President’s Message

Jimmy Ballew

This is my seventh year as a Rio Grande Electric Co-op board director, and my third year as the board president. It has been as challenging of a year as I have seen since I began my board service in 2004. These tough economic times make it difficult to hold costs down, while providing members with the best possible service, but it is a goal that we as a board strive for with every decision we make. The rate increase that was implemented last year, though it has not been in effect for a full year yet, has accomplished the objective that we set for it. The native system is standing on its own feet, which frees up the profit margins from other entities, like Fort Bliss and Laughlin, to make system improvements on our infrastructure, which will in turn make it more reliable for all members. We also plan to eventually be in a position to retire some long-term debt at a faster pace.

As always, RGEF stays on the cutting edge when it comes to utilizing technology efficiently and effectively. Currently, the TWACS metering system is being put into operation, which will do many things to save money, and down-time during outages, for members. It should be fully implemented by the end of this year.

I never want to miss an opportunity to say that all members of RGEF should be proud of the dedicated employees we have. This is especially true of the linemen who, as you probably know, I consider to be the backbone of this organization. They truly are the ones who keep your lights on in all types of weather conditions. I would also like to take this opportunity to once again commend my fellow directors, and general manager Dan Laws, for endless hours of hard work. Each director is also an RGEF member, so continue to rest assured that every decision made is based on the best interest of the entire membership.

I have always had great appreciation for our cooperative utility model, and I am confident that we will continue to thrive and provide services to our members.

CEO’s Message

Dan Laws

One way RGEF determines the direction in which the Co-op needs to go, is through a process called “strategic planning.” The need to grow the core business was recognized as a way to help control rates and replace deteriorating facilities during the process. Why grow the core business instead of adding some other business? It’s because our core business is also our core expertise. So, when military utility privatization came along, we went after it. In April 2010, RGEF began operations at Laughlin Air Force Base in Del Rio. The privatization contract was awarded to provide additional revenue that would help pay for improvements in the native system (the part excluding the military). It is providing huge benefits to both the membership and the military. Finances are just one piece of the puzzle, though.

They say, “In to each life a little rain must fall,” and so it did during the summer of 2010, when wet weather caused members in Brewster County to experience brownouts and outages. In remote portions of the system, where lines are the longest, there is a great deal of exposure to things that can go wrong. There are more opportunities for things to happen, and it takes longer to find and make repairs in these areas. In this case, the problem was in the system of the transmission provider, AEP. Accordingly, RGEF filed a complaint against AEP with the Public Utility Commission of Texas (PUC). To make a long story shorter, the issue was resolved, and members are the beneficiaries. We’ve come to learn that transmission providers and weather are just two more pieces of the puzzle that make up Rio Grande.

Putting the pieces together logically to complete the big picture is what’s really important. It’s a picture of which you can be proud, because each piece, no matter how large or how small, contributed to the whole – and that’s what cooperatives are all about.

About This Report

It only seemed fitting that the 2010 Annual Report be called “Putting The Pieces Together”. The year was one in which we saw the total picture began to come in to view. Like a puzzle, each project, each department, each operations area, and each employee played an important part in the overall outcome. You, the members of RGEF are an important part of the puzzle, as well, because we never forget that we work for you.
The arid conditions in most of RGEC’s service area help poles and crossarms last quite a while. However, you may see some poles and crossarms in your area that look a little different. To reduce costs, and hopefully, get a longer life out of the poles, RGEC has been trying some different poles and crossarms. Most of the Operations crews have been pleased with the braceless fiberglass crossarms. They may cost more, but the woodpeckers don’t like them and they eliminate broken braces or hardware coming loose on the braces.

Many years ago, RGEC management tried what is known as CCA poles. They are white or green poles. Our experience was not good; they were hard to climb and did not last long. You may see some reddish-looking poles near you now. They are Penta poles. They cost a little less than creosote, and are soft enough for the linemen to climb, plus they don’t get creosote on them as they climb.

In some situations, RGEC has used modular, composite poles. They come in sections that the crews put together before they put them in the air. They are more costly, but should last indefinitely. We must make sure we are able to get the bucket trucks to the composite poles, because the linemen are not able to climb them, unless removable steps are added.

RGEC will probably never totally eliminate creosote poles, but management is investigating all the most cost effective alternatives available to prolong the life of poles.
Based on a strategic initiative begun last year, the Engineering Department continued with efforts to support the development of an electronic model of RGEC’s native electrical distribution system. This involved the collection of detailed field data elements such as GPS points (spatial location), pole-line configuration and equipment inventory as well as infrastructure and right-of-way conditions. Such information was then uploaded into the system model to support various analyses and future studies regarding system maintenance and capital upgrade planning.

