



John Villyard, CEO

San Luis Valley Rural Electric Cooperative
Mac McLennan, Tri-State vice president of external affairs, offered his take on energy challenges facing Coloradans on June 8 at our Annual Meeting.

McLennan's comments are of interest to SLVREC members because half of every member's electric bill goes to Tri-State to cover power costs. However, all utilities face similar challenges; the issues McLennan touched on affect everyone in the Valley.

He outlined four key concerns: electric rates, development of new resources, transmission lines and risks.

Rates. Even with the slowdown in the economy, Tri-State saw an 8 percent increase in

electric demand. Tri-State will bring 80 megawatts (MW) of renewable generation online soon—30 MW of solar in NM and 50 MW from wind resources. These facilities generate power at a higher cost than conventional generation facilities, but costs for renewable generation are coming down. Depending upon government proposals, the generation cost of renewables could become even more favorable.

McLennan said "As long as natural gas prices don't skyrocket, Tri-State hopes to avoid rate increases in 2011."

New Resources. Right now, Tri-State can't generate enough power with their own facilities to meet member need. Consequently, the cooperative will be making a decision about a large capital investment within the next two years. No major announcements are expected in 2011.

McLennan said, "Our planning for new generation facilities will be driven by what Con-

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gress decides to do with carbon dioxide legislation. All options, including natural gas and nuclear are being considered."

Transmission. McLennan said the proposed transmission line into the San Luis Valley has been delayed. He clarified Tri-State's reasons for supporting the line. For Tri-State, the concern is redundancy. For Xcel Energy—who has partnered with Tri-State on the project—the concern is export of solar resources. McLennan reported that delays mean that line route work will probably be postponed until fall.

As far as the project scope, McLennan said, "There are some who want us to look at other options. But we think that what we have proposed is the best for the Valley."

Risks. As always, volatility of fuel prices (especially natural gas) could significantly affect utilities.

Legislation at both state and federal levels could sig-

nificantly change the operating environment for utilities. Cooperatives are particularly concerned about Rural Utility Services (RUS) funding in the President's budget. "The current budget proposal does not allow us to use RUS financing for generation assets." That could result in increased loan costs for co-ops.

However, the largest challenge facing utilities right now, according to McLennan, "How do we actually get new infrastructure built?" He sited examples of 10 to 12 years for two recent transmission line projects in Colorado.

In conclusion, McLennan thanked those who have taken the time to attend public meetings. "It won't work without you," he said.

**SAN LUIS VALLEY
RURAL ELECTRIC CO-OP**

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