

ABOUT US

A not-for-profit cooperative, Western Fuels Association supplies coal and transportation services to consumer-owned and investor-owned electric utilities throughout the Great Plains, Rocky Mountain and Southwest regions. We currently serve a wide variety of public power entities ranging from rural electric generation and transmission cooperatives to municipal utilities. Western Fuels Association provides its members with diverse and extensive expertise in coal exploration, coal mining, coal procurement and transportation management.

SELECTED FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEETS

Western Fuels Association, Inc. (In thousands)
Year Ended December 31

2014

ASSETS

Cash and cash equivalents	\$ 8011
Investments available for sale	8
Accounts receivable:	
Members	16,185
Affiliated companies	177
Other	0
Costs recoverable under coal purchase agreements	0
Prepaid expenses and other assets	456
	<u>28,837</u>

Investments in other organizations	564
Restricted Investments in Western Fuels Wyoming	33,485
Equipment and railroad properties, net	1,389
Furniture, office equipment and leasehold improvements, net	125

Total Assets **\$ 60,400**

LIABILITIES

Accounts payable	\$ 17,180
Accrued interest payable	–
Advance collections for transportation costs	2,570
Notes payable	0
Capital lease obligations	0
Other notes payable	0
Deferred liabilities	903
	<u>20,653</u>

MEMBERS' EQUITY

Initial membership fees	0
Patronage capital certificates	4,604
Per-unit retain certificates	2,564
Restricted equity in Western Fuels Wyoming	34,034
Accumulated margin (deficit)	(1,456)
Unrealized gain on investments available for sale	1
	<u>39,747</u>

Total Liabilities and Members' Equity **\$ 60,400**

CONSOLIDATED STATEMENT OF OPERATIONS

Western Fuels Association, Inc. (In thousands)
Year Ended December 31

2014

REVENUES

Total coal and transportation revenue	\$ 348,265
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COST OF GOODS SOLD

Acquisitions	
Transportation and delivery costs	(340,438)
Total cost of goods sold	<u>(340,438)</u>

Net operating revenue 7,827

OTHER INCOME (EXPENSE)

Other income	1
Interest income	1
Annual membership fees	8
Interest expense	0
Gain on sale of assets	
General and administrative expenses	(7,966)

Net margin (deficit) before income taxes (129)

Income taxes

Net margin (deficit) (129)

Investment in Western Fuels Wyoming to specific Members	586
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Unrealized gain (loss) on investments available for sale	0
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Net Comprehensive Gain (Loss) **\$ (715)**



CEO MESSAGE

Introduction

Coal mines and the coal-fired utility industry continue to operate in a challenging regulatory environment that directly affects Western Fuels Association (WFA), its members and their customers. Well-funded environmental groups are attacking from every direction: regional haze, ozone, NOx, Mercury and Air Toxics Standards (MATS), the Stream Protection Rule, the Sage Grouse Land Use Plan. Even the ability of mine operators to put up their own reclamation bonds is under assault.

But the most ominous threat to the industry comes from the proposed Greenhouse Gas (GHG) emissions regulations, presently opposed by 31 states. If carbon dioxide is declared a pollutant, then you have found the Achilles' heel of the coal industry.

The regulatory assault on coal has resulted in the shuttering of many coal-fired plants across the country. The industry has gone through cycles before where older plants were retired and newer plants with new technology replaced them. What is happening now, however, is a long-term trend where new plants are not being built to replace those that are shutting down. Natural gas plants and renewables are being built instead.

What this trend leads to for coal mines and power generators is difficult to project, except that coal will undoubtedly be a reduced mix of utility generator's portfolios. The coal industry has shown great resiliency in the past. As a cooperative, WFA has always made decisions for the long term, and coal has always provided a reliable supply of fuel and the ability to exercise reasonable control over costs and prices. Whether it can continue to do so remains an open question.

Mine Operations

Safety and productivity are paramount concerns in any mining operation. The Dry Fork Mine achieved a milestone on both these fronts, celebrating 5 years without a Lost Time Incident, and surpassing 100 million tons of coal shipped since the mine began operating nearly 25 years ago.

As noted in more detail elsewhere in this report, Dry Fork Mine continued to progress in all major areas. The mine is in its second year of implementing the National Mining Association's CORESafety program. Operational improvements included the acquisition of a new wheel loader, track dozer and gateless beds for the haul trucks. The coal processing plant was enhanced with the completion of an automated washdown/ fire protection system, and with the addition of a full-time maintenance crew. As good stewards of the environment, Dry Fork reclaimed 68 acres of land in 2014. The Dry Fork Station, Basin Electric's mine-mouth power plant, continues to provide stability for the coal mining operation going forward.

