



TRI-STATE

Generation and Transmission
Association, Inc.

A Touchstone Energy® Cooperative



Federal climate change legislation

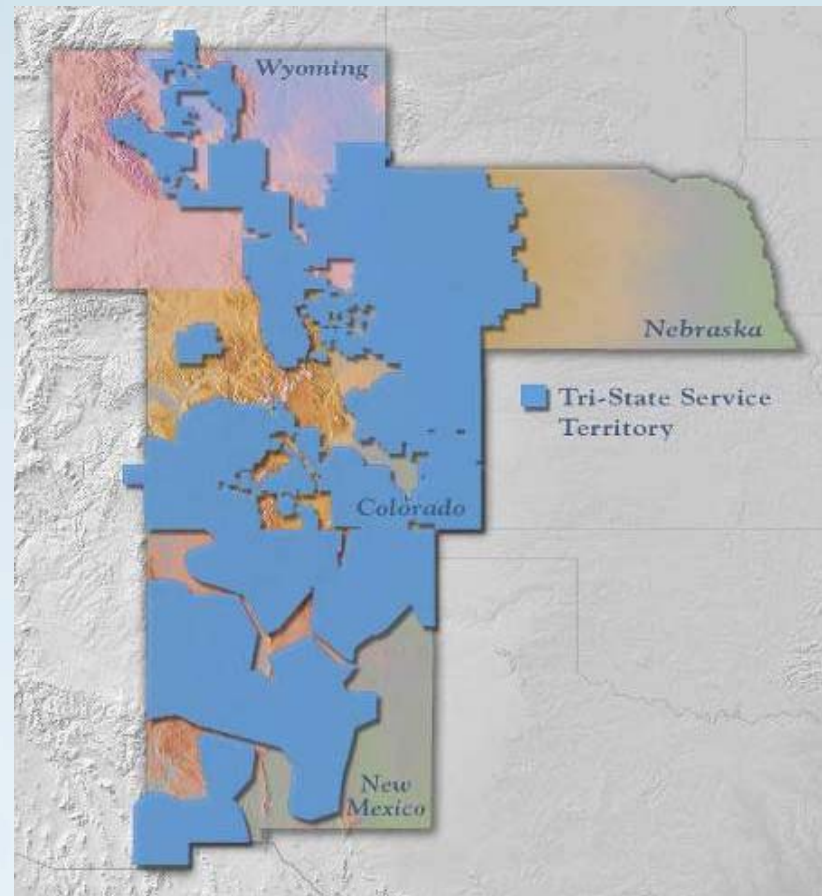
Tri-State's analysis, reactions, reflections

Nebraska Power Association

March 3rd, 2010

Tri-State Generation and Transmission Association

- ❖ Member owned, not-for-profit, generation and transmission cooperative
 - 44 Member-System owners across CO (18), NM (12), NE (6), WY (8)
 - Member-systems serve approximately 1.5 million consumers
 - 250,000 square miles of service territory
 - 5,200 miles of transmission lines
 - Own all or part of 11 generation plants in four states



Basic Statistics

- ❖ 2009 Peak Member Load – 2,477 MW (July)
- ❖ 2009 sales = 18.6 million MWH

❖ Load Locations

- Colorado ~62%
- New Mexico ~16%
- Nebraska ~13%
- Wyoming ~ 9%

❖ Diverse Membership

- United Power– Brighton, CO – 65,000 meters – 287 MW
- Garland L&P- Powell, WY – 1,900 meters – 6 MW

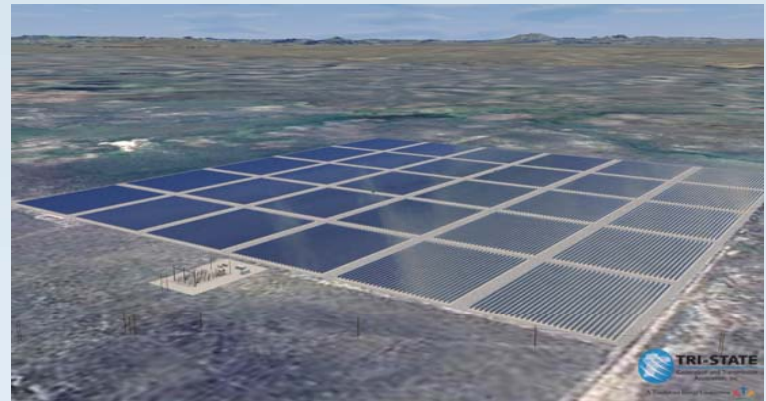
Resources

- ❖ Owned coal = 1,867 MW
- ❖ Contracted coal = 285 MW
- ❖ Federal hydro = 614 MW
- ❖ Owned natural gas = 385 MW
- ❖ Contracted natural gas = 225 MW
- ❖ Oil = 100 MW

