

INSIDE THIS ISSUE:

- Director Recognized.....1
- Texas Power Reserves.....2
- Assistant CEO Column.....6
- Holiday Lighting Costs.....8

INDEPENDENT CONTRACTOR LOCATIONS

Independent contractors are routinely employed by United as an aid in line construction projects. The following list of current contractors, is provided for member convenience.

Contractor Company Name:

Quality Pole Inspection & Maintenance (QPI&M)

• **Project Name:**

Pole Inspection

Location:

New Hope/Goat Neck

Contractor Company Name:

Blackwell Electric

• **Project Name:**

Line Conversion

Location:

West of Bluff Dale

• **Project Name:**

Line Conversion

Location:

Between Godley & Bono

• **Project Name:**

Hwy 144 Line relocation

Pole Change-Out

Location:

South of Granbury

Lilian

Contractor Company Name:

South Win Inc.

• **Project Name:**

Voltage Conversion

Location:

North of Stephenville

• **Project Name:**

Line Conversion

Location:

Between Lillian and Mansfield

SERVICE BENCHMARK



25 YEARS — United director Clifford Deal, right, was recently recognized by United Cooperative Board of Directors President, Jack McCaslin, for 25 years of service to the cooperative board. Mr. Deal, who represents United's District 5 in eastern Johnson County (Alvarado and Grandview), has served as director since 1981. He has lived in the Happy Hill community near Alvarado since early childhood. Mr. Deal was employed by Western Electric Company for 30 years, with two years spent in the U.S. Army. During this time, he also operated dairy farms in Johnson and Bosque Counties. In 1998, he sold the dairy cows and developed Cliffwood Estates on a portion of his farm in Johnson County. He formerly owned and operated Union Hill Sand and Gravel in Bosque County. Mr. Deal has previously served on the boards of Brazos Electric Cooperative, Texas Agricultural Cooperative Council, ACRE/Rural Friends, Associated Milk Producers, Inc., and Johnson County Farm Bureau. He has also served on the Bosque River Advisory Committee and the District 58 Agricultural Advisory Committee.



Wishing you
the best
of the
holiday season.



— By Mauri Montgomery —

Dottie Roark may have finally found her perfect job, the one that promises ceaseless challenges, is never routine. She first plied her talents as newspaper beat reporter in South Texas. She tried a public relations career in Houston where she helped promote education and healthcare and she even taught English and Journalism for four years, too. Still, those forays weren't quite right—she was still looking for a proper fit.

But when she followed her husband to Austin three years ago, she spotted a classified employment ad that stood out from the rest—not so much for its graphic design, but rather for the ad's job description and the curiously bland acronym that was advertising the employment opportunity.

At the time, Roark wasn't immediately familiar with the acronym or the industry this acronym was chartered to monitor. But she learned soon enough that the Electric Reliability Council of Texas was the clearinghouse for almost every electric transaction in the state. From generation to transmission, from transmission to distribution and from distribution to the consumer, ERCOT is the traffic controller for 85 percent of the state's daily electric loads, which are pushed by 550 generation plants and pulled through 38,000 miles of transmission line.

ERCOT was formed in 1970 as a regional council supporting the North American Electric Reliability Council (NERC). Since then, ERCOT has evolved into an

Independent System Operator (ISO) to satisfy the requirements of the Public Utility Commission of Texas (PUCT) for deregulating the wholesale electric power market in Texas. As such, ERCOT was assigned four primary responsibilities: to ensure open access to transmission and distribution systems; to ensure reliability of the electric supply; to ensure timely conveyance of information needed to support customer choice (retail market registration and switching); and to ensure accurate accounting for electricity production and delivery (wholesale market settlement). Oversight of the organization flows from the Texas Legislature to the PUCT, and then to the ERCOT Board of Directors who, in turn, govern ERCOT's technical advisory committee.

The council is one of nine North American ISOs that serve 67 percent of the nation's population. All have a mandate to ensure reliability across their particular grids, but the similarities often end there because each has its own unique operational footprint. ERCOT, for example, is separated electrically from the rest of North America because it has no interstate interconnection beyond three direct current (DC) transmission ties that draw additional wholesale power from adjacent states. Essentially, this means Texas is insulated from the federal regulatory control normally associated with interstate power transmission and generation. However, it also means the state is generally left to its own devices for maintaining adequate power supply.