Tri-State Generation and Transmission acquired the Colowyo Mine in 2011. WFA has managed the Colowyo Mine under an agreement with Tri-State since that time. Since then the mine has been steadily improving in both safety and production efficiency. Last year was the first without a single environmental violation, and operating costs per ton of coal declined by 7 percent.

Operations at the New Horizon Mine moved to a new site in 2014. Last year's most notable achievement was the reclamation of 70 acres of prime farmland, with another 45 acres treated as prime, at the New Horizon 2 site. New Horizon was also granted an award by the Colorado Division of Reclamation, Mining and Safety (DRMS) for environmental stewardship.



Railroads

In August 2014, negotiations began in earnest to resolve the long-standing rate case with the Burlington Northern Santa Fe (BNSF) Railway. Finally, in May 2015, the parties came to a resolution and signed a mutually beneficial agreement. Altogether, this rate case extended over 3,891 days, a near record.

As a result of the settlement, WFA members will enjoy continued competitive rail rates for years to come. Given that transportation costs can represent a high percentage of the total cost of coal delivered to power plants, the new contract with BNSF is significant in helping keep the cost of electricity to the consumer as low as possible.

A Farewell

After 11 years as CEO and General Manager of Western Fuels, I am taking my retirement, so this message will be my last. Looking back, I feel grateful to the people who have worked so diligently to ensure the success of WFA in its mission to deliver coal reliably and affordably to its members.

DUANE RICHARDS

Chief Executive Officer and General Manager

BNSF Rate Case Settlement

After more than 10 years of litigation, the rate case involving WFA, Basin Electric and the Burlington Northern Santa Fe (BNSF) Railway has been settled. The result is a mutually beneficial contract signed in May, 2015, that will ensure favorable railway transportation rates for WFA members for years to come.

The rate case began in 2004 when WFA filed an initial complaint with the Surface Transportation Board (STB). To justify lower rates, WFA had to “build” a hypothetical “stand alone” railroad depicting the movement of coal from the Powder River Basin in Wyoming to the Laramie River Station, a distance of approximately 180 miles. Because BNSF was the only rail carrier operating between these points, the “stand alone” railroad was designed to show the effect on rates if BNSF had a competitor on that route.

In the ensuing years, the hypothetical railroad was “modified” several times to simulate cross-over traffic travelling on the line. Additionally, WFA addressed a variety of other rail-related political issues, including railroad revenue adequacy, fuel surcharge disputes, cost of capital issues, and modifications to the calculation of total operating costs of the hypothetical railroad.

Throughout the construction and operation of the hypothetical railroad, many other operational circumstances also contributed to its feasibility, including construction of additional track on the joint line, productivity improvements on the BNSF, and streamlined throughput at the mines and the power plant. Overall, these efficiencies have contributed to a much better operational relationship among all parties involved in the movement of coal from the mine to the power plant.

WFA is pleased that after over 10 years, the parties were able to come to the table and negotiate a long-standing and mutually beneficial contract. We thank the BNSF for their efforts in this endeavor and look forward to tackling future operating challenges in a spirit of partnership.





OPERATIONS



Dry Fork Mine

At Dry Fork Mine, Mine Manager Dave Gauntner and his team continue to bolster safety practices, improve productivity, lower maintenance costs, and maintain a strong focus on being stewards of the land.

The mine is now in its second year of implementing the National Mining Association's CORESafety program, and as of December 14, 2014 has worked five years without a Lost Time Incident.

The acquisition of a new Joy Global L-1850 Generation 2 front-end wheel loader is helping to improve productivity and reduce operating costs at the mine. This multi-million dollar highly technological piece of equipment joins two older machines to comprise the current loading fleet, and represents not only a significant capital investment, but a significant investment in the future of Dry Fork Mine.

Another cost and productivity improvement was the acquisition of gateless beds for the three, 240 ton haul trucks. These longer, wider beds can accommodate both coal and overburden, and are less expensive to maintain than gated beds, resulting in more time being available to haul material.

Dry Fork Mine has also acquired a new CAT® D10T2 track dozer to replace an older CAT® D11R, which was becoming costly to maintain and repair. The D10T2 is more fuel efficient and less costly to maintain.

In the coal processing plant, after five years of phased development, the plant's automated washdown/fire protection system is now complete. Costing nearly \$1 million, this top-end system allows the plant to run more efficiently with a leaner staff by eliminating the need for manual washdowns. The system also provides critical fire protection for the plant.

