OBJECTIVE

To establish reasonable and equitable rules and regulations to govern the extension of transmission facilities by Tri-State to serve Member loads.

ACCOUNTABILITY

The General Manager.

SCOPE

All transmission facilities to be constructed by Tri-State to serve its Members shall conform to the terms and conditions of this Policy, except facilities required to establish certain Points of Deliveries and to which Tri-State has previously committed to provide electric service at its sole cost and expense. Such Points of Delivery are listed in Exhibit A hereto. In addition, Committed Member Projects, as hereafter defined, are set forth in Exhibit D.

1. Definitions

   a. Point of Delivery shall mean a point at which Tri-State is obligated to deliver electric power and energy to a Member. Each Point of Delivery shall be as specified in Schedule B of Tri-State's Contract for Electric Service with a Member.

   b. The Bulk Transmission System shall mean those transmission facilities which shall generally include 115 kV and above and, to the extent possible, shall extend to each Member's load center(s). These facilities may be operated at a lower voltage, as required.

   c. Single-Entity Concept shall mean a concept used in planning, designing, and constructing additions to the Bulk Transmission System and the electric system belonging to a Member as though they were owned by only one party. Said concept shall be applied so as to result in the least possible total annual cost for ownership, operation, losses, transmission service and maintenance.

   d. Adequate Service Reliability shall mean the providing of adequate electric service to Members' Points of Delivery, preserving the integrity of the Bulk Transmission System, delivering the output from generation sources, and creating utility interconnections.
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e. Indeterminate Loads shall mean any load the size or permanency of which is not reasonably assured or any load requiring the exclusive use of transmission facilities.

2. Committed Member Projects

Committed Projects shall mean those projects which were committed by Tri-State prior to April 15, 1992, and include only those projects which met any of the following criteria:

a. Under Construction
b. Bid(s) awarded (construction and or major equipment orders)
c. Contract or other written commitment

Committed Member Projects are set forth in Exhibit D.

3. Points of Delivery

a. Grandfathered Points of Delivery - All Points of Delivery (to the Members) existing as of April 15, 1992, and the ownership and delivery conditions pertaining thereto shall not be changed except by mutual agreement of the affected Parties ("Grandfathered").

b. Board Review - Tri-State staff shall present to the Board for its review, a summary of the conditions and economics relative to all Member Points of Delivery from Tri-State.

4. Transmission Extension by Tri-State

Tri-State shall construct and include in Tri-State's wholesale rate for power and energy, as set forth in Schedule A to the Contract for Electric Service with the Members, all additions to the Bulk Transmission System required to provide Adequate Service Reliability.

Tri-State, in conjunction with any affected Member, will construct radial transmission to Member load centers as set forth below. Such transmission may be operated at a voltage lower than 115 kV, as required. Load centers shall be established in approved work plans of the Member. Load shifting to establish load

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centers shall require the mutual agreement of Tri-State and the Member and shall be accomplished in accordance with Single Entity Concepts. When the load reaches at least 5 MW and service on the existing member delivery system is inadequate, Tri-State will, upon written request of the affected member, either participate with the member in service to such load center, as set forth below, or participate in other facilities determined necessary to provide least cost service. When the load reaches 10 MW, Tri-State will, upon written request of the affected member, acquire the Member’s ownership in the radial facility. Such acquisition shall be made at book value of the Member’s portion of such facilities.

<table>
<thead>
<tr>
<th>Load Center Size</th>
<th>Cost Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 MW</td>
<td>100% Member</td>
</tr>
<tr>
<td>5 MW to 10 MW</td>
<td>Proportional Tri-State Participation, 5 MW - 50%, 6 MW - 60%, etc.</td>
</tr>
<tr>
<td>10 MW and Up</td>
<td>100% Tri-State</td>
</tr>
</tbody>
</table>

Loop service additions ("Loop Service") required under this Section shall be considered only after the affected Member(s) submits a written application to Tri-State in accordance with the procedures established by Tri-State. Loop Service additions shall include breaker sectionalizing, as reasonably necessary. Loop Service will be provided to Member loads under the following guidelines:

Normally, the maximum contribution by Tri-State for Loop Service additions is fifty percent (50%).

