



Rio Grande Electric Cooperative, Inc.

UP DATE

Brackettville, Texas

April, 2001



Daniel G. Laws

A Message From The General Manager/CEO

Soaring natural gas prices take their toll on consumers across the nation!

Sounds a little familiar, doesn't it? In fact, headlines like this have dominated the news for the last several months — but it is not the first time and, more than likely, will not be the last. Natural gas fuels much of the historically available electric generation and all of the currently planned new generation—with the exception of solar and wind generation. This summer will be the first time in history that the demand for gas will exceed winter demands. It is at least ironic that rising natural gas prices should follow so closely on the heels of electric utility deregulation.

If you live in or near an area that is supplied by West Texas Utilities (WTU), then you no doubt have seen letters to the editor complaining about the increased cost of electric energy. The increase that is complained of, resulted from the increased cost of natural gas used to fuel generators. West Texas Utilities' fuel mix for generation is 60% natural gas and 40% lignite. The mix of fuel used by WTU for generation is important to you, as a Rio Grande member, because Rio Grande purchases 60% of its wholesale power supply from WTU. Consequently, you are seeing some of the effects, in terms of the cost of electric energy, caused by the natural gas market.

In addition to the rising natural gas prices, WTU has begun to pass through the cost of replacement energy (spot purchases to replace failed or short

generation supply) in violation of our wholesale power supply contract. Rio Grande, along with other wholesale customers, has filed a complaint at the Federal Energy Regulatory Commission (FERC). I don't know when or if our complaint will be heard, but you can rest assured that these erroneous charges are going to be corrected. Unfortunately, for the near term, rising natural gas prices and replacement energy charges are impacting your bill.

Fortunately, we have other sources of supply that have remained very reasonable and serve to soften the impact resulting from WTU's charges. I get asked from time to time why natural gas prices impact WTU so drastically. The only conclusions I can draw, based on the limited information they provide us, are that their planning is poor or nonexistent and their exposure is great because of the amount of generation they have that is dependent on natural gas.

According to the Henry-Hub Report, natural gas prices are coming down and we should see some relief soon. We will, nevertheless, continue to push for better planning, require WTU to be accountable, and stop them from passing on the cost of replacement energy. We have worked very hard over the years to insure that we are purchasing wholesale power as cheaply as possible. We will continue to monitor and improve our purchased energy mix so that your costs can be as low as possible—it's what we call, "Your Home Team Advantage".

Your questions and comments are always welcomed. E-mail Mr. Laws at general_manager@rgec.com, or call 1-800-749-1509.

Win A New Computer System In Rio Grande's Essay Contest!

Students ages 14-18 are encouraged to enter Rio Grande's essay contest to compete for a brand new Dell computer system!

ESSAY CONTEST RULES:

1. To be eligible to enter, a student's parent or legal guardian must be a bona fide member in good standing of Rio Grande Electric Cooperative.
2. Student must be between the ages of 14-18.
3. Student must submit an original, typewritten 500 word or more essay entitled, "What Rio Grande Electric Cooperative Means To Me".

4. The upper right hand corner of the essay must contain: member's name (parent or legal guardian), address, and telephone number as it appears on their Rio Grande Electric Co-op bill, as well as the student's name, age, and name of the school the student currently attends.
5. References to family names, specific locations, or any information that might reveal the identity of the writer must not be included in the body of the essay.
6. Entries must be submitted to Rio Grande Electric Cooperative, Inc., P.O. Box 1509, Brackettville, TX 78832, in a sealed envelope, clearly marked "ESSAY CONTEST".
7. **Entry Deadline: April 30, 2001.** Essays will be judged during the May 2001 monthly meeting of the Board of Directors, and the winner will be notified as soon as possible, thereafter.