



Rio Grande Electric Cooperative, Inc.

UP DATE



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A Message From The General Manager/CEO

By Daniel G. Laws

“We are currently preparing a new Construction Work Plan with a dollar value of 11.5 million.”

Since interest rates have been so low, we have aggressively pursued pole replacement and system improvement projects over the last three years. Most of this work was paid for with loan funds. The cost of Rio Grande’s recently completed Construction Work Plan was \$5.3 million. All of these loan funds were drawn down at an effective interest rate of just under 5%. This money was borrowed from the Federal Finance Bank and was guaranteed by the Rural Utilities Service (RUS), formerly REA.

With more than 9,000 miles of line scattered over 27,000 square miles of Texas, Rio Grande is a very capital-intensive enterprise. And the more reliable we make the system, the more it costs. The more system reliability costs, the more we must borrow loan funds to make the necessary system improvements. The more money we borrow, the more we have to collect through rates in order to repay debt and pay interest on debt. And the vicious cycle goes round and round.

Needless to say, these three issues are at the heart of all our planning. Balancing your need for reliability against the cost of system improvements and against what you can afford to pay for electric energy is a daunting task, to say the least. In the end, there is only one source of money—that source is you. If money were no object, we would happily double the number of feeders, replace every pole, greatly increase the number of employees to provide service, and add a full-blown supervisory control and data acquisition system. But the only money the Cooperative has is yours, and it must be managed carefully, because there is a limit to what you can afford to pay for electric energy.

We are currently preparing a new Construction Work Plan with a dollar value of \$11.5 million. If approved by the Board this month, it will be the largest work plan ever approved at Rio Grande, to my knowledge. Each project has been gone over with a fine tooth comb to insure that it is necessary, and any project that didn’t meet the necessity test has been removed. We will work hard to hold down costs while completing the projects included in the work plan.

On a personal note, it is at least ironic that having written about the contributions of past and present directors last month, that I would be attending the funeral of one of those past pioneers this month. Bit Terry, who passed away on January 7, 2005, served the membership for more than twenty years as a director, most of those years as Board President.

I never had the privilege of working with Bit and can’t say I knew him personally. He and I shared only three or so conversations over the years, but all of them were about the Cooperative. His interest and love for the Cooperative was obvious. I have had many employees tell me how much they appreciated his leadership, and I am happy to tell you that he was very much a part of the reason that Rio Grande is your **“Home Team Advantage”**.