In the past, the coal processing plant had a production crew, but no personnel dedicated specifically to handling maintenance chores. By creating efficiencies in the plant production area, mainly in washing of the plant, the mine was able to reallocate three people from the plant production crews to take on plant maintenance responsibilities full-time. On the environmental front, Dry Fork Mine reclaimed 68 acres last year while disturbing 52 acres during 2014. The mine's goal is to reclaim more land than it disturbs on an annual basis. The current year's goal is to reclaim 90 acres and disturb 60 acres.

On a final note, Dry Fork Mine will celebrate its 25th anniversary on August 2, 2015. Since the mine was opened it has shipped more than 100 million tons of coal. That milestone was reached on April 27, 2015.

New Horizon Mine

Safety and the environment played major roles at the New Horizon Mine in 2014.

In a rare if not first-ever event for Colorado, New Horizon issued a contract for the reclamation of over 70 acres of prime farmland, along with an additional 45 acres treated as prime, at the New Horizon 2 site. This demanding procedure requires removal and replacement of soil, layer by layer, to a depth tolerance of two-tenths of an inch. Initial seeding of the cover crop was completed in late 2014, with normal seeding to take place in the spring of 2015. By statute, the bond release is set for ten years. However, prime farmland is managed according to normal agricultural practices and can be reseeded without restarting the bond clock. Additional reclamation work at the New Horizon 2 site is ongoing.

New Horizon Mine's environmental stewardship was recognized this past year with the granting of the P2 Award for Pollution Prevention for small mining operations. This award recognizes Colorado mining companies who minimize their "footprint,"

or environmental impact, for various operations at the mine. Preventing loss or degradation of topsoil, containing fuel and oil in storage and avoiding water pollution are among the criteria considered.

In addition to the P2 Award, the Colorado Division of Reclamation, Mining and Safety (DRMS) recognized New Horizon Mine with the 2014 Excellence in Safety Award at the Colorado Mining Association Annual Conference, held April 15-17, 2015, in Denver. New Horizon Mine has now operated 4-1/2 years without a Lost Time Accident, a testimony to the emphasis placed on workers' health and safety by mine management.

With the closing of the New Horizon 2 site in 2013, mining operations have moved to New Horizon North. The mine shipped 279,791 tons of coal from New Horizon North to Tri-State Generation & Transmission Association's Nucla Station in 2014. Scheduling coal production remains an ongoing challenge, balancing the demands of Nucla Station with the limits placed on operations by air-quality permitting restrictions.



Colowyo Mine

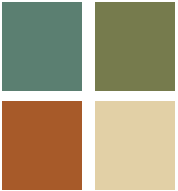
From the time of its acquisition by Western Fuels Colorado (WFC) in December 2011, Colowyo Mine has been making steady progress in production efficiency and reduction of Mine Safety and Health Administration (MSHA) citations. Operating costs per ton of coal have been reduced by 7% since WFC took over, and annual MSHA citations have been reduced by 80 percent. In 2014, Colowyo Mine received only ten MSHA citations in 46 days of inspection, for a Violation per Inspection Day (VPID) rate of 0.22, which is 50% less than the national average for surface coal mines. In addition, the mine completed 2014 without a single Environmental Notice of Violation (NOV).

During 2014 Mine Manager Chris McCourt and his team implemented a new Safety Management System (SMS) for the mine’s roughly 218 employees. By year’s end Colowyo had worked 302,000 hours without any MSHA

Reportable Incidents. The last Lost Time Incident occurred in April, 2014.

The year also saw the implementation of an Enhanced Short Range Mine Planning Program. The plan includes development of a 30/90 day mine schedule, which is presented monthly. It also includes a highwall mining schedule, anticipated coal qualities, overburden/coal volumetrics, equipment scheduling and work locations by month, and reclamation scheduling and planning. A one year mine schedule was developed for presentation twice a year.

Highwall mining using UGM’s ADDCAR system continues to be successful, with production of 1,175,263 tons of coal in 2014. Total coal production for Colowyo was 2,481,755 tons, and total overburden movement for the year was 16,266,050 cubic yards. A total of 45.6 acres was reclaimed during 2014.



REGULATIONS, THE ENVIRONMENT AND ADVOCACY



The coal industry continues to brace itself against the onslaught of federal and state regulations purportedly aimed at protecting the environment. The net effect of these often contradictory and duplicative regulations is to make the generation of electric power more costly to the consumer.

