Challenge – Lack of Tools for Cooperatives to Address Debt

While Tri-State believes it can manage rates as it implements its Responsible Energy Plan, financial tools and incentives that lower the costs of fossil fuel-related debt would help cooperatives do more in this transition. While other types of power producers have various options to minimize the impact of retiring facilities early, cooperatives' not-for-profit business model does not allow them to take advantage of these tools.

Accelerating the retirement of generation facilities and their associated debt constrains Tri-State's ability to recover its investments in those facilities at the same time that it seeks to reduce members' rates and make investments in new renewable generation. While there are many financial tools and tax incentives available for IOUs to manage debt and depreciation, most of these tools do not work for not-for-profit cooperatives, creating a risk that the cooperatives' debt may become stranded, or unrecoverable. For example, securitization is a tool designed for IOUs but that provides no benefit to cooperatives.

Tri-State's board has led the association to make savvy and risk-conscious investment decisions to meet the generation and transmission needs of the membership. Our resulting financial strength benefits our members and their consumers. This has allowed us to invest in critical generation and transmission facilities over time. As with any large investment, whether that's a family's house or a utility's power plant, we assumed debt to finance our investment. With the proceeds from selling electricity from our generation investments, we are responsibly paying-off our debt according to the terms of our loans.

As we rapidly transition to clean energy, we will not be able recover revenue from facilities that retire early even though we remain obligated to pay those assets off. This creates a risk of paying the outstanding debt while suffering the loss of the return on our investment decades earlier than projected: a stranded asset. While our stable finances allow us to manage this risk under our current transition plan, we do not have the options to actually reduce the costs of managing the debt, or make flexibile decisions to take advantage of new opportunities.

What's more, in order to continue to provide electricity to our members, we need to replace the generation lost from no longer operating our existing power plants by making considerable investments in new renewable resources. A portfolio of cooperative-specific financial tools for retiring fossil fuel-related debt could alleviate this challenge, like through the following:

Capacity Reserve Program

Federal Buy-out/Debt Forgiveness of Coal-related Debt Retirement

Federal Securitization Program with Cooperative Access

Energy Transition Bonds

Energy Transition Fund