Message from the President and CEO

2019 proved to be another successful year for Western Fuels Association. WFA shipped over 12 million tons of coal to our members, purchased nearly 5 million tons for future use, prepared RFP’s for over 700 replacement railcars, and inspected over 2,500 railcars. With an aging railcar fleet, optimal maintenance is necessary to keep the cars operational to ensure our members receive adequate supplies of coal for the remainder of the life of the generation fleet.

Coal plant retirements remain a concern in the electric generation industry. Of the seven operating plants in the WFA Member fleet, two are currently scheduled to retire by 2030. These units are an integral part of the generation fleet, and until they close, WFA will continue to work to ensure that the plants receive the coal necessary to generate electricity when needed.

The Powder River Basin mines have all been impacted by a reduction in coal production, resulting in 2019 production being the lowest level since 1995.
Message from the President and CEO—continued

2019 was a particularly challenging year for the Powder River Basin. In addition to shrinking demand and higher mining costs, over 18 insurance companies joined the “unfriend coal” campaign by limiting or discontinuing insurance coverage to companies with significant exposure to coal. In addition, more and more financial institutions have announced significant divestment of coal assets. This has ultimately led to higher overhead cost due to a remarkable increase in insurance and bonding rates for coal companies.

In 2019, two of the world’s largest coal suppliers, Peabody Energy and Arch Coal announced plans to create a Joint Venture, consisting of their Wyoming and Colorado mining operations in order to compete with natural gas and renewables. The Joint Venture would enable the Black Thunder and North Antelope Rochelle Mines to operate as one mine, and capture the synergies of all of the current operations. The combined operations of the Joint Venture partners would encompass over 60% of the production and reserves of the Southern Powder River Basin. The Federal Trade Commission filed a motion for Preliminary Injunction against the Joint Venture in February 2020, citing the Joint Venture would harm customers with higher prices and reduced competition. In order for the Joint Venture to move forward, Peabody Energy and Arch Coal will need to prove that the combined operations will not result in unfair competition and higher prices and that the Southern Powder River Basin competes directly with natural gas and renewables. Most utilities were called upon to provide information for the case. The hearing was completed in August 2020.

At the time the Joint Venture was announced, Blackjewel, LLC, the owner of the Eagle Butte and Belle Ayr mines filed bankruptcy and two mines were immediately closed temporarily. Cloud Peak Energy was also in bankruptcy proceedings. Both companies emerged from bankruptcy in October 2019 under new ownership. The combination of the proposed Joint Venture, along with the uncertainty of the viability of the new companies in the Southern Powder River Basin creates unique uncertainties for utilities to procure a stable and competitive supply of fuel in the future.

A court decision regarding the Joint Venture is expected by the end of 2020.

While coal generation continues to face challenges and there is uncertainty surrounding the coal suppliers, Western Fuels is committed to continuing to meet the needs of its members as efficiently and cost effectively as possible.

Mark Mitchell
Meri Sandlin
On January 9, 2020, Tri-State Generation and Transmission announced the closure of the Escalante Generating Station. A WARN notice was provided to affected employees. The announcement forced Western Fuels Association to plan cessation operations of the Escalante Western Railway. The train completed its final trip April 29, 2020.

The Escalante Western Railway was developed to supply coal to the Escalante Generating Station in the 1980’s. The railroad has been designated as a private railroad, running with four certified operators since the plant began operations. Locomotive and car maintenance is performed by the same crew in a small car shop on the Escalante Generating Station property.

For the past several decades, the Escalante Western Railway delivered up to 1.1 million tons of coal per year from Peabody’s Lee Ranch and El Segundo mines. The plant, mine and railroad provided a combined total of over 200 high paying jobs with superior benefits while the Escalante Generating Station was in operation.
With the final trip now completed, alternative uses for the rail assets are being evaluated. Western Fuels Association is a partner in the spur that serves the Lee Ranch and El Segundo mines in New Mexico, which has provided coal to the Escalante Generating Station. The closure of the Escalante Western Railway will not impede operations on the spur for other purposes.
The Escalante train has been a popular subject for rail enthusiasts traveling to view and photograph the train on a regular basis. The route in which the train travels reveals breathtaking scenery and abundant wildlife. It is a truly spectacular combination of scenery and energy creation.