For example, the Office of Surface Mining (OSM), a division of the U.S. Department of the Interior, has delayed issuing mining permits over air quality issues, and has plans to regulate blasting emissions, which are already regulated under National Ambient Air Quality Standards (NAAQS). Another federal agency, Waters of the United States (WOTUS), is planning to adopt a Stream Protection Rule, while OSM is planning to regulate coal ash disposal.

Wildlife advocates are pushing for a Sage Grouse Land Use plan, which will directly affect mines like the Colowyo Mine by withdrawing more land from mining.

And the Office of Natural Resources Revenue (ONRR) is pressuring states to cancel the ability of mine operators to put up their own bonds to cover reclamation costs. If

implemented, these rules would force mines to rely on surety companies to cover their bonds, adding cost to the operation, and ultimately raising electricity costs to the consumer.

National Consequences

At present, 31 states oppose the proposed Greenhouse Gas (GHG) emissions regulations, which could close from 48 to 168 GW of coal-generated power by 2031. By one estimate, that would cause electricity rates to rise by 12 to 17 percent.¹ The proposed NAAQS ozone standard of 65 ppb could result in 34 states being in non-compliance. That could mean 1.4 million job losses through 2040, reducing household income nationwide by \$830 per year.² If the EPA’s MATS (Mercury Air Toxic Standards) rule stands, it

¹ NERA Economic Consulting (2014, October), Potential Energy Impacts of the EPA proposed Clean Power Plan

² NERA Economic Consulting (2015, February), Economic Impacts of a 65 ppb National Ambient Air Quality Standard for Ozone

Sound energy policy must protect consumers, maintain reliability and preserve America’s ability to compete. Removing coal from America’s future electricity supply mix will only come with great replacement cost, or reduced electricity consumption, both of which will greatly damage America economically.

could shutter up to 37 GW of power. That’s over 10% of coal energy capacity.³

OSM’s draft Stream Protection Rule was projected to cause the loss of up to 273,000 jobs, 41.5% of demonstrated coal reserves, up to \$20 billion/year in lost production revenue, and up to \$5 billion/year lost tax revenue.⁴

Impact on Western Fuels Colorado

In Colorado, under the Clean Power Plan, Colorado electricity costs are expected to increase 17%, while residential natural gas costs will increase 61 percent.⁵ Electric production from coal may drop from 64% to 39%, potentially impacting 21,160 Colorado coal-related jobs.⁶

The Colowyo Mine is at the forefront of the conflict between new GHG regulations and permitting reality. Due to permitting missteps caused by the Office of Surface Mining, Colowyo is facing possible mine closure. Other pending permits have also been delayed by recently imposed regulations. As the first set of regulations gets addressed, new regulations are spawned that also need to be addressed. This endless cycle creates ongoing litigation opportunities for the environmental litigation industry.

Impact on Western Fuels Wyoming

In Wyoming, the Clean Power Plan is expected to reduce Wyoming coal production by up to 45% by 2030. Wyoming employment is projected to drop up to 3.2% (7,000 jobs will be lost), and state tax revenue could drop by as much as 46 percent.⁷ Already two pending coal leases with 1.1 billion total tons were withdrawn/not bid on in Wyoming after millions of dollars of investment by the mining companies.

Wyoming has thus far not been as drastically impacted by the NEPA regulations, but operations struggling with lower nationwide sales have faced financial difficulties. The State has notified at least one operator that they no longer qualify for self-bonding. Self-bonding capacity at all mining operations is under increased scrutiny. Without bonds or some other guarantee of reclamation capability, the mine permits could be suspended.

The proposed ONRR regulations could impose excessive taxation on mines affiliated with utilities, including the Dry Fork Mine.

WFA Advocacy Role

Western Fuels supports technology advancement and continuous emissions improvement, while opposing proposed rules that would punish electricity consumers and forbid fossil fuel use. WFA is involved in the National, Colorado and Wyoming Mining Associations. These organizations alert us to pending regulations so we can study the projected impacts, plan response actions, ensure site compliance and dedicate resources for the permit studies needed for these increasingly more complicated permits. Western Fuels directly comments on proposed regulations and mandates, and helps the National Rural Electric Cooperative Association (NRECA) and various other associations develop comments. WFA has attended public events such as the “Friends of Coal West” public demonstrations, and attended meetings with local, county and state officials to help them develop responses.

Building Coalitions

Through its participation in the National Mining Association, Western Fuels supports coalitions of 22+ entities representing forest and paper, farming, fuel and petrochemical, manufacturing, electrical utilities, railroads, cement producers, and organizations such as the U.S. Chamber of Commerce. These coalitions share ideas and resources and help each other comment on concerns regarding grid reliability, impacts to work forces, cost to consumers, and affordability. Shared resources result in more comprehensive impact evaluations and stauncher legal actions.