In 2010, Engineering inspected and documented almost 12,000 poles distributed over 710 miles of power line. Three noteworthy accomplishments were the completion of the model and protective device coordination studies for Dell City Feeder #3 (to Queen, NM), Van Horn Feeder #2 (to Lobo/Aerostat) and Persimmon Gap Feeder #4 (to Lajitas). Major inspection and field data collection work was also performed on the Comstock Feeder #1 circuit as well as in the Ft. Clark Springs area.

With the award of the electrical system privatization contract for Laughlin AFB in Del Rio, Engineering completed several initial projects. These included the complete electrical system inventory, full pole-by-pole visual inspection and structural assessments, as well as the designs for the new LAFB operations center, primary metering station, and a major transformer station upgrade.

Regarding the privatized Ft. Bliss electrical system, the Engineering and Operations Departments joined forces to perform a complete system inventory of the Main Post, Biggs Army Air Field and the remote firing range areas in New Mexico. A variety of major design projects were also completed regarding the new Life Style Center, overhead-to-underground circuit conversions and service to several remote firing range projects.
Sometimes less is a good thing, and 2010 proved to be just that for HR. Less turnover, fewer transfers, fewer internal and external job postings, fewer job applications received, and fewer interviews to schedule made for a better year.

We analyzed and updated our Wage and Salary Plan, and after comparison to others’, both in and out of the cooperative world, we were satisfied. Our turnover rate declined, and was the second lowest year in the past 7 years.

Work continued on our lineman apprenticeship program, and it has been submitted to the U.S. Department of Labor for final approval.

Another means of communication was utilized by our communications department, which developed RGEC’s Facebook page. Members received up-to-date information regarding planned outages, weather updates, pictures, and important dates to remember.

The 2010 annual meeting was held in Alpine, and we enjoyed visiting with members, both old and new. This was the last meeting to be held in Alpine, as the board decided to alternate the meeting locations, and host them in Fort Stockton and Eagle Pass.

Mark your calendars for Saturday, October 8, and make plans to attend the 66th Annual Meeting at the International Center for Trade in one of the fastest growing cities in Texas - Eagle Pass. We would love to see you there!
The past year will be remembered by many as a significant period of growth and integration. The most noteworthy event of the year involving the Military Utility Privatization Services was the contractual absorption of Laughlin Air Force Base (LAFB). In early April, the Air Force officially transferred government ownership of the electric utilities to RGEC and since that period, all departments have spent considerable time and effort integrating the new system. Improvements have been made across the board; including testing the structural integrity of all existing poles, replacing poles considered unsafe, converting power stations not compliant with safety codes, updating mapping records, and bringing the electrical model closer to completion.

Ft. Bliss continues its breakneck speed, constantly updating the aged infrastructure to accommodate growing requirements. This past year has seen the completion of CAB 1&2, housing subdivision South & West Officers IV, Logan Heights overhead upgrade, Wilde Benton upgrade, along with many others. Moreover, many other projects were initiated including the Chaffee Feeder & Forrest upgrade. Concerns about the availability of capacity for the new housing subdivisions and new military construction continued to persist, with greater urgency now from higher ranking officials.

As the military moves forward, the Privatization Department evolves and continues with the same sense of urgency; providing tremendous service through openness and cooperation. Over the next year, progress can be expected with military renewable energy projects, absorption of the BCT infrastructure into the Ft. Bliss system, and improved service to both Laughlin & Ft. Bliss systems.
Technical Services
Manager of Technical Services Frank Rodriguez

Technical Services was charged with evaluation of two-way automatic metering infrastructure (AMI) in 2010. The TWACS (Two Way Automatic Communications System), by Alcara, was deemed the most appropriate for RGEC’s needs. Installation of TWACS was made the departmental priority for the year, at the recommendation of the board and GM/CEO. The TWACS substation components were fully deployed within 12 months, due to the diligence of our Technical Services employees, and assistance from both Operations and Engineering personnel. There have been just over 3500 individual meters with TWACS modules installed, to date, and plans are to have the remainder fully deployed by the end of 2011. The TWACS project was a big piece of the puzzle, which will help integrate the Outage Management System, and WindMil Milsoft Engineering Model, Power Quality; to name but a few of the various components.

