

TRI-STATE ELECTRIC RESOURCE PLAN

A Ratepayer's Guide



An Energy Democracy in Crisis

Rural Electric Cooperatives were created in the 20th century by Congress to bring electrification to rural America. They were created to be run by their member-owners, with anyone paying a bill having a vote for a co-op Board of Directors and enjoying several other rights to participation. Most co-ops were too small to own and operate their own energy supplies. Across the country, Generation & Transmission Associations like Tri-State grew out of the need for many co-ops to band together and collectively own and purchase shared energy resources. As populations grew in rural areas, some Generation & Transmission Associations grew into major regional energy suppliers .

Each co-op member of Tri-State gets one vote at the Tri-State Board of Directors. In theory, this system of Energy Democracy gave member-owners and communities a direct say in how their energy works - where it comes from, what it costs, and how it reflects social values.

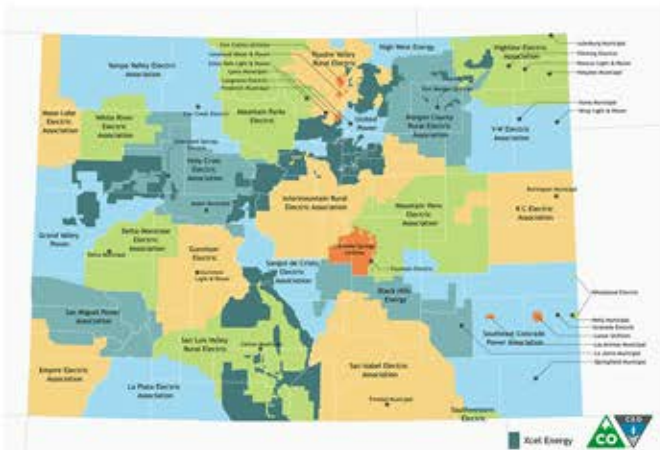
But that system at Tri-State has broken down over the years thanks to poor past management, control of information, and cozy “good old boy” networks capturing local co-op boards and failing to understand energy market changes, including the arrival of cheaper, cleaner renewables.

A few years ago, member co-ops in the Tri-State system woke up to artificially high costs that were bleeding tens of millions annually in excess costs from each community, massive debt over \$3B from past coal power acquisitions, and a coal-heavy energy portfolio that was on the wrong side of the climate crisis and lagging far behind other regional suppliers like Xcel Energy.

This Guide tells the story of Colorado’s attempt to fix the Tri-State system and the current Electric Resource Plan rulemaking - the single biggest moment in this movement to win cheaper, cleaner, more local energy for our co-ops.

Tri-State Member Cooperatives

The following rural electric cooperatives provide electricity to their member-owners through long term contracts with Tri-State, which owns and operates several energy generation facilities, is a co-owner in others, and also purchases power from other facilities.



- | | |
|--------------------------|--------------------------------|
| Mountain Parks Electric | San Luis Valley Rural Electric |
| Gunnison County Electric | Sangre de Cristo Electric Assn |
| San Miguel Power Assn | San Isabel Electric |
| Empire Electric Assn | United Power |
| La Plata Electric Assn | Mountain View Electric |
- And 32 others in CO, NE, NM & WY



How Bad Are Things Now?

Between 2007 and 2017, Tri-State's rates rose five times faster than the national average, as described in a 2018 Rocky Mountain Institute study. According to Western Way, Tri-State's 2019 costs were 212% more than other regional wholesalers. Rocky Mountain Institute concluded that retiring large portions of Tri-State's costly coal supply and replacing them with cheaper renewables could save the organization \$600M over the coming decade.

Grassroots Pressure Wins



Beginning in the 2010s, communities and a new generation of leadership at member co-ops across Tri-State got to work fixing this mess. In 2019, communities won bi-partisan support for state legislation that placed Tri-State under the purview of the Colorado Public Utilities Commission (PUC), a regulatory body that oversees electricity utilities like Xcel Energy and ensures they meet goals relating to cost, pollution, reliability, and other social objectives set by lawmakers.

Tri-State is now completing an Electric Resource Plan with the PUC. This is Tri-State's first major regulatory process in Colorado, requiring the organization to create hundreds of pages of planning documents, run extensive modelling and defend its math, assess the social cost of carbon pollution it creates, and consider a number of alternative scenarios for what it does in the coming years.

Knowing this process was coming, Tri-State released a "Responsible Energy Plan" in 2020, presumably in an attempt to get out in front of regulations and the court of public opinion. This proposal suggested several major coal retirements and new renewables acquisitions that can now be enshrined, or enhanced, by regulators. More on the Responsible Energy Plan on the next page.



Renewables to the Rescue

Since Tri-State starting shopping around in 2020 for new options, their average cost of renewables has come in around 1.7 cents/KWh, compared to average coal power costs around 3-4 cents/KWh. The cost savings of renewables aren't just limited to the balance book and also include big reductions in the harm caused by coal use. Estimates of the social cost of coal range around 3 cents/KWh in health effects and 2 cents/KWh in climate damage.

