

November 27, 2018



Bob Lynch, Board President  
La Plata Electric Association  
PO Box 2750  
45 Stewart Street  
Durango, CO 81303

Dear Mr. Lynch,

I am writing today to begin a dialogue with you and, hopefully, meet with you to discuss one of the most important relationships that we have as distribution cooperatives; our relationship with our generation and transmission cooperative, Tri-State. For much of the time since 1952, United Power and other Tri-State Members have enjoyed a mutually advantageous relationship with Tri-State Generation and Transmission Association. The creation of Tri-State guaranteed an adequate source of electricity for its growing Members. Throughout the intervening years, the partnership between Tri-State and its Members to acquire power generation was a key part of our collective rural electric formula.

However, in the more recent years, market forces, regulations, and increasingly outmoded G&T business models have forced distribution cooperatives and their G&Ts to contemplate more flexible ways of doing business together. Based on the growing concerns that we have regarding Tri-State's business strategy and services that they provide for Members described in the following paragraphs, United Power and other Members are encouraging Tri-State Members to amend the Tri-State bylaws to include a partial requirements membership relationship. United Power has already submitted draft bylaw changes to the Tri-State staff for their review.

I cannot speak specifically to the needs and concerns of the management and Boards of the other 42 Tri-State members, but the Board members and management of United Power have grave concerns about key elements of Tri-State's key generation products and services provided to United Power and its other Members. Uppermost on our list of concerns is cost. Since United Power abuts Xcel Energy's service territory in many locations and competes with Xcel Energy for large industrial loads, competitive pricing for power is paramount to United Power. Unfortunately, we have discovered that Xcel Energy's wholesale combined demand charge and energy charge, for the amount of energy that United Power currently uses on an annual basis is 28.5% lower than Tri-State's wholesale combined demand charge and energy charge. This wholesale cost differential between United Power and our neighbor and competitor is a serious problem.

United Power also feels that Tri-State's reluctance to embrace additional sources of renewable energy generation due to constraints of its largely fossil fuel generating fleet, creates growing problems with our environmentally conscious residential, commercial, and industrial Members. Our Members are looking for ways to reduce their carbon footprints, especially our large industrial Members (United Power's key accounts). Not being able to deliver on this need due to Tri-State's generation portfolio mix is also a serious problem for United Power and its growth trajectory and opportunities.

These two deficiencies alone have caused some Members to continue to propose potential changes to the way that Tri-State does business. United Power and several other Members have tried to have discussions with Tri-State, to no avail, regarding the opportunities to create partial requirements contracts. Delta-Montrose Electric Association has amended its articles of incorporation allowing them to buy themselves out of their all requirements contract with Tri-State. Other Members have confided that they are seeking solutions that would hopefully "turn the Tri-State ship around". Thus far, in our experience, the management of Tri-State and a majority of the Members of the Tri-State Board have tried to thwart the discussions and solutions that are driven by the Members' needs and the marketplace.

We would like the opportunity to continue to tell our story and begin a dialog with you and our fellow co-ops about the partial requirements bylaw changes that we will be bringing to the Tri-State Members for a vote at the Tri-State Annual Meeting. This isn't an 'us' vs 'them'; it's a discussion of where the industry is going, how all Members can remain financially whole, how Members can gain more flexibility in their power supply, and how Tri-State can remain relevant and responsive to its Members.

If you would like to be part of this conversation with us, please let us know. We have a presentation that we would like to share with you in-person or through a webinar format. We would like to talk to you directly and let you know some of the things we see as critical as we move forward together in a cooperative way. Please contact our CEO, John Parker, at (303) 637-1219 to schedule some time for us to visit with you and your team.

Sincerely,



James Vigesaa  
United Power Board Chairman

CC: Mr. Michael McInnes, Tri-State Generation & Transmission