Other departmental highlights of Y2010 included the upgrading of the Altuda Substation Power Transformer to handle a greater load, and the selection of a Supervisory Control and Data Acquisition system, commonly referred to as a SCADA system. After evaluating several systems, a recommendation was made for the purchase of a SCADA System. This March, we ordered the software. Very little in the field will need to be modified, because all substation upgrades in the past three years were conducted with the eventual use of a SCADA system in mind. Fiber optic cables are the only component still lacking. These components will help bring all RGEC substations together on the screen, and allow technicians to see status and control all substation levels remotely from the same system.
2010 was another great year for the Cooperative and for the Information Technology Department. Many improvements were made with the mapping system, communications infrastructure, business applications, and computer equipment, which assisted Rio Grande in being more tightly integrated.

The mapping system was thoroughly overhauled to include system models. The models allow Rio Grande to simulate and test the electrical system in a computer model to assist in deploying the best solutions in the field. Also this year, mobile mapping was deployed on laptops located in the service trucks. Having the mapping system in the service trucks allows for detailed field information, as well as quick navigation.

The communications infrastructure connecting RGEC’s various offices was enhanced. An increase in bandwidth increase allows for the expansion of business applications, and telephone and video conferencing systems. This year, several databases were created to enhance management of travel, equipment and outages. Several servers and employee workstations were upgraded or replaced to provide expansion capabilities.

The achievements made with the mapping system, communications infrastructure, business applications, and computer equipment will help equip the Cooperative’s employees with the tools needed to provide the highest level of service and support to the membership.
Accounting and Finance
Director of Accounting and Finance Shawn Stanley

The accounting department finished the year with a software conversion. It sounds crazy to do this during one the busiest times of the year, but that is just when the Texas deployment of the new system was scheduled. The accounting staff worked extra hard during this time to make the conversion successful and I am grateful for their dedication to the department and the Co-op. The completion of this project resulted in bringing all components of the accounting system onto the same platform and operating system.

Major highlights for 2010: Meters served increased 1.8% from 12,024 to 12,243. Total energy sold decreased by 2.2 million kilowatt hours, from 215.3 to 213.1 million. This decrease in sales was due to declines in the irrigation rate class. Operating revenue from all sources totaled $36.0 million for 2010 and the Co-op realized margins of $5.3 million. The completion of several large projects at Fort Bliss pushed margins up $2.5 million during the year. Utility plant construction, improvements and general plant expenditures increased total net utility plant assets to $71.8 million, an increase of $10.2 million. $3.5 million of this increase was due to incorporating the electric system at Laughlin Air Force Base into the Cooperative. This was a noncash transaction that increased both assets and debt by $3.5 million in 2010. Total long term debt increased $6.2 million to $40.1 million. The blended interest rate on long term debt was 4.6% at the end of 2010.

The Cooperative’s 2010 financial statements were audited by the independent accounting firm of EideBailly, LLP. The opinion expressed in the independent auditor’s report dated March 11, 2011, was unqualified (good). The complete financial statement audit is available for member review on the web site, riogrande.coop, or by appointment at Rio Grande Electric Co-op’s headquarters office, located at 778 E. Hwy. 90, Brackettville, Texas.

Additional highlights of the year 2010 financial results can be found on the following pages.
Number of Meters
12,243

Miles of Line
9,508

2010 Annual Report, Released April 2011
Rio Grande Electric Co-op
Total kWh Sales
213,047,231

Revenue
$35,974,737
## ASSETS (What We Own)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Utility Plant</td>
<td>$61,636,662</td>
<td>$71,833,839</td>
</tr>
<tr>
<td>Investments in Assoc. Organizations</td>
<td>$1,611,036</td>
<td>$1,665,921</td>
</tr>
<tr>
<td>Other &amp; Accrued Assets</td>
<td>$15,167,934</td>
<td>$12,281,814</td>
</tr>
<tr>
<td>Deferred Debits</td>
<td>$688,185</td>
<td>$994,534</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$79,103,817</td>
<td>$86,776,108</td>
</tr>
</tbody>
</table>

## LIABILITIES (What We Owe)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patronage Capital &amp; Other Equities</td>
<td>$27,567,796</td>
<td>$32,844,408</td>
</tr>
<tr>
<td>Long Term Debt</td>
<td>$33,833,761</td>
<td>$40,061,999</td>
</tr>
<tr>
<td>Current &amp; Accrued Liabilities</td>
<td>$14,918,869</td>
<td>$11,381,393</td>
</tr>
<tr>
<td>Deferred Credit</td>
<td>$2,783,391</td>
<td>$2,488,308</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$79,103,817</td>
<td>$86,776,108</td>
</tr>
</tbody>
</table>
## Statement of Operations

### REVENUE (What We Received)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Of Electric Power</td>
<td>$28,154,571</td>
<td>$30,044,245</td>
</tr>
<tr>
<td>Misc. Electric Revenue</td>
<td>$3,607,280</td>
<td>$5,930,492</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$31,761,851</strong></td>
<td><strong>$35,974,737</strong></td>
</tr>
</tbody>
</table>