Photo Courtesy – Tri-State Generation & Transmission Association
Clockwise From Top:
Micah Carolus, Escalante Western Railway General Foreman;
Jeremy Malett, Engineer/Conductor/Signal/Maintenance
Daniel Urioste, Engineer/Conductor/Maintenance Specialist

Wayne Meador, Engineer/Conductor/Maintenance Specialist
DRY FORK MINE
Reclamation Progress

<table>
<thead>
<tr>
<th>TYPE OF DISTURBANCE</th>
<th>% RECLAIMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actively being Mined</td>
<td>33%</td>
</tr>
<tr>
<td>Long Term Facilities</td>
<td>33%*</td>
</tr>
<tr>
<td>Reclaimed</td>
<td>34%</td>
</tr>
<tr>
<td></td>
<td>*Half is temporarily reclaimed</td>
</tr>
</tbody>
</table>
DRY FORK MINE
Employee Spotlight

Rocky Feddersen, General Plant Superintendent, catching a 20” brown trout from the Dry Fork Mine’s Moyer Creek Lake, one of the mine’s many reclamation features. Rocky joined the mine in 1990, and has been instrumental in numerous improvement projects, including the construction of the silos and conveyors to the Dry Fork Station Power Plant. WFW offers employees and their families controlled access to the inactive native areas around the mine to enjoy outdoor recreational activities such as fishing, hiking, and bow hunting.

Courtesy—WFA Stock Photo
On February 20, 2020, the U.S. Department of the Interior (DOI) approved a Federal Mining Plan Modification allowing the WFW Dry Fork Mine to recover the coal reserves in the Amendment 3 area. The Amendment 3 tract is 656 acres in size and contains approximately 58 million tons of federal coal. The approval will extend the life of the mine by approximately 10 years, generating an estimated $180 million in local, state, and federal taxes and royalties. Coal is the major source of regional electricity. Securing coal leases and permits assures long term, low cost electricity for this area.

The federal coal lease for this tract was issued in 1970. The lease was transferred to WFW in 1989. This DOI approval culminated efforts to acquire necessary State and Federal permits that began in 2015, after the surface estates were secured. Federal and State archeological, wildlife and wetlands study clearances, as well as air quality and land quality permits to mine were approved in 2018 and early 2019, respectively.

During 2019, the DOI conducted a comprehensive evaluation of the environmental impacts pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). The completed NEPA Environmental Assessment (EA) analyzed the potential direct, indirect and cumulative impacts to the environment from the Project.

A required national public comment period gave the mine staff a chance to set up booths around town, answering questions about the project and explaining its impact to the region. As a result, over 2,000 letters of support were submitted to the DOI. In a fresh change from the current negative perception of fossil fuels, there were no negative comments submitted. As a result of the EA process, the DOI determined there are no significant environmental impacts associated with mining the tract.

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During 2019, WFW assisted with the University of Wyoming’s CarbonSAFE project. CarbonSAFE is an investigation of the feasibility of establishing a commercial-scale geologic storage complex in the immediate vicinity of the Basin Electric Dry Fork Station. A single 9,875 ft well was drilled and logged at the site, with extensive core and fluids retrieved for analysis. WFW and WFA staff assisted with providing environmental site information and expertise needed to permit the project. WFW also provided the equipment and manpower to construct and maintain the drilling site and pad.

WFW is also providing ongoing assistance and samples to support efforts to identify alternative uses of coal and coal byproducts for useable products.
MEMBER BENEFITS

**Coal Acquisitions and Contract Administration:**

- Prepare requests for proposals, evaluate bids, and recommend coal suppliers
- Monitor the over-the-counter market for purchase opportunities
- Conduct coal market and transportation research
- Negotiate and administer coal contracts
- Attend scale tests and verify scale results
- Invoice reconciliations
- Compliance management

**Coal Transportation:**

- Bid solicitation
- Contract administration
- Train Scheduling
- Railcar ownership and leasing evaluations
- Fleet management
- Accounting for rail property taxes and insurance
- Railroad construction / build-out / cost analysis
MEMBER BENEFITS - Continued

Advocacy and Participation and Support of the Following Trade Associations:

- National Rural Electric Cooperative Association
- American Public Power Association
- America’s Power
- National Mining Association
- Rocky Mountain Coal Mining Institute
- National Coal Transportation Association
- Western Coal Traffic League
- Mid-West Electric Consumers Association
- Freight Rail Customer Alliance

Other Services:

- Geologic investigation (drilling, mapping, and reserve assessment)
- Land acquisition (leasing or purchasing from private parties; leasing of federal land)
- Permitting (liaison with federal, state, and local government agencies)
- Mine engineering services (mine planning, mining cost estimates, feasibility studies, reserve verification)
- Cost estimates for railroad build-out
- Site evaluation and location for new generation facilities
- Contact with local, state, and federal governments
- Contact with Surface Transportation Board
- Legal services
OUR MEMBERS

