



Rio Grande Electric Cooperative, Inc.

UP DATE



March, 2006



A Message From The General Manager/CEO

By Dan Laws

“kWhs are like gallons of gasoline for your vehicle; the fewer you use, the cheaper your bill.”

I bet you dread seeing your electric bill come in these days. In fact, you probably dread seeing it come in any month, but these recent months have been worse. I have written articles about why the costs are so high right now, all the major news networks have given plenty of reports about where the problem is, and our area office personnel are providing the explanation daily to individuals who ask.

Despite all the information that is out there, you would have to admit, if you were being perfectly honest, that you still don't understand what is making your bill so high. To be very candid, all the explanation in the world doesn't make it any easier to pay your bill. And it certainly won't make paying it a more pleasant experience. However, understanding and accepting the situation may very well help you reduce your bill.

In a nutshell, the amount you pay for electric energy is driven by the national and global economy. Rio Grande Electric Cooperative purchases all the energy you require, none of it is generated by the Cooperative. Most of the energy we purchase today is produced by burning natural gas. Natural gas heats water, which produces steam. Steam then provides the pressure to spin turbines, which are coupled to generators that, in turn, pump electrons onto the transmission grid.

The most efficient use of natural gas is to produce electric energy to be distributed to homes for heating, cooling and lighting, but right now the cost of natural gas is well above historical prices. Currently, futures are being bought at \$7 an mmbtu. (mmbtu=one million btu's, the unit used in the buying/selling of large quantities of natural gas. A btu, or British Thermal Unit, is the amount of heat required to raise the temperature of a pint of water one degree.) In the wake of the two hurricanes that wreaked so much havoc along the gulf coast, we saw prices soar to more than \$15 an mmbtu. The price of natural gas remains high in the face of very positive market drivers, which in the past have controlled the price.

We are experiencing a milder than normal winter in the northeast, which is where most of the natural gas used for heating, is consumed. The level of natural gas in storage is much higher than historical levels. And, drilling activity for additional natural gas remains above the historical rig count. Taken together, all of these drivers should be producing extremely low prices. So, why aren't they? I don't know—I don't think anyone does.

I also don't know when prices are going to come down. I do know this; we are tied very tightly to natural gas prices until the end of 2007. We are currently entering into wholesale power negotiations with a number of suppliers. The source of fuel used for generation will play a big part in our discussions. In the end, however, you have more control than you realize over what your bill looks like. You can conserve. You can reduce the number of kWhs you purchase by turning down your thermostat, using fewer lights, making more efficient use of appliances, and so on. In the following pages, you will find many suggestions.

kWhs are like gallons of gasoline for your vehicle; the fewer you use, the cheaper your bill. We are doing everything possible to hold the cost of wholesale power down—it's our job. If you will do everything you can do to hold down consumption, together, we will get through this difficult time. Cooperation is not a new concept or a novel idea, but it is the cornerstone of Rio Grande's success over the years.