



Rio Grande Electric Cooperative, Inc.

UP DATE



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A Message From The General Manager/CEO

By Dan Laws

The Cooperative may join a cooperative -

“Joining a G&T is like getting married.”

If you are a faithful reader of my musings in Rio Grande's local pages, then you have noticed me writing a lot about wholesale power and its cost of late. If you are not a faithful follower, then you will have to take my word for it. The reason it has become such a bright blip on my radar screen and yours is the fact that, like fuel for our vehicles, it is more costly than ever in history.

With that acknowledged, you have to be wondering what, if anything, we are doing about the cost, and if are we looking into the future far enough to mitigate future high costs. Well...as Paul Harvey would say, “we aren't doing nothing”. We have sent out a request for proposals (RFP) for future wholesale power supply, and respondents are being asked to be creative in their solutions for future power requirements. Both of our existing wholesale supply agreements expire in the next two years.

Running concurrently with the RFP process, is an economic analysis aimed at determining whether it would make sense for Rio Grande to join a power supply cooperative. There are ten located in Texas, and they are commonly referred to as “G&Ts” (Generation and Transmission Cooperatives). G&Ts are owned by a group of distribution cooperatives like Rio Grande Electric Co-op, and exist to provide wholesale power and various related services. With 864 distribution electric cooperatives in the nation, you might find it interesting that there are only 55 that are not members of a G&T, nor receive power from quasi-governmental agencies like TVA (Tennessee Valley Authority) or LCRA (Lower Colorado River Authority).

Joining a G&T means some things will change. For example, Rural Development Utilities Programs (*formerly Rural Utility Services, RUS, and before that, Rural Electrification Administration, REA*), the federal agency that holds the mortgage on not only Rio Grande, but any G&T we might join, will require that we transfer all transmission and substation assets to the G&T. Rio Grande will, in turn, become part owner of the G&T. This means that each member of Rio Grande will also be a part owner of the G&T.

The relationship we have had over the years with wholesale power suppliers can be compared to dating. If you recall that process, you'll remember that you went out with someone because you wanted to, but there was no commitment. If you ever reached the point when you no longer wanted to see the person, you simply dropped them. Joining a G&T is like getting married. There is commitment, longevity, security and a kindred spirit. Like a marriage, it is not designed to end. There will be disagreements, without a doubt, and when that happens, there must be a commitment to work those disagreements out. Also like a marriage, the commitment must exist on both sides of the relationship.

Simply stated, there are two paths that Rio Grande can follow when considering future wholesale power supply. One is to continue with market-based pricing from competitive non-cooperative entities. The other is to move forward with cost-based pricing from an entity that shares our values and adheres to the cooperative principles of member ownership. What sets these two options apart is the cooperative difference, and in the end, isn't that the foundation of what makes Rio Grande your “Home Team Advantage?”

May is National Electrical Safety Month!