CLASS A MEMBERS

Basin Electric Power Cooperative  
Bismarck, ND

Kansas City Board of Public Utilities  
Kansas City, KS

Southern Minnesota Municipal Power Association  
Rochester, MN

Sunflower Electric Power Corporation  
Hays, KS

Tri-State Generation & Transmission Association, Inc.  
Denver, CO

CLASS B MEMBERS

Sikeston Board of Municipal Utilities  
Sikeston, MO

CLASS C MEMBERS

Arizona Electric Power Cooperative  
Benson, AZ

Associated Electric Cooperative, Inc.  
Springfield, MO

City of Grand Island  
Grand Island, NE

City Utilities  
Springfield, MO

Colorado Springs Utilities  
Colorado Springs, CO

Dairyland Power Cooperative  
LaCrosse, WI

Grand River Dam Authority  
Chouteau, OK

Hastings Utilities  
Hastings, NE

Heartland Consumers Power District  
Madison, SD

Lincoln Electric System  
Lincoln, NE

Lower Colorado River Authority  
Austin, TX

Missouri River Energy Services  
Sioux Falls, SD

Nebraska Public Power District  
Columbus, NE

Wyoming Municipal Power Agency  
Lusk, WY
WESTERN FUELS ASSOCIATION OFFICERS

Mark Mitchell
President
Southern Minnesota Municipal Power Agency

Paul Baker
Vice President
Basin Electric Power Cooperative

Stuart Lowry
Secretary/Treasurer
Sunflower Electric

Rick Landers
Vice Secretary/Treasurer
Sikeston Board of Public Utilities
WESTERN FUELS ASSOCIATION DIRECTORS