### EXPENSES (What We Paid)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Power</td>
<td>$17,338,262</td>
<td>$16,801,559</td>
</tr>
<tr>
<td>Operations &amp; Maintenance</td>
<td>$4,944,105</td>
<td>$5,033,806</td>
</tr>
<tr>
<td>Consumer Acct./ &amp; Customer Service</td>
<td>$1,298,622</td>
<td>$1,309,802</td>
</tr>
<tr>
<td>Admistration &amp; General Expenses</td>
<td>$2,723,501</td>
<td>$2,863,833</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$2,849,178</td>
<td>$3,161,147</td>
</tr>
<tr>
<td>Taxes</td>
<td>$7,439</td>
<td>$8,291</td>
</tr>
<tr>
<td>Interest</td>
<td>$1,959,620</td>
<td>$2,060,338</td>
</tr>
<tr>
<td>Other Deductions</td>
<td>$15,457</td>
<td>$26,442</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$31,136,184</strong></td>
<td><strong>$31,265,218</strong></td>
</tr>
</tbody>
</table>

### OPERATING MARGINS

(Total revenue less total expenses)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Margins</strong></td>
<td><strong>$625,667</strong></td>
<td><strong>$4,709,519</strong></td>
</tr>
</tbody>
</table>

### OTHER NON-OPERATING REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Operating Revenues - Interest</td>
<td>$299,277</td>
<td>$296,120</td>
</tr>
<tr>
<td>Non-Operating Margins - Other</td>
<td>$82,409</td>
<td>$102,307</td>
</tr>
<tr>
<td>Other Capital Credits</td>
<td>$107,183</td>
<td>$168,061</td>
</tr>
<tr>
<td><strong>Total Margins (What was left over)</strong></td>
<td><strong>$1,114,536</strong></td>
<td><strong>$5,276,007</strong></td>
</tr>
</tbody>
</table>
Board members are, top row: Margarita Nelson, R. Donald Herchamp, James Ehrage, Kimball Miller, Mark Daugherty

Middle row: Henry Mills, Frank Archuleta, Stephen Haynes, Priscilla Howard-Parsons;

Bottom row: President Jimmy Ballew, Vice-President Bill White, Secretary Cindy Whitehead, and Treasurer Rowdy Holmsley.

ABOUT THE BOARD

These dedicated men and women are as individual as they come. Each brings something unique to the way they represent member interests. Yet, as individual as they are, they work well collaboratively to ensure business is conducted in a manner worthy of your trust. They have the vision to see “the big picture”, even though each of them is only a small piece of what makes Rio Grande Electric Cooperative special.

RIO GRANDE ELECTRIC COOPERATIVE, INC.
Summary of Board Meeting Minutes
February 16, 2011

A meeting of the Rio Grande Electric Cooperative, Inc. Board of Directors was held at the Headquarters office in Kinney County, Texas, at 8:00 a.m., February 16, 2011. The following directors were present for the meeting: Frank Archuleta, Jimmy Ballew, Mark Daugherty, James Ehrage, Stephen Haynes, Donald Herschamp, Rowdy Holmsley, Kimball Miller, Henry Mills, Margaret Nelson, Priscilla Parsons, Bill White, and Cindy Whitehead. Also present for the meeting were General Manager/CEO Daniel G. Laws and Executive Assistant to the GM/CEO Sonya Cruz.

Approved
- January 19, 2011 Board Minutes, As Corrected
- Financial Reports
- General Manager/CEO Evaluation And Salary Review Results
- Board Policy 1.2.6 – Capital Management, As Presented
- Contract Award To Tri-State Electric, Inc. For The CAB 3 & 4 Project At Fort Bliss In The Amount of $2,226,357.78
- Resolution For A Letter Of Credit Application In The Amount Of $882,161.00 For The Fort Bliss CAB 3&4 Project
- Amendment To RGEC Tariff To Provide For A Service Initiation Fee For Fort Bliss Operations
- Schedule For Strategic Planning
- Heard
  - Director Review Of Board Policy 1.5.4 – Controlled Substances & Alcohol Abuse
  - General Manager/CEO Report
  - Committee Reports
- Approved
  - Director And GM/CEO Expenses
  - December New/Revoked Memberships
- Reviewed
  - Check Register And Arrears Report
- Adjourned
  - 2:18 p.m.

Note:
The summary above is provided so that members can follow the activities of the board, and is not intended to be exhaustive. Should you wish to know more detail on a particular item or items, please contact the director for your district or the General Manager/CEO’s office.