Reliability considerations set forth in Section 5 below may be considered as justification for Tri-State construction of loop facilities at participation levels in excess of fifty percent (50%).

Loads greater than 10 MW, where the product of the annual peak load multiplied by the annual load factor of such loads taken as a decimal is greater than 9.0, ("Factor") shall be served by facilities included in the Bulk Transmission System, subject to the requirements of 4.c.1) and 4.c.2) above.
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<table>
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<tr>
<th>Policy No. G-2</th>
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4) Loads not meeting the required Factor of 9.0 will be considered for extension by Tri-State on a cost participation basis with the Member. Tri-State's cost participation shall be equal to fifty percent (50%) of the proportion obtained by dividing the actual Factor for the Member's load by the required Factor of 9.0. When the Factor reaches the required level of 9.0, Tri-State will, upon written request of the affected member, acquire the Member's ownership in the Loop Service facilities, subject to the requirements of 4.c.1) and 4.c.2) above. Such acquisition will be made at book value of the Member's portion of such facilities.

d. A Member's cost participation may be by cash contribution or by reimbursement of Tri-State's annual costs as set forth in Section 6 hereof.

e. Extension made by Tri-State on a participation basis may be owned on an undivided joint ownership basis or owned outright by Tri-State. Operation and Maintenance for all such extensions shall be provided by Tri-State at a participation cost to the affected Member(s).

f. In the event the Member wishes to finance and pay the debt service associated with its 50% share of loop service facilities or with its proportionate share of radial facilities, the following rules shall apply in a manner similar to G-2, Section 6.

1) The existing Credit Factor contained in Exhibit B may be used to offset the Member's 50% share of loop service facilities or to its proportionate share of radial facilities.

The three year average of annualized percentage as shown on line 1.d. of the Draft Exhibit B-1, shall be calculated to contain all Tri-State transmission and station costs for operation, maintenance, and transmission of electricity by others.

All energy load growth on the facilities being financed herein and above a predetermined level (G-2, Section 6.) shall be credited against the Member's costs by multiplying the load growth by the Credit Factor contained in Exhibit B. The resulting credit shall be credited (1) against the product of the three year average shown on line 1.d. of Exhibit B-1 and the as-constructed cost of the Member's share of the facility (Tri-State's "Revenue Requirement") and (2) the remaining credit, if any, against the

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Subject: TRANSMISSION EXTENSION POLICY

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<thead>
<tr>
<th>Policy No. G-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Issue Date: 5/6/83</td>
</tr>
</tbody>
</table>

Member's principle and interest costs for the facility (auditable). The annual credits shall be capped at the sum of the Revenue Requirements and the annual principle and interest costs for the facility.

4) Ownership of a participation project shall be held on an undivided joint ownership basis with Tri-State. Such ownership shall reflect an annual transfer from the Member to Tri-State representing the accrual of equity by the Member in said joint project.

5) Operation and maintenance of the project shall be provided by Tri-State on a participation basis at a percentage (Exhibit B-1, Line 1.d.) which represents the cost of O&M plus the cost of transmission service (general transmission expense).

6) Once the load on the joint facility reaches a predetermined break even point, the Member can request that Tri-State acquire the Member's share of the joint facility. Break even shall be achieved when the load growth times the Credit Factor equals the principle and interest payments plus the Revenue Requirements.

7) Tri-State shall have full rights to use the new joint facility for transmission of power, constructing taps, etc. The Member shall retain the obligation to provide such funds as are required for paying the costs of principle, interest, depreciation, insurance and taxes for their share of the joint facility.

5. Reliability Considerations

**Transmission** - Maintaining adequate service reliability on the Bulk Transmission System is considered to be a top Tri-State priority. Established electric utility industry reliability criteria shall be used as guidelines for determining system additions needed to be made to provide Adequate Service Reliability. Said reliability criteria shall include, but not be limited to, such factors as average time to repair, miles of exposure, customer (historical) outage time, number of customers, terrain, weather, and the critical nature of the load(s).