Paul Baker
Basin Electric

Dave Geschwind
Southern Minnesota MPA

Rick Gordon
Tri-State G&T

Jana Horsfall
Sunflower Electric

Bill Johnson
Kansas City BPU

Rick Landers
Sikeston BMU

Stuart Lowry
Sunflower Electric

Mike McQuistion
Basin Electric

Mark Mitchell
Southern Minnesota MPA

Troy Presser
Basin Electric

Dong Quach
Kansas City BPU

Paul Sukut
Basin Electric
WESTERN FUELS ASSOCIATION ALTERNATE DIRECTORS

Barry Ingold  
Tri-State G&T

Joe Leingang  
Basin Electric

Tracy Davis  
Sunflower Electric

Mike Sorensen  
Tri-State G&T

Dean Bray  
Basin Electric

Rex Johnson  
General Counsel
WESTERN FUELS ASSOCIATION TEAM
Colorado Office

Kim Roach
Director, Commercial Operations

Sherry Gray
Executive Administrative Assistant - Human Resources

Meri Sandlin
Chief Executive Officer & General Manager

Laura Vick
Accounting Supervisor

Susie Boland
Accounting Specialist
WESTERN FUELS ASSOCIATION TEAM
WYOMING OFFICE

Kenn Gray
Manager Fuel, Transportation & Technical Services

Jerry Barnaby
Fleet Manager & Escalante Western Railway Supervisor

Beth Goodnough
Manager, Regulatory Affairs & Lands

DRY FORK MINE
WESTERN FUELS WYOMING

Dave Gauntner
General Manager
DRY FORK MINE
WESTERN FUELS WYOMING

Rocky Feddersen
General Plant Supervisor

Dave Green
Project Engineer

Doreen Heuck
Business Manager
Lora Dilley
Safety Coordinator

Kelly Peterson
Human Resources Manager

Kari Preston
HR Administrative Assistant

Amy Knapp
Senior Payroll Specialist
Robbie Lang
Mine Supervisor

Toy Buell
Production Technician

Ron Rice
Production Technician
Curtis Jones
Production Technician

Dave Doyle
Production Technician
Tom Worthington
Plant Technician

Matt Robidart
Purchasing/Warehouse Agent

Brian Smith
Maintenance Technician
Wade Cattnach  
Maintenance Technician

Bandy Fayle  
Utility Technician

Tim Maliske  
Maintenance Technician

Justin Hillius  
Maintenance Technician
Steve Robbins
Engineering Superintendent

Will Rohan
Engineering Technician
## CONSOLIDATED BALANCE SHEET

### Year ended December 31, 2019

**Assets**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 7,234</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>12,869</td>
</tr>
<tr>
<td>Affiliated companies</td>
<td>53</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>317</td>
</tr>
<tr>
<td>Total current assets</td>
<td>20,473</td>
</tr>
<tr>
<td>Investments in other organizations:</td>
<td></td>
</tr>
<tr>
<td>Affiliated</td>
<td>3</td>
</tr>
<tr>
<td>Nonaffiliated</td>
<td>526</td>
</tr>
<tr>
<td>Investment in Western Fuels-Wyoming, Inc. - restricted</td>
<td>32,948</td>
</tr>
<tr>
<td>Equipment and railroad properties</td>
<td>2,916</td>
</tr>
<tr>
<td>Less: Accumulated depreciation and amortization</td>
<td>(1,824)</td>
</tr>
<tr>
<td>Equipment and railroad properties - net</td>
<td>1,092</td>
</tr>
<tr>
<td>Furniture, office equipment and leasehold improvements</td>
<td>701</td>
</tr>
<tr>
<td>Less: Accumulated depreciation and amortization</td>
<td>(693)</td>
</tr>
<tr>
<td>Furniture, office equipment and leasehold improvements - net</td>
<td>8</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 55,049</td>
</tr>
</tbody>
</table>

### Liabilities and members' equity

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities:</td>
<td></td>
</tr>
<tr>
<td>Coal suppliers, transportation and delivery</td>
<td>$ 159</td>
</tr>
<tr>
<td>Members</td>
<td>12,368</td>
</tr>
<tr>
<td>Other</td>
<td>428</td>
</tr>
<tr>
<td>Advance collections for transportation costs</td>
<td>1,599</td>
</tr>
<tr>
<td>Advances from members</td>
<td>127</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>14,621</td>
</tr>
<tr>
<td>Other non-current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Advances from members</td>
<td>722</td>
</tr>
<tr>
<td>Total other liabilities</td>
<td>722</td>
</tr>
<tr>
<td>Commitments and contingencies (Note 6)</td>
<td></td>
</tr>
<tr>
<td>Members' equity:</td>
<td></td>
</tr>
<tr>
<td>Patronage capital certificates</td>
<td>5,552</td>
</tr>
<tr>
<td>Per-unit retain certificates</td>
<td>2,564</td>
</tr>
<tr>
<td>Capital contributed by member specifically for investment in Western Fuels-Wyoming, Inc.</td>
<td>34,034</td>
</tr>
<tr>
<td>Accumulated margin (deficit) from investment in Western Fuels-Wyoming, Inc. - designated</td>
<td>(1,086)</td>
</tr>
<tr>
<td>Accumulated margin (deficit)</td>
<td>(1,358)</td>
</tr>
<tr>
<td>Total members' equity</td>
<td>39,706</td>
</tr>
<tr>
<td>Total liabilities and members' equity</td>
<td>$ 55,049</td>
</tr>
<tr>
<td>CONSOLIDATED STATEMENT OF OPERATIONS</td>
<td>Year ended December 31, 2019</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
</tr>
<tr>
<td><strong>Operating revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Coal sales to members</td>
<td>$161,148</td>
</tr>
<tr>
<td>Transportation revenue from members</td>
<td>108,968</td>
</tr>
<tr>
<td>Lease payments received from members and affiliates</td>
<td>221</td>
</tr>
<tr>
<td>Management fees</td>
<td>1,972</td>
</tr>
<tr>
<td>Other income</td>
<td>1,493</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>273,802</strong></td>
</tr>
<tr>
<td><strong>Operating costs and expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>161,148</td>
</tr>
<tr>
<td>Transportation and delivery</td>
<td>108,968</td>
</tr>
<tr>
<td>General and administrative expense</td>
<td>2,726</td>
</tr>
<tr>
<td>Gain from disposal of asset</td>
<td>(100)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>68</td>
</tr>
<tr>
<td>Other expense</td>
<td>445</td>
</tr>
<tr>
<td><strong>Total operating costs and expenses</strong></td>
<td><strong>273,255</strong></td>
</tr>
<tr>
<td><strong>Other non-operating income (expenses) net</strong></td>
<td><strong>54</strong></td>
</tr>
<tr>
<td>Net income from operations before equity method investment</td>
<td>601</td>
</tr>
<tr>
<td>Equity method investment loss from Western Fuels-Wyoming, Inc. - designated to specific members</td>
<td>(1,292)</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td><strong>$(691)</strong></td>
</tr>
</tbody>
</table>