TOTAL = 3,476 MW

Major initiatives

- ❖ Energy efficiency and demand side management
- ❖ Utility and community- scale renewable energy
 - Cimarron I solar project
 - 30MW
 - Kit Carson wind project
 - 51MW
 - Numerous local projects
 - 16 MW
- ❖ New technology and GHG management
 - Greenhouse Gas Management Roadmap
 - Carbon capture and sequestration
 - Solar/fossil hybrid development
- ❖ Transmission development



Climate Policy Proposals

- ❖ H.R. 2454 – American Clean Energy and Security Act (Waxman-Markey)
- ❖ S-1733 – Clean Energy Jobs and American Power Act (Kerry-Boxer)
- ❖ Greenhouse gas reduction targets
 - 17%-20% below 2005 levels by 2020 and 80%+ below 2005 levels by 2050
 - Create cap and trade system
 - Utilities and others receive a declining number of allowances and must reduce or purchase additional allowances to meet targets

Climate Policy Proposals

- ❖ Allowance allocation is crux of debate
 - Who should receive allowances?
 - Only those who emit greenhouse gasses and must comply?
 - Even utilities with limited GHG emissions?
 - Should there be a cap on what they can trade for?
 - Can they be transformed into financial “products” (e.g. traded like commodities; used as the basis for derivatives)
 - Are there sufficient allowances to allow for smooth technology transition without major price shock?
 - What about offsets?

Climate Policy proposals status

- ❖ Waxman-Markey passed the House in late June 219-212
- ❖ Kerry-Boxer passed out of the Environment and Public Works Committee 11-1
 - Only Ds participated in the mark-up; Rs boycotted
- ❖ Copenhagen
 - Did not produce a treaty or binding agreement
 - But Administration says U.S. is “committed” to reducing GHGs by 17% under 2005 levels by 2020
- ❖ Kerry-Graham-Lieberman proposal
 - Released in next two weeks?
 - Hybrid proposal?
 - Cap and trade for utilities; taxes for gasoline
 - EPA pre-emption?

Climate Policy proposals status

❖ EPA

- Endangerment finding in Dec. '09
- Tailpipe rule due later this month
- Will impact stationery sources
 - EPA Administrator has stated they won't regulate stationery sources until 2011 – and then only “large” ones
 - Not sure what it will mean for new permits or operating permits
 - What's BACT for CO₂?
- Many problems with integrating regs. with state programs
- Will create a “glorious mess” according to CAA author
- Various legislative efforts to thwart EPA actions
 - House – Barton, Skelton, Peterson, Pomeroy, Blackburn
 - Senate – Murkowski and Rockefeller

Potential impacts

❖ Waxman-Markey -- Wholesale

- \$7 million to **Nebraska** members in 2012; \$150 million system-wide
- \$29 million to **Nebraska** members by 2030; \$580 million system-wide

❖ Kerry-Boxer -- Wholesale

- \$8.24 million to **Nebraska** members in 2012; \$172 million system-wide

❖ Estimated retail rates in 2012

- 1.1 cents per kWh impact to Tri-State rates means:
 - 8% increase to irrigation
 - 10% increase to small commercial
 - 12% increase to residential
 - 13% increase to large commercial
 - 22% increase to industrial

Tri-State's position

- ❖ Prefer climate legislation over regulation
 - Superior to regulating GHGs under the Clean Air Act
- ❖ Current proposals need to be changed, however
 - Reduction targets, timetables more realistic
 - Sync up with technology availability
 - Offsets should be unlimited
 - As long as they are legitimate, verifiable
 - A price collar needs to be established
 - Allocations should be based solely on emissions
 - Federal law and state/regional program pre-emption

Prognostications

❖ Congress

- Very difficult to find 60 votes for any kind of climate package in the Senate
- The energy bill that passed Energy and Natural Resources may emerge
 - But will House agree to a “weak” bill?
- How will health care skirmish impact other initiatives?

❖ EPA

- Will propose tailpipe rule and tailoring rule
 - Litigation frenzy
 - Congressional response – probably Rockefeller
 - Can House pass something similar?
 - Will president want to be solely responsible?

❖ Continue to live with uncertainty



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