State of the Plan Now

Tri-State's Electric Resource Plan (ERP) process has been underway for months, with many filings, motions from stakeholders, and legal briefs swirling. The process will conclude in 2022. As of October 13th, the current ERP proposal ("Revised Preferred Plan") looks as follows.

Tri-State's internal 2020 Responsible Energy Plan proposed 1 gigawatt (GW) of wind and solar energy worth about three small coal plants or one medium-sized one. Simultaneously, Tri-State promised to close its Escalante, NM coal plant, worth 0.257GW, and to close its Craig, CO coal plant, worth 1.4 GW, in two stages in 2025 and 2029. Tri-State's remaining coal assets will then include the large 1.7GW Laramie River Station in Wyoming and the 1.5GW Springerville Generating Station in Arizona.

After diving more deeply into economics and planning scenarios, Tri-State looks set to acquire even more renewables in its official ERP with regulators than in its 2020 internal plan. Tri-State doubles its renewables acquisitions to 2GW by 2030, with 1.3GW coming online between 2025-2027. It still wishes to maintain its full retirement of the Craig Coal Station at 2029, even though modelling in the ERP process concludes that full retirement of Craig in 2025-2026 would be most economical. It mentions no retirements for the two large out-of-state coal plants in Wyoming or Arizona.

A key remaining question has been whether to plan to acquire a natural gas plant to replace some of these coal plan retirements. A natural gas plant is helpful in providing on-demand baseline power when renewable supplies decrease. Natural gas produces less carbon pollution than coal. Currently, Tri-State suggests that it wait until 2030 and beyond to make this decision, deciding at that time whether to invest in natural gas or in forthcoming new renewables technologies that offer on-demand supply.

Collectively, these major decisions would reduce Tri-State's carbon pollution 80% by 2030 over 2005 levels and increase renewables to 62% of generation in 2030.

Key Stats

- ✔ **2GW of new renewables by 2030**
- ✔ **1.75GW of coal retirements by 2030**
- ✔ **80% carbon pollution reduction**



Making a Public Comment

Public comments about Tri-State's future are welcome in the ERP process and the current stage is a good time to make them. Comments can be made to the Colorado Public Utilities Commission by sending an email to DORA_PUC_website@state.co.us with a subject line of Public Comment Docket No. 20A-0258E.

PERSONAL STORIES > POLICY EXPERTS

The ERP regulatory process is already flush with energy pros and lawyers. The best thing you can do to make a difference with your public comment is to tell a personal story that talks about how you and/or your community are impacted by high electricity rates and by the costs of climate change. So take ten minutes, pull up an email, and consider the following template for an effective story!

1. Begin with a salutation

Greetings Public Utilities Commission/To Whom It May Concern/Salutations Commissioners,

2. Introduce yourself

Who are you? Where do you live? What do you do for work, for community service, and/or in community life. How do you interact with your electricity - as a renter, homeowner, business owner, agriculture property, or something else? Which co-op are you a member of?

3. Explain that you are writing about the Tri-State Electric Resource Plan and wish to share a public comment about how it impacts your life and/or your community.

4. Create 2-5 sentences on how you and/or your community is impacted by the state of its electricity now.

Topics could include: This is a challenging place for local businesses to keep the lights on. We have many renters or working people who struggle to pay their energy bills. We understand that we are paying X more with our Tri-State contract (see data on next page) than Y community or other places in Colorado pay with Xcel Energy. You could also talk about how climate pollution is causing specific changes and harm in your local area.