Increasing Public Awareness

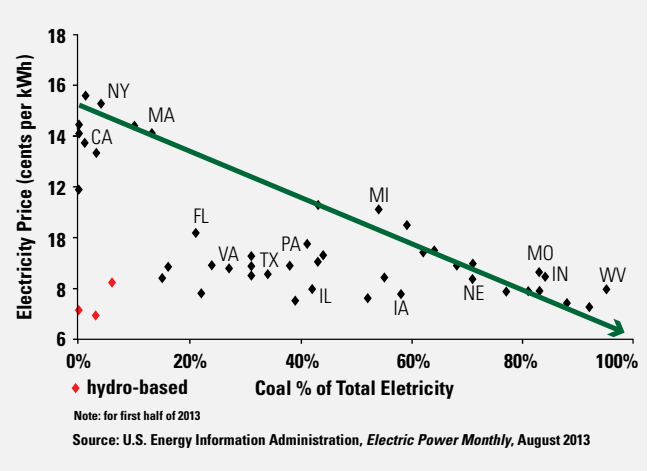
Over 1.1 million comments were filed opposing the EPA GHG proposals through www.tellEPA.com and www.Action.coop. Coal states are refusing to comply. County commissioners and state legislators are becoming engaged and writing comments supporting coal issues. Friends of Coal chapters and support rallies are being organized in the West. As a result, a 2015 poll of national concerns shows that climate change is ranked #22 in priority out of 23 issues.⁸ Such polls are allowing legislators to question and try to rescind or reign in regulatory overreach by the EPA and OSM, block funding for their implementation, and investigate the lucrative “sue-and-settle” industry.

Current benefits of carbon use to the economy and society overwhelmingly outweigh costs by 50-to-1 to 500-to-1,⁹ including increased quality and quantity of foods, for example. Carbon based fuels have raised the standard of living worldwide, increased lifespans by decades, and have elevated over a billion people out of poverty in the past 20 years. Western Fuels supports publicizing, indeed celebrating, the social benefits of carbon...benefits which far outweigh the social cost of carbon touted by environmental groups.

Moving Forward

Sound energy policy must protect consumers, maintain reliability and preserve America’s ability to compete. Removing coal from America’s future electricity supply mix

Relationship Between Coal Generation and State Electricity Prices



will only come with great replacement cost, or reduced electricity consumption, both of which will greatly damage America economically. America can have it all by keeping coal at the center of our energy mix and using technology that’s available today to achieve our environmental goals.

New efficient coal plants like the Dry Fork Station adjoining the Dry Fork Mine in Gillette, Wyoming, produce significantly lower emissions than the existing fleet of older plants. Continual technological improvement will lead to the ultimate goal of near-zero emissions from coal-fueled energy. Western Fuels supports continued development/deployment of economical carbon control technology.

³ <http://www.elp.com/articles/2015/01/potential-mats-court-victory-could-extend-48-gw-of-coal-power.html>

⁴ ENVIRON (2012, March 5), Economic Analysis of Proposed Stream Protection Rule, NMA 20-28301A

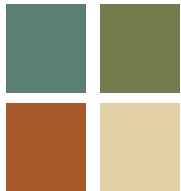
⁵ NERA Economic Consulting (2014, October), Potential Energy Impacts of the EPA proposed Clean Power Plan

⁶ National Mining Association, <http://www.countoncoal.org/states>; Energy Venture Analysis (2012, November) Energy Market Impacts of Recent Federal Regulations on the Electric Power Sector

⁷ <http://www.elp.com/articles/2015/03/economic-study-says-epa-regulations-threaten-wyoming-coal.html>

⁸ Pew Research Center (January 15, 2015) Public’s Policy Priorities Reflect Changing Conditions at Home and Abroad

⁹ Management Information Services, Inc. (December 2013) for American Coalition for Clean Coal Electricity, The Social Costs of Carbon? No, The Social Benefits of Carbon



MEMBERSHIP INFORMATION

Western Fuels Association Members are consumer-owned utilities, including rural electric generation and transmission cooperatives, municipal utilities, public-power districts, governmental bodies, and state or regional associations or municipalities. The governing Board of Directors is comprised of officers of Western Fuels Association’s Class A and Class B Member organizations.

A not-for-profit cooperative, Western Fuels Association provides its Members with a dependable and cost-effective means of coal procurement for their electricity generating facilities. Western Fuels Association’s services allow Members to avoid hiring a full-time in-house staff for coal procurement, transportation and fleet management.