**Transformers** - Reliability of service to loads related to potential outages of transformers serving Member Points of Delivery shall be evaluated separately from other reliability considerations. Tri-State shall continue to review the need for...
mobile and spare transformers to cover forced outages and to permit required transformer maintenance for Member Points of Delivery. Tri-State's recommendation for any additional mobile or spare transformer capacity considered necessary shall be subject to approval by the Board of Directors.

6. Other Transmission Extension

The Member shall bear all costs of transmission and transformation facilities regardless of voltage, not provided by Tri-State as part of the Bulk Transmission System.

Any Member(s) may request Tri-State to construct and own facilities not considered a part of the Bulk Transmission System. The actual cost of any new facility, multiplied by the percentage representing Tri-State's fixed and variable annual costs applicable to that facility, shall be the responsibility of the Member(s) at whose request the facility is constructed. The percentage shall be determined by taking information from the year-end Rural Utilities Service (RUS) Forms and other appropriate Tri-State records for the most recent three years and making computations as set forth in Exhibit C. Said annual cost shall be fixed for the life of the new facility.

Payment for that annual cost will be made to Tri-State as follows:

a. The annual cost of the new facility shall be assessed to the Member in equal monthly payments during each calendar year based on estimated or actual total costs, beginning in the month following the date of energization. The December billing for the year during which the actual annual costs are first determined will reflect actual costs for that year and any previous years and the difference will be billed or credited, as appropriate.

All energy load growth on the Member's system subsequent to the date of written agreement for a new facility, as provided in paragraph f. of this Section, shall be considered as contributing to the justification of the new facility. A credit based on the product of the credit factor (computed in accordance with Exhibit C) and that load-growth energy shall be allowed the Member toward the monthly assessment in paragraph a. above. Credits made during any year shall be reviewed after year end and any necessary adjustments will be made.

Signed, President Date 2/3/99
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No assessment of costs will be made in any year if the allowance under paragraph (b.) above for that year is adequate to meet the total annual costs of any extension(s) constructed under the provisions of this Section.

d. Any Member(s) may request Tri-State to construct additional facilities, pursuant to this Section, at any time, but no credit for load growth shall be available to offset the annual cost of such additional facilities until the credit cited in paragraph b. above is adequate to meet the total annual costs of facilities constructed earlier for such Member(s) by Tri-State. When these conditions are met, any unused load growth shall be applied to the credit factor for the additional facilities, and the resulting credit will be used to offset the annual costs of said additional facilities.

e. A Member may elect to pay Tri-State, in full, for the facilities constructed hereunder, in lieu of the other arrangements outlined in this Section. The Member will then own and maintain said facilities.

f. Tri-State and the Member shall execute a written agreement to secure the arrangements as specified in this Section before any design or construction efforts will be undertaken by Tri-State. The agreement will require repayment in full by the requesting Member in case the requested construction is cancelled or delayed. It will specify the estimated annual facility costs and credit factor for the facilities to be constructed, as well as any other appropriate items, and shall provide for subsequent amendment so as to include the actual costs and credit factor after construction is complete and Tri-State's construction records are closed out.

7. Member Taps

New Member taps of any Tri-State transmission facility shall be made only with the prior written consent of Tri-State and shall be made at the sole cost of the Member; Provided, that Tri-State shall provide, own, and have operational control of all high side switching devices required to protect the integrity of the Tri-State transmission system. Tri-State shall also perform the maintenance, repair and replacement of all high side switching devices, whether associated with new taps where Tri-State owns the equipment or with existing taps where the equipment may be owned by the Member, by Tri-State, or jointly by both. The Member shall pay for its share of maintenance, repair and replacement of high side switching devices based on the Member's proportion of ownership of such devices; Except, that Tri-State shall pay all such costs associated with line switches, regardless of ownership. Upon
replacement of any line switch owned by the Member, Tri-State will return the replaced switch to the Member and shall thenceforth own the replacement switch.

