

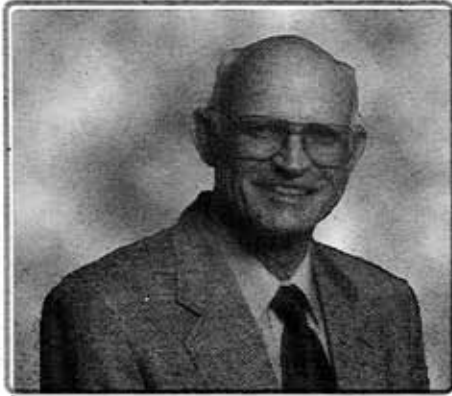


Rio Grande Electric Cooperative, Inc.

UP DATE

Brackettville, Texas

May, 2001



A Message From The Board President

By Jack Skiles

It is my pleasure, as a representative of the board of directors to report to our membership concerning some of our activities during the past year. Our capable manager, Dan Laws, and his excellent staff will present details of operation during the past year, but I want to inform you about some of our board activities.

Members who attended the annual meeting in Marfa last October will recall that I reported to you that the board was very unhappy with the Texas Electric Cooperative Association (TEC). We strongly believe that electric cooperatives in Texas should work together for the benefit of rural electric users. However, for the past two years it has been obvious that the directors and management of TEC have worked against our cooperative, rather than for us.

The Rio Grande board is quite conservative and was unhappy about the fact that the cost of membership in TEC increased due to what we considered outrageous expenditures. After two years of consideration, we finally decided on December 20 that we could no longer support an organization that did not work for us. We withdrew our membership from Texas Electric Cooperative Association effective December 31.

Probably the most obvious thing that our members noted about our TEC withdrawal was that they no longer received Texas Co-op Power Magazine. However, we subscribed to Ranch and Rural Living for our members and response has indicated that you are enjoying the magazine. It serves as an excellent vehicle for Rio Grande management to keep members informed of our activities.

Your board of directors wants the members to be kept informed and we realize that we as directors must continuously strive to gain knowledge to provide more efficient and effective direction of our company. The National Rural Electric Cooperative Association conducts courses that lead to director certification. Directors Howard Willmon, II and Howard Wakefield have received certification and the other board members are now engaged in a two year program to complete five courses for certification.

Our cooperative is fortunate to have an excellent group of employees that are dedicated to providing our members dependable electricity as reasonably priced as possible. That is an extremely difficult challenge, considering that we have 8,800 miles of line to maintain with revenue coming from only 10,000 electric meters.

The average electric cooperative in the United States has six consumers per mile of line and independently owned electric companies have an average of 35 consumers per mile. The U.S. co-op average revenue per mile of line is \$8,156, while ours is \$1,791 per mile. Investor-owned electric companies average \$62,866 per mile. You can readily see that even though we would like cheaper electricity, it is reasonable considering our unique situation. Certainly, if we had more consumers to share the costs of maintaining those 8,800 miles of line, our electric rates would be cheaper.

Rio Grande Electric Cooperative has numerous challenges, but with our dependable staff, dedicated board members, and the good information and advise we receive from our members, we will adequately meet those challenges.



A Message From The General Manager /CEO

By Daniel G. Laws

The year 2000 was significant in many ways. It's closing signaled 55 years of providing electric energy to folks who would not otherwise have it. We reached record highs in revenue and kWh sales. We began an Internet business in an effort to bring this valuable technology to our members where it was not available, or if available it was not affordable. We have developed an improved irrigation rate, which with the increases in natural gas prices, is going to be very valuable. We have worked to prepare the cooperative for deregulation, which begins January 1, 2002. A new wholesale power supply contract was entered into in 2000, with El Paso Electric Company, that will save more than one million dollars through 2004.

Beyond the statistics, 2000 brought to a close eleven years of service to the members of Rio Grande Electric Cooperative for me. The consistent theme throughout those years has been "Owned By Those We Serve". Never losing sight of the fact that our investors and customers are the same people. This is important to you because it means that our loyalty and attention are not divided between investors and customers, as is the case in an Investor Owned Utility. In every decision that is made by the Board of Directors, your best interest is considered. Does that mean that you will like every decision that is made? Certainly not — but you can rest assured that the common good is served.

In the pages that follow you will find detailed information about some of the matters I have mentioned. What will not be as readily apparent is the work that goes into keeping the lights on everyday. You will not see the hours that are spent in inclement weather by our linemen repairing downed power lines. Perhaps even less obvious is the behind the scenes work required to manage each of your accounts, inspect lines for repair, respond to member inquiries and arrange member meetings. The men and women of Rio Grande give of themselves everyday, their only goal is to provide you with safe, reliable service at an affordable price. When you see your electric bill each month you may question whether it is affordable or not, but please never question the dedication of the employees. They are your "Home Team Advantage".

~ 2000 Annual Report Edition ~

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