Western Fuels Association offers three classes of membership: Class A Members generally rely on Western Fuels Association for the coal needed to fulfill their present and future coal-fired power generation needs; Class B Members rely on Western Fuels Association to fuel designated power plants; and Class C Members have access to Western Fuels Association’s expertise for coal procurement, transportation and other coal-related services.

MEMBER BENEFITS

COAL PURCHASING

- Bid solicitation, evaluation and contract negotiations
- Contract administration
- Scale calibration and sampler bias testing
- Market analysis/coal sourcing studies
- Accounting and auditing

COAL MINE DEVELOPMENT

- Contracting and on-site management of drilling programs
- Geology, coal quality and reserve evaluation
- Mine engineering, planning and feasibility studies
- Mine capital and operation cost estimates
- Land acquisition

- Permitting
- Market and transportation analysis

COAL TRANSPORTATION AND FLEET MANAGEMENT

- Bid solicitation, evaluation and contract negotiations
- Contract administration
- Train scheduling
- Railcar ownership and leasing
- Railcar maintenance
- Railroad construction/build-out studies/cost analyses
- Accounting, rail property taxes and insurance

COAL MINING

- Management and supervision
- Life-of-mine planning
- Mine surveying

- Permitting
- Reserve acquisition
- Insurance
- Bonding
- Liaison with government agencies
- Reclamation
- Special projects
- Project management for design of mine facilities and railroads
- Project management for constructing mines and railroads
- Up-to-date industry information databases and records
- Increased purchasing power for all Western Fuels Association Members
- Representation of Members’ interests through trade organization membership

MEMBERSHIP LOCATIONS

Class A Members

1. **Basin Electric Power Cooperative**
Bismarck, North Dakota
2. **Kansas City Board of Public Utilities**
Kansas City, Kansas
3. **Southern Minnesota Municipal Power Agency**
Rochester, Minnesota
4. **Sunflower Electric Power Corporation**
Hays, Kansas
5. **Tri-State Generation and Transmission Association, Inc.**
Westminster, Colorado