b. The Member shall construct, maintain, repair, and replace said taps in accordance with generally accepted utility practice. Tri-State shall have the right to monitor the construction, maintenance, repair and replacement of any tap facility and to check its operation. Such operational checks shall be coordinated with the Member owning the tap facility. If the condition of the tap facilities threatens the integrity of the Bulk Transmission System, Tri-State shall notify the Member, in writing, and request that appropriate maintenance, repair or replacement be made. If the tap facilities are not restored to an acceptable condition within a reasonable period of time, Tri-State shall have the right to maintain, repair or replace the tap facilities at the sole cost of the Member owning the tap.

The Member's right to own its own transmission facilities shall not be infringed upon. Member facilities shall become a part of the Bulk Transmission System only upon transfer of ownership or lease to Tri-State. Any Member's new transmission, substation, or switching station facility which is to be acquired by Tri-State for incorporation into the Bulk Transmission System shall conform to applicable Tri-State Design Standards and should have design review and approval by Tri-State before commencement of construction.

c. Tri-State will permit Member taps of Tri-State transmission facilities only at sufficient distances from existing Member tap facilities so as to insure that the proximity of such facilities will not interfere with Tri-State's reliable operation of its transmission system. The Member shall demonstrate by appropriate economic and/or feasibility studies that such tap is justified on a Single-Entity Concept basis using generally accepted principles of engineering economics. When the distance between any proposed Member tap and existing tap facilities is greater than ten (10) miles, Tri-State shall permit such tap to be made without requiring economic or feasibility studies unless special circumstances require such studies be made.

d. A power circuit breaker shall be required on any tap having a length of 10 miles or greater. In the event that Tri-State and the Member are sharing the cost of the tap facility, Tri-State will also bear a proportionate share of the power circuit breaker.
e. The Member shall have the right to select any alternate to the preferred system configuration, as determined under this Section, so long as the following conditions are met:

1) The alternate shall not degrade the reliability of the Bulk Transmission System; and

2) The Member shall agree, in writing, to bear any additional costs incurred by Tri-State in permitting such alternate.

8. Indeterminate Loads

Tri-State shall not be responsible for the cost of any transmission or Delivery Point facilities required for service to an Indeterminate Load. However, Tri-State shall be involved in the planning of these facilities to insure coordination with the future Bulk Transmission System. Operation, maintenance, and replacement of such facilities shall conform to the arrangements set forth in Section 7.a. of this Policy. Tri-State will, upon written request of the affected Member, consider constructing such facilities under the terms and provisions of Section 6 (Other Transmission Extension) of this Policy; Provided, that for qualifying loads receiving a Special Rate, the Credit Factor set forth in Exhibit B, Line 2.d., shall be reduced so that the credit received as a percentage of the total credit available is equal to what the Special Rate Revenue for that load contributes to Fixed Costs and Margins as a percentage of what the full Class A Rate for that load would contribute to Fixed Costs and Margins. The Class A Rate contribution to Fixed Costs and Margins is defined as the budgeted average Class A mills/kWh (37.2 mills per kWh in 1997) less the variable cost of supplying power, including the transmission rate converted to mills/kWh, in the prior year (17.3 mills/kWh in 1995). The Special Rate contribution to Fixed Costs and Margins is a percentage of the Class A Rate contribution and is calculated as the special rate (in mills/kWh) less the variable cost of supplying power all divided by the Class A Rate contribution.

Example: If the special rate is 30 mills, the pro rata calculation is:

\[
\frac{30.0 - 17.3}{37.2 - 17.3} = \frac{12.7}{19.9} = .64
\]

Therefore the Credit Factor shall be 64% of that in Exhibit B, Line 2.d.
9. **Disagreement Under This Policy**

Any Member has the right to request that the Board review or reconsider any plan or system problem when a disagreement exists between the staff and/or management of Tri-State and the Member.

