



Your Touchstone Energy® Cooperative 

MESSAGE FROM ACTING CEO BRYANT ROBBINS ABOUT UNITED POWER'S FIGHT FOR COMPETITIVELY PRICED POWER FOR OUR MEMBERS



Bryant Robbins
*Acting Chief
Executive Officer*

Dear Co-op Members,

You may have noticed United Power's name in the news more recently than you have in the past, and for good reason. As your electric cooperative, we here at United Power believe in putting our members first in everything we do. Fighting for your right to purchase electricity to energize your homes and businesses is no exception. Our cooperative was formed through the hard work and diligent efforts of local farmers, business owners, and homeowners who believed they had the right to electricity as much as anyone else. 80 years later, we still couldn't agree more. Now we are fighting a battle not to simply provide electricity to our members, but to do so at a fair price.

For almost 70 years, United Power has worked closely with our power supplier, Tri-State Generation and Transmission, to ensure that you have safe, reliable, and affordable energy at your fingertips whenever you need it. Unfortunately, we have had increasing tensions with Tri-State these past several years as they have not been able to provide wholesale power at competitive rates.

We are fighting a battle not to simply provide electricity to our members, but to do so at a fair price.

Comparison to other power providers reveals Tri-State's rates are as much as 30% higher than their competitors. United Power has a duty to explore our options and an obligation to pursue the path that is most advantageous to our members, even when that path isn't easy.

To that end, United Power asked Tri-State in June of 2018 if they would consider converting to a partial requirements contract. Currently, Tri-State supplies United Power with substantially all its energy needs under what is referred to as a full requirements contract. Giving United Power the ability to blend a mix of power from other, less costly providers while continuing to purchase the higher priced power from Tri-State would have allowed us to decrease the overall cost of power to our members with as little disruption to all parties involved as possible.

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MESSAGE FROM ACTING CEO BRYANT ROBBINS

The request for a compromise was denied and so, with little other choice, United Power requested a buyout number from Tri-State in August of 2018. The response we received a short time later was an amount that could only be described as outrageous. Regardless, United Power continued to work within Tri-State's sluggish committee structure seeking relief for our pricing frustrations. A year later, having had no satisfaction or resolution to our concerns, United Power initiated the process to explore other alternatives. After receiving indicative pricing from numerous power suppliers, it was clear to the Board and the management team at United Power that there was no choice but to pursue relief with a higher authority.

In November of 2019, we filed a complaint with the Colorado Public Utilities Commission (PUC) seeking a fair buyout charge. With similar concerns, another Colorado cooperative filed a comparable claim and the PUC combined the matters. This summer, we received a favorable ruling from the Administrative Law Judge (ALJ) assigned by the PUC to hear our case. Both cooperatives submitted proposed methodologies for determining a buyout number. The ALJ selected United Power's methodology as the most reasonable, just, and non-discriminatory.

Tri-State has tried to circumvent the PUC, primarily by seeking jurisdiction under the Federal Energy Regulatory Commission (FERC). Again, in an effort to protect our members from Tri-State's self-preserving tactics, United Power sought the assistance of a higher power. In May of 2020, we filed a case with the Adams County District Court alleging that Tri-State had recruited three non-utility entities with the sole purpose of gaining FERC oversight and thereby eluding the jurisdictional control of the PUC. We believe this was a conspiracy to defraud United Power and an attempt to hold us captive in an expensive and restrictive power contract. Court documents outline how the years-long scheme intentionally misled Tri-State's members and ultimately caused financial harm to United Power and the more than 95,000 members we serve.

On August 28th, FERC reversed an earlier decision and determined they have sole jurisdiction over the exit fee matter. United Power remains hopeful that the PUC and Adams County District Court will provide relief in the form of invalidating the addition of the three non-utility members and thereby eliminate FERC's jurisdiction over Tri-State. This would place control back in the hands of the PUC who, along with United Power, has invested countless hours in contemplating the matter of determining a reasonable, just, and non-discriminatory exit fee.

I think it's important that I share the background and details of this battle with you, our members, so that you can hear directly from your cooperative what we are doing and why. ***If we are successful in our efforts, we estimate that we can reduce your retail electric rates by 15%-25%.*** Once we secure a reasonable exit charge from Tri-State, our Board can determine the appropriate action to take to save you money on your electric bill. If we are successful in our efforts, we estimate that we can reduce your retail electric rates by 15%-25%. We believe you'll agree, that's not insignificant.

We continue to hope for a resolution with Tri-State that benefits all parties and reduces costs for United Power members. I will continue to provide updates through this newsletter and at unitedpower.com.

Respectfully,



Bryant Robbins

Acting Chief Executive Officer

FREQUENTLY ASKED QUESTIONS

How did United Power determine the buyout methodology they proposed?

United Power retained the services of a well-known expert in the field. She evaluated the financial statements of Tri-State and determined the most reasonable, fair, and non-discriminatory method for calculating a buyout would be to have United Power pay its proportionate share of Tri-State's long-term debt.