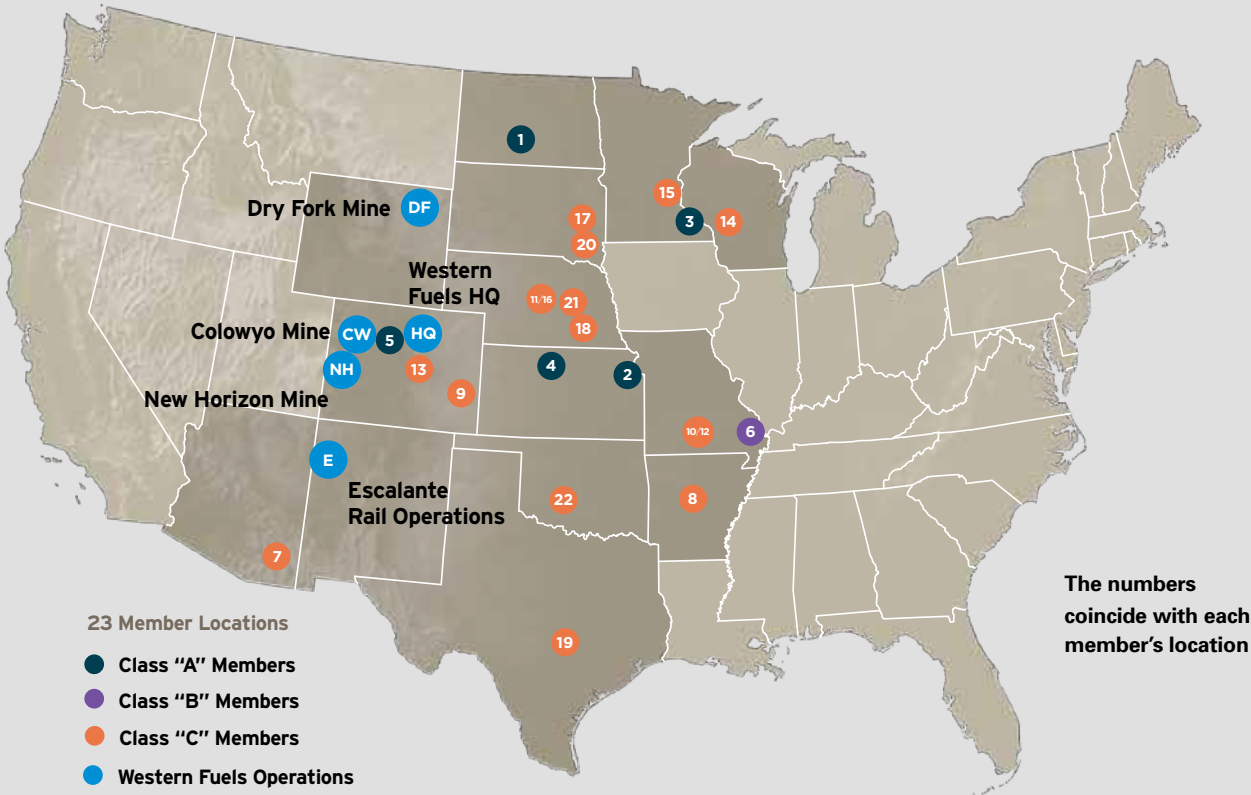
Class B Member

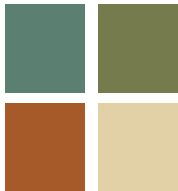
6. **Sikeston Board of Municipal Utilities**
Sikeston, Missouri

Class C Members

7. **Arizona Electric Power Cooperative, Inc.**
Benson, Arizona
8. **Arkansas Electric Cooperative Corporation**
Little Rock, Arkansas
9. **Arkansas River Power Authority**
Lamar, Colorado
10. **Associated Electric Cooperative, Inc.**
Springfield, Missouri

11. **The City of Grand Island**
Grand Island, Nebraska
12. **City Utilities**
Springfield, Missouri
13. **Colorado Springs Utilities**
Colorado Springs, Colorado
14. **Dairyland Power**
La Crosse, Wisconsin
15. **Great River Energy**
Maple Grove, Minnesota
16. **Hastings Utilities**
Hastings, Nebraska
17. **Heartland Consumers Power District**
Madison, South Dakota
18. **Lincoln Electric System**
Lincoln, Nebraska
19. **Lower Colorado River Authority**
Austin, Texas
20. **Missouri River Energy Services**
Sioux Falls, South Dakota
21. **Nebraska Public Power District**
Columbus, Nebraska
22. **Western Farmers Electric Cooperative**
Anadarko, Oklahoma





WESTERN FUELS ASSOCIATION TEAM



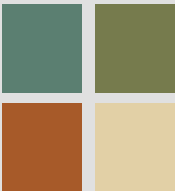
LEFT TO RIGHT:
Kurt Mickelson, Controller; Jason Storey, Senior Permit-Compliance Engineer; Susie Boland, Administrative/Accounting Assistant; Meri Sandlin, Director Coal and Transportation; Doug White, Director Technical Services; Sherry Gray, Executive Assistant; Laura Vick, Senior Accountant; Duane Richards, CEO and General Manager; Dave Anderson, Senior Project Manager; Brad Hanson, Vice President, Operations; Luke Franich, Senior Engineer.



ESCALANTE RAIL OPERATIONS
LEFT TO RIGHT:
Jeremy Malett
Daniel Urioste
Micah Carolus
Wayne Meador



GILLETTE OFFICE
TOP TO BOTTOM:
Kenn Gray
Jerry Barnaby
Beth Goodnough



WESTERN FUELS ASSOCIATION OFFICERS & DIRECTORS



LEFT TO RIGHT:
Rick Gordon, Mike McInnes, Charles Ayers, Tony Casados, Dave Geschwind, Paul Baker, Dong Quach, Mark Mitchell, Paul Sukut, Rex Johnson. *(Not pictured: Don Gray, Claudio Romero)*

WESTERN FUELS ASSOCIATION DIRECTORS

TONY CASADOS
Vice Chairman
Tri-State Generation & Transmission Association, Inc.

DON L. GRAY
General Manager
Kansas City Board of Public Utilities

CLAUDIO ROMERO
Director
Tri-State Generation & Transmission Association, Inc.

ROBERT (BOB) D. ADAM
Manager Electric Supply
Kansas City Board of Public Utilities

PAUL BAKER
Director
Basin Electric Power Cooperative

PAUL SUKUT
CEO and General Manager
Basin Electric Power Cooperative

RICK GORDON
President & Chairman of the Board
Tri-State Generation & Transmission Association, Inc.