5. Consider mentioning Tri-State's coal.

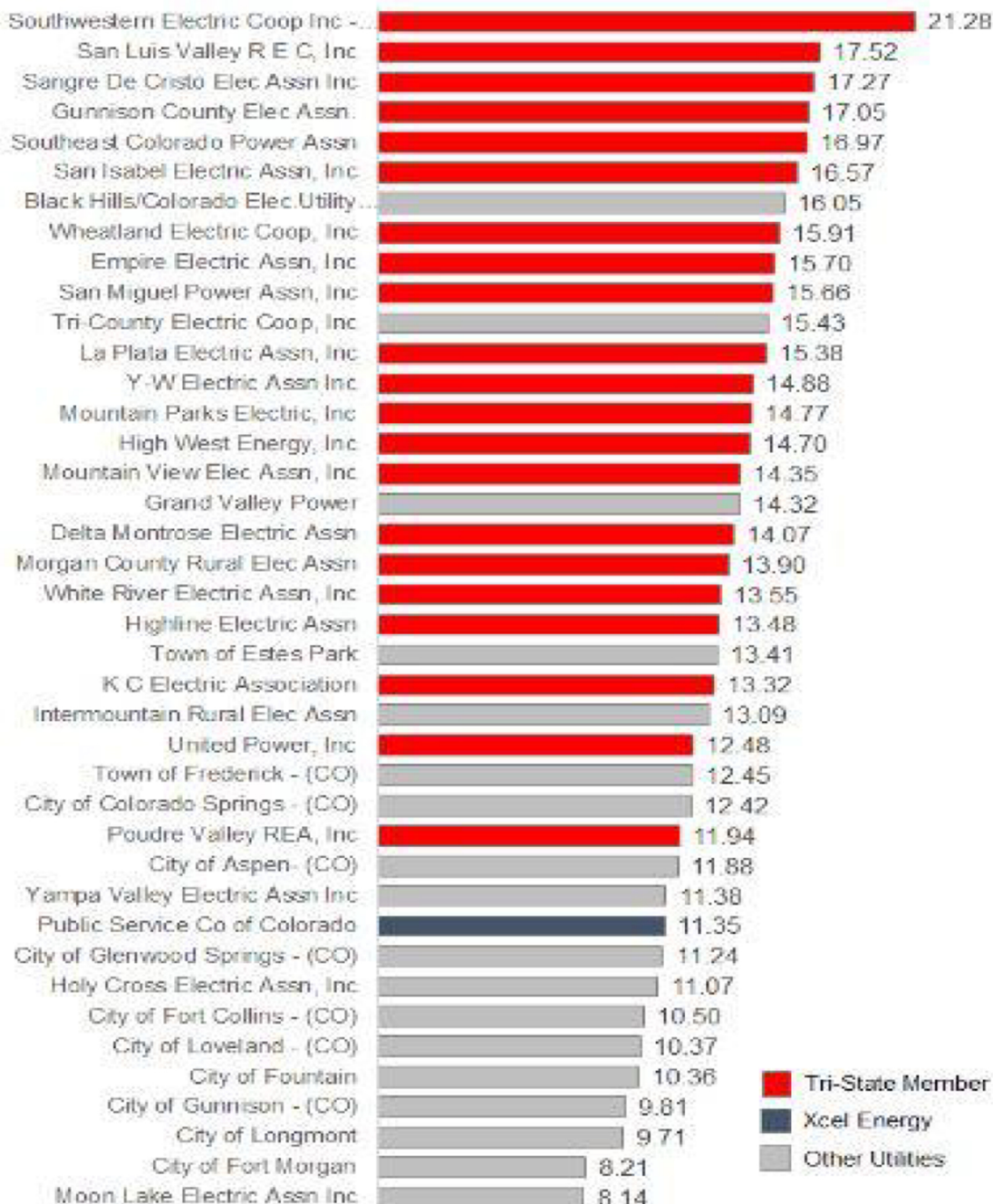
Ex. I think part of the problem / it seems to me ... that Tri-State is so expensive because it has clung/stuck with/defended/doubled-down-on its coal and fallen behind/missed out on/etc. the transition to cheaper energy sources like wind or solar.

6. End with a thank you!

Tri-State Cost Data

It's currently tough to match apples with oranges in the way that electricity rates data is reported. The best apples to apples data we have comes from the U.S. Energy Information Administration, last released in 2017. This data is below.

Average Residential Electricity Price (cents/kWh)



Source: EIA

Want to Go Deeper?

Want to get your policy geek on with your public comment? Here are a few of the deeper policy fights likely to occur in the ERP.

Tri-State's ERP Plan to date makes big strides. What could make it better?

Tri-State's proposed renewables acquisition is double its 2020 internal Responsible Energy Plan. This is a massive increase. Supportive members of the public can communicate their approval. Though the ERP won't discuss the particulars of these renewables investments, the question of where and how Tri-State builds them is of acute interest to many communities and the jobs, local supply, and tax revenue renewables can create. Members of the public could discuss any preferences for more local renewables or cooperation with member co-ops to determine locations.

Though Tri-State's own modelling suggests that retiring the Craig, CO coal facility by 2025-2026 is best for ratepayers' pocketbooks, the current "Revised Preferred Plan" would keep Craig fully operating until 2029. An earlier retirement of Craig is perhaps the best opportunity for Tri-State to accelerate its emissions reductions and avoid several more years of pollution.

Tri-State leaves its options open for its next major acquisition in 2030 and beyond - having the choice of either investing in a new on-demand natural gas plant, which it would then operate for decades, or of adding new on-demand renewables capacity, likely consisting of next generation large batteries or other types of low-carbon technology currently unavailable. Members of the public can speak to their preference between the emissions of a new natural gas plant or an attempt to onboard next generation renewables technologies later.

Just Transition for coal closure communities has become a hot topic in Colorado in recent years. Most coal plants in the Four Corners are located in geographically isolated regions where small towns have depended on coal for generations of jobs and vital tax income to fund schools and services. The State of Colorado became the first in the country to create an Office of Just Transition and is encouraging the owners of coal plants to meet their social obligations after having benefitted from local labor and the profits of these plants for so many years. In the ERP plan so far, Tri-State discusses coal community transition assistance for its workers in Craig, CO. It does not, however, discuss any assistance for its recently retired Nucla, CO coal station. Members of the public can speak to any desire to see the community of Nucla receive greater transition resources from Tri-State on a level commensurate with Tri-State's plans for Craig.