10. **Exhibits Made a Part of this Policy**

Exhibits A, B, C and D are attached hereto and made a part of this Policy. Exhibit B sets forth conditions which may change during the effective period of this Policy. Exhibit B shall be revised annually to reflect the current annual cost percentage and credit factor, as those terms are defined in Section 6 hereof. Said revised Exhibit B shall be issued to each of the Tri-State Members and shall become a part of this Policy.

[Exhibits A, B, B1, C & D follow]
EXHIBIT "A" to Policy G-2

PREVIOUSLY COMMITTED SERVICE TO POINTS OF DELIVERY 1

POINT OF DELIVERY
Young's Creek 115 kV 2
Bayard 34.5 kV
Covalt 115 kV
Wild Horse 115 kV 3
Fraser 138 kV
North Park 115 kV 2

MEMBER
Sheridan-Johnson Rural Electrification Assn.
Chimney Rock Public Power District
Wheat Belt Public Power District (completed)
Wheat Belt Public Power District (completed)
Mountain Parks Electric, Inc. (completed)
Mountain Parks Electric, Inc.

These Points of Delivery are to be provided at no cost to the affected Member when it is demonstrated that the existing facilities are inadequate and the transmission additions are reasonably justified using the Single-Entity Concept (Section 1.c.).

2 Anticipated service to large commercial project which has not yet developed.

3 Formerly Antelope Valley 115 kV.
EXHIBIT "B" to Policy G-2

CALCULATION OF ANNUAL COST PERCENTAGE AND CREDIT FACTOR

1. Annual Cost Percentage Description
   a. Adjusted Annual Transmission Expense
      Less Interest ($)  
      1995  36,140,422   36,388,088  37,505,494
      1996  410,258,860  411,161,831  436,062,454
      1997  8.81%       8.85%       8.60%
   b. Adjusted Transmission Investment
   c. Annualized Percentage Less Interest
      (%)  
      1995  8.81%       8.85%       8.60%
      1996  8.75%
      1997  7.10%
   d. Three Year Average of Annualized
      Percentage (%)  
      1995  8.75%
      1996  8.60%
      1997  7.10%
   e. Weighted Average Interest Cost of all
      Long-Term Debt (%)  
      1995  7.10%
      1996  7.10%
      1997  7.10%
   f. Annual Cost Percentage
      (d. plus e.) (%)  
      1995  15.85%
      1996  15.85%
      1997  15.85%

1 The Annual Cost Percentage and Credit Factor are calculated once annually based on data from the most recent full calendar year and from the two preceding calendar years.

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2. Credit Factor Description

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Adjusted Annual Transmission Expense (including interest) ($)</td>
<td>55,565,805</td>
<td>53,875,406</td>
<td>54,856,253</td>
</tr>
<tr>
<td>b. Total Energy Sold (MWh)</td>
<td>10,224,883</td>
<td>10,750,021</td>
<td>10,985,990</td>
</tr>
<tr>
<td>c. Annual Credit Factor ($/MWh)</td>
<td>$5.43</td>
<td>$5.01</td>
<td>$4.99</td>
</tr>
<tr>
<td>d. Credit Factor (Three Year Average) ($/MWh)</td>
<td></td>
<td></td>
<td>$5.14</td>
</tr>
</tbody>
</table>

[Exhibit B-1 follows]
EXHIBIT "B-1" to Policy G-2

CALCULATION OF ANNUAL COST PERCENTAGE AND CREDIT FACTOR¹
(For Member Financed Projects)

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>1995</th>
<th>1996</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adjusted Annual Transmission Expense Less Interest and Fixed Costs ($)</td>
<td>24,099,015</td>
<td>23,642,206</td>
<td>23,888,200</td>
</tr>
<tr>
<td></td>
<td>Adjusted Transmission Investment ($)</td>
<td>410,258,860</td>
<td>411,161,831</td>
<td>436,062,454</td>
</tr>
<tr>
<td></td>
<td>Annualized Percentage Less Interest (%)</td>
<td>5.87%</td>
<td>5.75%</td>
<td>5.48%</td>
</tr>
</tbody>
</table>

¹ The Annual Cost Percentage are contained in this Exhibit B-1 shall be calculated as required and as described in Section 4.f.2 of the Policy based on data from the most recent full calendar year and from the two preceding calendar years.

