



"Owned By Those We Serve"

Rio Grande Electric Cooperative, Inc.

UP DATE

April 2002



A Message From The General Manager/CEO

By Daniel G. Laws

Marking progress is sometimes a difficult undertaking. I spend much of my time looking forward and all I see is what is still undone. It is hard for me to think about what we have accomplished when I know there is much more to do. However, each year at this time, we pause to look back over our collective shoulders and report to you what we have accomplished on your behalf. In the pages that follow, you will hear directly from the management staff here at the Cooperative regarding the successes of 2001.

Technological advancements come down the pike everyday and the positive effect they could have on the system you depend on would, perhaps, be remarkable—but there are so many. Which ones will provide a benefit that justifies the investment? Which of these modern day wonders will work uniformly across the largest cooperative service territory in the country? These are questions we ask ourselves as we endeavor to make good choices about where and how the resources you contribute to the cooperative are spent. These are the questions we asked to arrive at the decision to install the Turtle meter system. As you read about the system in this annual report, I think you will be pleased with the decision that was made.

Diversification was the mantra for the last decade flowing from our national and statewide associations. Much of that message was driven by financial rating institutions and their belief that electric cooperatives, in order to remain strong contenders in the bond market, should offer a more diversified portfolio of services. Many cooperatives, in answer to that call, began offering all kinds of value added services. But diversification has had limited success for many. Here at Rio Grande ECI, as we wrestled with the obvious questions of what to offer and how much to invest, we settled on becoming an Internet Service Provider (ISP). Accordingly, RioNet was born in 2000 and grew substantially in 2001, when Rio Grande ECI acquired the assets and customers of one of its competitors. RioNet now offers service from Laredo to Comstock along the Rio Grande River. We have melded your need for a reliable ISP with the Cooperative's need for 24-hour dispatch and established an office in Uvalde to handle both functions.

Financial gains were made in 2001. Our system grew significantly and we set several new highs, statistically speaking. Most notable, in terms of growth, is the fact that the irrigation class reached the goal we had established three years ago, by purchasing a little more than 18,000,000 kWhs. In three short years, we have doubled sales to this class of service. In so doing, we have clearly demonstrated our commitment to agriculture. This phenomenal growth came as a result of an experimental rate that allowed the cooperative to be more competitive with other energy sources like natural gas and diesel. In addition, we topped \$17 million dollars in revenue for the first time in the Cooperative's 57-year history. 2001 strengthened the Cooperative's financial standing and goes in the record book as one of our best years.

In many respects, the only thing that matters is whether the lights came on most of the time when you flipped the switch in 2001. If they did, then perhaps you can agree that 2001 was a good year. However, to simply make our evaluation on that one critical criteria fails to recognize all that happens behind that switch so it will work. The reports contained in these pages will give you a behind the scenes glimpse into the Cooperative. You catch a sense of some of planning and development required to make your switch work. You may, in the final analysis, question our intellect, but I would hope you would never find reason to question our commitment to you, the owner. Our workforce is made up of some of the most dedicated personnel that I have ever had the privilege of working with. In a very real sense, they are your "Home Team Advantage".

2001 Annual Report

