



"Owned By Those We Serve"

Rio Grande Electric Cooperative, Inc.

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A Message From The General Manager/CEO

By Daniel G. Laws

“...we're not in Kansas any more!”

Wow, what an incredible year 2002 was! As I think back, I am reminded of some thing I heard a fella say one time, “Things have been happening so fast, all I can do is run beside them and point!” I can't think of a more fitting description for 2002. Let me just take a little space to share with you a few of the more important areas.

Wholesale Power Supply contract – Rio Grande ECI entered into a new wholesale power supply contract at the end of 2002 with TXU. This contract replaced two WTU/AEP (West Texas Utilities) contracts that had been in place for a number of years. This transition to a new supplier is historic, in that WTU had supplied wholesale power to Rio Grande since we began building lines in the western portion of our system. In recent years, WTU was acquired by AEP (American Electric Power), an Ohio-based energy company. Subsequently, all of the retail customers and the trade name WTU were sold to a company in England, by the name of Centrica. With all of the changes, which are the fallout of the electric industry restructuring enacted in 1999 by the Texas Legislature, we quickly discovered we were not in Kansas any more!

The contract with TXU is for five years and is valued at \$20 million dollars. The savings over the life of the contract are approximately \$2,000,000 over what we could have expected from AEP. This savings will flow directly through to your bill in the form of lower power cost adjustments. The TXU contract pricing mechanism is tied directly to the natural gas market, and will require us to watch those markets carefully so that appropriate hedges can be obtained to mitigate adverse market impacts. No sir, we are definitely not in Kansas anymore.

Director Training – You will be pleased to know that, with the exception of one, all of your directors are now Certified Credentialed Directors, having completed the necessary training with our national association, NRECA. What that means to you is those managing the business you depend on so heavily, are as informed and current on critical events as possible. You can be very proud of the work ethic and integrity of Rio Grande's Board.

Strategic Planning – The Board and key staff members completed strategic planning in 2002. We carefully considered all that impacts you as a member and what your future needs are likely to be. We then considered our weaknesses, looking at what improvements in the Cooperative's performance would most benefit you. I am happy to tell you that throughout our discussions, your best interests were our primary concern. As a result, we have developed a set of goals that will become a management action plan, so that improvements can be accomplished. Some of what is contained in the reports of key staff members is the result of the goals we have set.