MARK MITCHELL
Director of Operations & COO
Southern Minnesota Municipal Power Agency

CHARLES AYERS
Chairman of the Board
Sunflower Electric Power Corporation

CORPORATE COUNSEL
REX JOHNSON
Sherard, Sherard and Johnson
Wheatland, WY

Salute to Duane Richards

After 11 years at the helm of Western Fuels Association (WFA), CEO and General Manager Duane Richards is retiring. During his tenure WFA was faced with many challenges that he and his team have met and overcome in fulfilling WFA’s mission. He leaves behind a strong, stable organization poised to take on whatever the future may bring. For that we owe him our deepest thanks.

Joining Western Fuels Association

In 2004, Western Fuels Association faced an uncertain future. The general manager was retiring. Past economic conditions had driven some members into bankruptcy. A major railroad contract with BNSF Railway was expiring, with possible higher transportation costs for Basin Electric’s Laramie River Station (LRS) in Wheatland, Wyoming

On a positive note, natural gas prices had spiked in the early 2000s, causing the financial markets to look more favorably on coal as an energy resource. WFA’s Board of Directors, perceiving the need for new procurement skills and strategies to move their fuel supply cooperative forward, hired Duane Richards as CEO/General Manager in mid-2004.

In Duane Richards’ own words, “Heading up Western Fuels Association was my dream job.” Everything in his career seemed to prepare him for the assignment.

Having grown up in a small farming community served by a rural electric co-op, he was exposed to the not-for-profit cooperative model. As a mining engineer with experience in mine operations and project development, he understood all facets of coal mining operations. Additionally, Richards had worked his way up through the utility industry, so he understood the intricacies of both fuel procurement and transportation, especially railroad contract negotiations and rail fleet operation and maintenance. You could say that he brought a matched set of skills to his new position. And during his tenure at WFA he put them all to use.

Railroad Rate Negotiations

One of his first areas of focus was renegotiating a railroad contract with BNSF Railway. No simple matter. Basin’s LRS power plant is a “captive shipper,” with BNSF providing the only rail line to move coal from the Powder River Basin in Wyoming plant site. Because transportation costs make up half or more of the cost of delivered coal, negotiating favorable rates with the railroad is imperative to fulfilling WFA’s mission of delivering coal to its members at the lowest possible cost consistent with sound business practices.

Rate negotiations with BNSF involved numerous appeals to the Surface Transportation Board (STB), which sets the rules for captive railroad customers. As part of the process, on behalf of Basin Electric, the operator of the Laramie River Station in Wheatland, Wyoming, Richards and his staff created a “stand alone” railroad to demonstrate what fair rates would be if BNSF had a direct competitor. As a result, WFA members were granted substantial rate relief in 2009. Nonetheless, litigation over rates continued, with BNSF filing appeal after appeal and WFA/Basin Electric contesting. Finally, in the early part of 2015, a new transportation agreement was struck with BNSF that will offer WFA members competitive rates well into the future.

Mining Operations and Fuel Procurement

Another tribute to Richards’ legacy stems from his stewardship of the fuel supply and mine operations side of the business. He assumed command at a time when the Dry Fork Mine was expanding operations to serve a larger customer base. Richards and his team provided expertise and guidance to Western Fuels Wyoming (WFW) to increase production and undertake many maintenance upgrades.

In 2007, Basin Electric decided to build a mine-mouth power plant at the Dry Fork Mine, including a conveyor system to transfer coal from the mine to the plant. Richards’ staff provided management services to WFW until the Dry Fork Station came on line in 2011. Throughout this period, WFA helped market Dry Fork coal to third parties to bolster the economics of plant construction and operation.



Caption copy

During Richards’ tenure, truck and shovel mining operations continued at the small New Horizon Mine in southwestern Colorado, providing coal to the Nucla Station nearby. Both the Dry Fork Mine and the New Horizon Mine have enjoyed exemplary safety and environmental records, winning numerous awards. In 2011, Richards and his team helped Tri-State Generation & Transmission/Western Fuels Colorado acquire the assets and reserves of the ColoWyo Mine from Rio Tinto Energy. The ColoWyo Mine is now providing coal to the Craig Station for the benefit of Tri-State’s consumers/owners in the surrounding area.

Serving the Consumer at the End of the Line

From the time Richards joined WFA, he has managed the production, acquisition and delivery of over 175 million tons of coal to WFA members, always bearing in mind that the ultimate beneficiary in this cooperative venture was the consumer of electrical power at the end of the line. “We work for them,” he said.

When asked what he enjoyed most about his time with Western Fuels, he was quick to answer: “The people I worked with.” The feeling is mutual. We wish Duane the best in what he now wants—an active and adventuresome retirement.



**WESTERN
FUELS
ASSOCIATION
INC.**

*The National
Fuel Supply
Cooperative*

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