on a more timely basis; (iii) established a calculation model which will only be used for a mine pit in final reclamation in order to more accurately adjust the remaining obligation; (iv) implemented quarterly meetings between management and staff in order to review both the asset retirement and environmental reclamation obligations; and (v) engaged with a third party to evaluate our process and design attributes.

As described above in “Management’s Annual Report on Internal Control Over Financial Reporting”, we concluded that our internal control over financial reporting was effective as of December 31, 2023 based, in part, on the effectiveness of the changed and new controls implemented during 2023 as described above.

Changes in Internal Control over Financial Reporting

Other than as described above in connection with implementation of the remediation action discussed above and the changes in certain controls related to the transition of certain human resource software functions to a new hosted solution, there were no changes that occurred during the fourth quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 12, 2024, we certified the election by our Utility Member, Wheatland Rural Electric Association, of Robert Brockman to replace John "Jack" Finnerty as the director representing them on our Board . Mr. Brockman will serve on the External Affairs-Member Relations Committee.

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