[Exhibit C follows]

President Date 2/3/99

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G2-81.99
EXHIBIT "C" to Policy G-2

DESCRIPTION OF ANNUAL COSTS PERCENTAGES AND CREDIT FACTORS

ACTUAL COSTS OF FACILITIES

The actual costs of facilities are as shown on Tri-State's Continuing Property Record (CPR), which CPR includes legal fees, land and land rights costs, and allowance for funds used during construction (AFUDC) associated with said facility.

ANNUAL COST PERCENTAGE

The sum of the following:

(+) Total annual variable and fixed expenses for lines and stations (L&S)
(+) Amortization of non-owned facilities investments for L&S
(-) Interest expenses for L&S
(-) O&M expenses and depreciation associated with the Stegall DC Tie

Shall be divided by the sum of the following:

(+) Total investment for lines, stations and telecommunications (LS&T) facilities
(+) Unclassified plant in service for LS&T
(+) Non-owned facilities for LS&T
(-) Investment for the Stegall DC Tie

The quotient obtained above shall be multiplied by one hundred (100).

The percentage thus obtained for each of the three most recent years shall be averaged and added to the weighted average interest cost of all long-term debt. The resulting percentage is set forth in Exhibit "B" hereto and reflects the transmission and station costs of operations, maintenance, depreciation,
transmission of electricity by others, interest, taxes, and insurance and shall be used to compute the annual cost of the new facility. (Said annual cost shall be fixed for the life of the new facility.)

CREDIT FACTOR

The credit factor cited in Section 6 of the Policy is set forth in Exhibit "B" hereto and shall be the average of the credit factors obtained by dividing the annual operating costs of Tri-State's transmission facilities by the total energy sold by Tri-State for each of the three most recent calendar years. Once determined, the credit factor shall be constant for the life of the new facility.

The annual operating cost of Tri-State's transmission facilities for each of the three years shall be the sum of the total annual variable and fixed expenses for lines and stations (L&S) plus amortization of non-owned facility investment for L&S less all variable and fixed costs associated with the Stegall DC Tie for each of the three years, and shall contain the annual costs of operations, maintenance, depreciation, transmission of electricity by others, interest, taxes and insurance.

[Exhibit D follows]
EXHIBIT "D" to Policy G-2

1992 COMMITTED MEMBER PROJECTS

<table>
<thead>
<tr>
<th>FACILITY</th>
<th>MEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Fork Substation</td>
<td>Delta-Montrose</td>
</tr>
<tr>
<td>Garnet Mesa Tap 115 kV Sw.</td>
<td>Delta-Montrose</td>
</tr>
<tr>
<td>North Mesa Substation OCB’s</td>
<td>Delta-Montrose</td>
</tr>
<tr>
<td>Comanche-Walsenburg 230 kV</td>
<td>San Isabel</td>
</tr>
<tr>
<td>Walsenburg Sub Additions</td>
<td>San Isabel</td>
</tr>
<tr>
<td>Comanche 115 kV Sub Addns.</td>
<td>San Isabel</td>
</tr>
<tr>
<td>Meeker 138/69 Xfmr Addns.</td>
<td>White River</td>
</tr>
<tr>
<td>Fraser Loop Service</td>
<td>Mountain Parks</td>
</tr>
<tr>
<td>Monument-Falcon 115 kV Loop Svc.</td>
<td>Mountain View</td>
</tr>
</tbody>
</table>

1 These projects are already under construction.
2 These projects were originally called Comanche-Calumet. Southern termination may be at Calumet instead of Walsenburg.
3 Transformer is on order for delivery and project construction in calendar year 1992.
4 Project committed but exact configuration not determined.
5 Project under construction.