



# Up Date

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## A Message From The General Manager/CEO

By Dan Laws

**You may be still reeling from your June electric bill and probably are holding your July bill tightly gripped in a clenched fist as numerous curse words leap to mind.** If you are, I can sympathize—that is exactly how I felt when I received our wholesale power bill from our supplier. In case you did not know it, we pass on wholesale power costs to our members at exactly the same price we buy it for. There are no margins added to the cost of wholesale power, only the purchase and delivery of wholesale power.

There are two things different about this bill and previous bills this year. First, Rio Grande sold a record number of kWhs, especially in the residential sector. Secondly, the PCA (Power Cost Adjustment) factor went to 6.5 cents per kWh. Unfortunately, the two came together to make your June bill probably one of the highest you have ever paid. No amount of explanation is going to make paying a high bill palatable, but I want you to know the facts.

The fact that you bought more kWhs in June is the result of the weather we are experiencing. We have had a very hot, dry summer thus far. As a result, your electric bill is showing the effect. Even if the PCA factor had not gone up, your June bill would have been high simply because you used more. This is the one component you have control over, the one component you can do something about. You can conserve. Turn off unnecessary lights, set your thermostat to 80 degrees, insulate and weatherize your home, and in general use less. None of us like to be inconvenienced, but these measures will reduce your electric bill.

The PCA factor is, unfortunately, out of your control—and at this point, it is out of my control. Market forces are wreaking havoc with the price of wholesale electric energy. Elements of these market forces have pushed the balancing energy prices to record highs. The board of directors, in an effort to minimize the impact on our members, allowed RGEC to absorb some \$1.8 million in wholesale power costs. This is money that will have to be collected, but will be spread out over time, so that you don't feel the full brunt of the cost.

The first problem in the market is exponentially higher congestion costs. Congestion costs result when too many kWhs are trying to be pushed down too small a conductor. It will help if you think of the transmission grid, which carries bulk energy to various corners of the state, as an interstate highway. Most interstate highways have two lanes in each direction. No matter how hard you try, only a certain number of vehicles can travel those lanes at one time. Congestion on the highway results when you try to move too many vehicles at once. The same is true with the transmission grid. Too many kWhs going down the line at once causes congestion. Dealing with congestion raises prices.

So you might ask, "What is causing the congestion all of the sudden?" The answer is wind generation. Wind generation has come on line so rapidly that the transmission grid (interstate highway system) has not kept pace. As a result, there is congestion that must be managed by the market, and that management causes costs to go up. The State of Texas now has more wind generation than any other state in the union. In fact, our wind generation is now more than double that of the next closest state, California.

You might say, "Dan, I understand your explanation, but I still don't like it". Well my friend, you're preaching to the choir—I don't like it either. I wish congestion cost what it cost last year—less than a dollar per mega-watt-hour, instead of \$35, which is what it was in June. Please be assured that the board of directors and the employees here at the Cooperative are doing everything possible to mitigate the impact of what is happening in the market place. We are all in this together; we are all paying the same amount for electric energy, so don't hesitate to call and ask follow up questions or express concerns.

We have done a good job of holding the cost of energy as low as possible. You have experienced only two rate increases in the last 23 years. The two added together were less than ten percent. Nothing you buy has gone up that little during the same period. I am proud of this fact because it clearly demonstrates our commitment to keep costs as low as possible. We are all going to go through a rocky time, but we will come through this and things will return to normal. I appreciate your patience with us as we make the necessary adjustments.