

# Rio Grande Electric Cooperative, Inc.



## UP DATE



May, 2007



### A Message From The General Manager/CEO

By Dan Laws

*“Two 5% increases in almost twenty years can hardly be considered out of hand.”*

For the past few months I have been addressing comments we received during our member satisfaction survey, conducted during the last quarter of 2006. If you are curious about what the past subject matter has been, you can go to [www.riogrande.coop](http://www.riogrande.coop) and click on the link for CEO message archive, it's about two thirds down the page. With that said, the final comment I want to discuss is, “The Cooperative needs to operate more efficiently, rate increases have gotten out of hand”.

The short response is—no they haven't. There have been two rate increases since October, 1987. Both of those increases have been on my watch and both of them were just under 5%. Two 5% increases in almost twenty years can hardly be considered out of hand. During the last two decades, we have increased the compliment of employees by forty, almost doubled the size of our fleet, and significantly increased the use of new technology. All of that was done with two 5% increases—I'd say that's pretty efficient!

We work very hard to hold the line on rates and that requires efficiency and economy of scale. New technology has helped tremendously, allowing immediate access to both historical and current data. Historically, if several members called in and said they had bad voltage, we would dispatch a truck to the substation to check voltage. Today, we can check the voltage while the consumer is on the phone. Moreover, we have end-of-line voltage monitors that send in critical voltage data every three hours. These examples and many more save unnecessary man hours and travel costs, and get us to the source of the problem quicker.

Now, there is one cost component that has changed frequently over the years, and may, at times, change frequently in a given year. The component I am speaking of is the PCA (Power Cost Adjustment) factor. This factor is used to defray costs for wholesale power and delivery that are beyond our control, specifically the cost of natural gas used in electric energy generation. This method of dealing with volatile natural gas markets was developed following the oil embargo of 1973. Regulators and law makers recognized that markets had changed, and we could no longer depend on a stable price. And so, this sliding scale approach to wholesale power was developed. Accordingly, when the cost of wholesale energy exceeds our embedded cost, the PCA factor is positive, collecting additional revenue. When it is below, the factor swings negative, giving money back to members. During my seventeen years, it has been negative more than it has been positive.

In the end, all of my answers boil down to one simple fact; we have no other goal than to provide you with safe, reliable power at an affordable price. I am a member paying the same rates as you, so we are in this together. Together we can make a difference. We cannot avoid the challenges of the future, but together we can overcome the obstacles. I hope you can agree that we are your **“Home Team Advantage”**.

**NATIONAL ELECTRICAL SAFETY MONTH**  
**MAY, 2007**