



Rio Grande Electric Cooperative, Inc.

Up Date

Happy Valentine's Day

February 2008



A Message From The General Manager/CEO

By Dan Laws

"There is little we can do about what we pay, but there is much we can do about the quantity we buy."

You no doubt hear more than you want to hear in connection with energy prices. Fuel prices, for all fossil fuels, are off the chart. I'm old school enough that I have never completely gotten over the oil embargo of 1973. In those days, you may recall, gasoline prices soared to between 50 and 60 cents a gallon. I thought the world, as we knew it, would surely come to an end. But, it didn't!

In addition, heating oil and natural gas are holding at prices well above historical peaks. Experts are telling us there is no end in sight and, in fact, these prices may be the new norm. Things that used to impact the price of these commodities seem to have no real impact today. Natural gas in storage is up, production is up, sales due to weather are down, and yet the price stays propped up.

These prices have remained high enough that they are trickling in to the price of everything else we buy. Have you priced a gallon of milk lately? I just paid a little over five dollars for a gallon and was shocked by the price. It seems like the last time I bought a gallon of milk it was a little more than three dollars. My wife would quickly tell you that things really have gotten expensive if I notice it. She always laughs at me because I have no idea what a loaf of bread or a pound of meat costs.

So, why am writing about these things? Well, it's because all of the electric energy you buy is generated by burning fossil fuel, and increasing fossil fuel prices means increasing electric energy prices. We have recently negotiated a wholesale power contract with a ten-year term. The contract will provide approximately 60% of our future energy needs from coal and 40% from natural gas.

In addition, the contract allows us to locate other sources of power. For example, we could obtain wind energy, if the price is right, without penalty. The goal of our negotiations was to obtain low wholesale energy prices and to allow for fuel source flexibility. I am happy to report this was accomplished and you are the beneficiary.

Today, we are paying gasoline and diesel prices that exceed the oil embargo days by almost three dollars and the world still hasn't ended. And, we have learned we can live with much higher prices, whether we want to or not. There is little we can do about what we pay, but there is much we can do about the quantity we buy. We can choose to conserve by turning off lights, lowering the thermostat in the winter, and raising it in the summer.

Whatever the future holds with regard to energy, I hope you can take comfort in the fact that we are paying attention to what is happening in the energy markets, and we are working to lessen the impact adverse conditions may have on your electric bill. We are single-minded on this score, because we are here for no other purpose than to meet your needs, and that includes the need for an affordable price. Have a Happy Valentine's Day.

Important: Critical Care Member Form, page 6