



Rio Grande Electric Cooperative

UP DATE

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Daniel G. Laws

A Message From The General Manager/CEO

With electric utility deregulation on the near horizon, there are many things to consider. First and foremost is the impact that deregulation has had in California. With the seventh largest economy in the world, what has happened in California is taking its toll across the nation. On par with the catastrophe electric deregulation has caused in California, is the significant increase in natural gas prices. I am sure it does not surprise you that the increase in natural gas price has worsened the situation in California.

Take heart, we are told that Texas is not California and that we have done deregulation right! I hope that is so, but even if there are safeguards that prevent what happened in California from happening here, what about unanticipated issues? The electric utility industry has operated the way it is today for most of this century. When we begin to dismantle and reassemble such a complex industry, is it really likely that we will not create problems that will take years to sort out?

You may find it interesting that Arkansas and Oklahoma have already passed laws setting deregulation off for some number of years, and that New Mexico is on the verge of passing similar legislation. The pending measure in New Mexico, Senate Bill 266, passed the Senate by a vote of 39-0! New Mexico was set to begin deregulation on January 1, 2002, the same date as Texas. If Senate Bill 266 is successful, deregulation will be stalled for five years.

Is deregulation good or bad? I don't know for sure — no one does. Most likely it will be good *and* bad! What I mean is some will benefit and they will say it is good; some will be harmed and they will say it is bad. The dividing line will likely fall between urban areas and rural areas, and between large industrial customers and residential users. Urban centers may say it is good, because there are lots of customers to be reached for the advertising dollars invested, so they will find themselves being courted by electric energy marketers. Rural agricultural communities may find that it is bad because they will likely be overlooked due to the fact that marketing will be more costly — and for each dollar spent by marketers, fewer consumers will be reached.

Remember that in a free market, two elements must exist — your ability to choose, and a supplier that is willing to choose you. There is no value in having an open market if there is no one who will do business with you. A couple of good things did come out of Texas' deregulation legislation. One was the removal of Public Utility Commission oversight for most of the cooperatives' business. The other is a provision that allows cooperatives to choose whether their consumers will be exposed to the market place.

Rio Grande has joined forces with several other cooperatives that, like us, have chosen to wait and see how the market develops before you are exposed to risk. We call ourselves the *Smart Choice Coops*. You can get additional information about deregulation at www.smartchoicecoops.com and about the electric cooperatives that support making the smart choice. I think you can safely say that the smart choice is

“Your Home Team Advantage”.

ANATOMY OF AN ELECTRIC BILL

The three parts of your electric bill are generation, transmission and distribution. Electric deregulation could change how power generation will be bought and sold. It does not change how power will be transmitted or distributed.

GENERATION is the actual production of electric power, whether by hydroelectric dams, coal or natural gas fired plants, nuclear power plants, wind turbines, solar cells or other means. Most power in West Texas is produced by natural gas, coal and oil.

TRANSMISSION is the process of moving power from the point of generation (a power plant, for instance) to the point of distribution (called a substation). This is done by high-voltage transmission lines carrying huge amounts of electricity, sometimes as much as 400,000 volts. Compared to the millions of miles of distribution lines, transmission lines are relatively short.

DISTRIBUTION is the process of getting power to the consumer. This is the network of lines that connects the transmission delivery point (such as a substation) to homes, stores, offices, factories - anyone that buys retail electricity.