As a validation of the methodology, if you apply this same calculation to previous exits that Tri-State itself said were fair to its remaining members, you get a very similar number to the exit prices they paid. The initial buyout number Tri-State provided us was three to four times higher than what our method or the previous negotiated exits would have been. We will continue to propose this methodology as the most fair and reasonable method as the process continues at FERC.

Tri-State claims that United Power is dumping more than \$1 billion in costs onto other cooperatives. Is this true?

As mentioned above, applying our methodology results in a reasonable, fair, and non-discriminatory exit price that is proportionally aligned with the exit price paid by two previous co-ops upon their exit. If the exit prices paid by those two cooperatives were fair and non-discriminatory and did not result in cost-shifting to other co-ops, how could our exit fee be any different?

The methodology proposed is calculated based on United Power paying its fair share of Tri-State's long-term debt. Once the exit is complete, the remaining members should be no worse off than before. In fact, if any cost-shifting has been going on it's the shifting of costs to United Power as the largest and fastest growing member of Tri-State that's been happening for the past several years.

Tri-State claims to be moving toward more renewable resources. Isn't that a good thing?

United Power is a huge supporter of renewable energy. We have been recognized nationally for our integration of renewable resources, our growth in rooftop solar, and even our work on the country's first community solar field, Sol Partners. We applaud Tri-State's effort to integrate more renewables into their system, but that doesn't address the overall cost issues. As a matter of fact, many of Tri-State's past decisions have added to both the current low use of renewables and their non-competitive power cost. For United Power members, this shift to more renewable resources could possibly be too little, too late.

Is the case at the PUC decided and can United Power move forward with a buyout now that a methodology has been approved?

Unfortunately, our battle doesn't end here. Earlier this year, Tri-State filed with FERC asking them to preempt (or rule invalid) any decision being made at the PUC. FERC reversed an earlier order and, on August 28th, declared their sole authority and jurisdiction over Tri-State's exit fees. Having not yet received a final ruling from the PUC, unless a settlement agreement is reached in the near future, we will be forced to go through a second wave of hearings similar to the PUC hearings, this time at FERC. Since Tri-State was already pursuing FERC approval of their exit charge methodology (referred to as the CTP), some preliminary work has already begun. In their initial comments on the case, FERC stated, "*Our preliminary analysis indicates that the CTP Methodology has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.*"

Will United Power definitely exit their contract with Tri-State if they receive a fair and reasonable exit charge?

No. My staff will present to the Board all the options available to United Power and make a recommendation for what we believe to be the best path forward. Our Board has a fiduciary duty to the membership to make a decision that represents the overall best interest of our members. We continue to be available to Tri-State for discussions on this matter and remain open to their suggestions on ways other than an exit to resolve our concerns.

For updates or to submit comments or questions, please visit our website:
www.unitedpower.com/PowerSupply

LOCALLY OWNED BY THOSE WE SERVE



www.unitedpower.com



Member-Owned Electric Utility

United Power, a member-owned utility founded in 1938, provides electric service to more than 95,000 meters, or 250,000 residential, agricultural and business consumers along Colorado's northern Front Range. The not-for-profit electric cooperative is guided by a member-elected board of directors comprised of eleven directors who serve three year terms.

Surrounding Denver on three sides, United Power serves 900 square miles along the north central range of the Colorado Rockies. Our service territory wraps around the north and west borders of Denver International Airport, and includes the north metropolitan development corridors of Interstate 25, Interstate 76, State Highway 85, and E-470.

Cooperative Principles

Cooperative businesses, like United Power, are special because they are owned by the consumers they serve and they are guided by a set of seven principles that reflect the best interests of those consumers.

All cooperative businesses adhere to these seven guiding principles:

1. Voluntary and Open Membership.
2. Democratic Member Control.
3. Members' Economic Participation.
4. Autonomy and Independence.
5. Education, Training, and Information.
6. Cooperation Among Cooperatives.
7. Concern for Community.

Wholesale Power from Tri-State G&T

United Power purchases wholesale electricity from Tri-State Generation & Transmission. Tri-State is the supplier of electricity to United Power and 41 other customer-owned utilities in Colorado, Wyoming, New Mexico and Nebraska.

Currently, wholesale power from Tri-State constitutes more than 77% of our total costs paid by our members. Since 2018 United Power has been actively seeking to reduce our costs for wholesale power, and to have more control over the generation mix of that power.

Issues driving our fight for competitively priced power for our members

Our members deserve cleaner, more affordable power. United Power is committed to providing safe, reliable and affordable electric power, and as a cooperative, we're always looking out for our member-owners.

United Power has been a leader in innovative and renewable energy projects. From developing the state's first cooperative solar farm, to several large-scale solar projects, and to operating the state's largest battery storage facility, we have been driven by what is financially and environmentally best for our members.

We are limited by our Tri-State contract to incorporate any additional renewable energy. United Power has been consistently at the table asking for solutions that give our members what they want. We know our members want more local, renewable power serving their homes and businesses.