In 1999, under Senate Bill 7 in the 76th Legislature, the Texas electric market was restructured. The law unbundled vertical investor-owned utilities and created retail customer choice across the ERCOT grid—essentially

Please see **POWER, PAGE 4**

• PLEASE DON'T SHOOT THE MESSENGER •

ERCOT SOUNDS ALARM ON TEXAS GRID'S FUTURE RELIABILITY



DOTTIE ROARK
ERCOT COMMUNICATIONS MANAGER

“When our system planning folks released our last annual capacity, demand and reserves report (Our Bible) we were for the first time ever sounding an alarm that Texas could be in serious trouble by 2008 as far as reserve capacity goes.”

POWER

continued from **PAGE 3**

marking the beginning of a deregulated electric market that will fully mature Jan. 1, 2007 when the interim “Price To Beat” rate cap structure evaporates and freewheels into unbridled market driven prices.

One of the signature changes in ERCOT’s previous responsibilities, deregulation immediately presented new challenges associated with taking a price-regulated power market to a blended market. ERCOT’s labor force increased from 150 employees to 550 to meet increased market traffic and the organization expanded from one control center to two—the primary center in Taylor and the redundant center in Austin where Roark is stationed.

It’s a busy outfit.

“We have cleared more than 40,000 switched transactions per month and more than 9,000 move-ins per day. We’ve had almost 10 million retail transactions since the market opened,” Roark said.

As ERCOT’s Communications Manager, Roark now holds a job that has taken her back to the roots of her career portfolio: as a writer, an educator and a public relations representative. All the different hats have rolled into one.

“I guess the one thing I wasn’t expecting when I accepted this job was that it would be more than I had wished for. This job *has never* run out of challenges,” she said. “The Texas electric market has been going through some upheaval lately. The industry has always had its share of changes, but they’re cropping up with greater frequency today. And our role in the process is changing because of new laws being handed down from the legislature. I try to provide relevant information about those changes to the media, or anyone else who cares to listen.”

She hasn’t had a great deal of good news to share lately about the state’s projected energy stability.

Deregulation of the market, coupled with the additional pressures of higher demand and shortages of generating capacity, has created a new wave of uncertainty about market stability—concerns that have finally come home to roost for state legislators and industry leaders.

The widening margin between available power supply and power demand in Texas is projected by ERCOT to drop below levels needed to ensure reliability—a capacity reserve of five percent or less within the next to years.

The implications of such a deficiency were first realized on April 17 when 20 percent of the state’s generation was shut down for planned maintenance and coincided with an unseasonable heat wave. The net effect was rolling blackouts throughout the state. And if not for immediate load curtailment across the grid, the event could have cascaded into an extended outage. And the system has had some additional blinks since then that have heightened concerns for the state’s stressed electric infrastructure—namely, record demand peaks that have nudged the system’s critical mass.

Roark said her biggest challenge as an ERCOT communicator will be finding ways to get out the ERCOT message.

“When our system planning folks released our last annual capacity, demand and reserves report (Our Bible) we were for the first time ever sounding an alarm

that Texas could be in serious trouble by 2008 as far as reserve capacity goes,” said Roark. “A few articles appeared here and there, but the media didn’t really pick up on it. I don’t know if we were too low key, or whether it was the timing, but it didn’t really make a very big splash until NERC released its reliability report in Washington, D.C. and singled out Texas as one of the two areas in the nation that were going to be in trouble.”

Texas had a reserve margin capacity of 30 percent three years ago due to new generation capacity that was going online immediately after a newly deregulated market opened its doors for business. But deregulation, beyond offering consumer choice, brought new pricing indexes that made profitability more difficult for some of the state’s aging generation plants: they were mothballed. Retirement of the less efficient and older generation facilities, along with increased demand and rising costs in natural gas, has now spurred the critical need to find new generation and transmission providers.

Roark said the ERCOT’s target reserve margin



TRAFFIC CONTROLLER — An ERCOT system control worker monitors energy traffic.

(minimum) should be 12.5 percent and its long-range forecast predicts a margin of only 11.4 percent. She also said that while ERCOT has three alternate scenarios that reveal different results, those scenarios are based on many unknowns and can't be included in the reliability forecast until they are clearly going to be developed. Some of those considerations are: whether mothballed generation plants will come back online; whether TXU will receive approval for its plans to build new coal-fired generation plants; or whether renewable energy such as wind and solar can make any additional contributions to our generation capacity.

"ERCOT is only a facilitator in the process, PUCT makes the decisions," Roark said. "We can make recommendations to the PUCT

when asked, but we're not the policy-making body. The issues we are facing today are naturally a part of the political football that gets tossed around, but where we wind up still depends, to an extent, on the

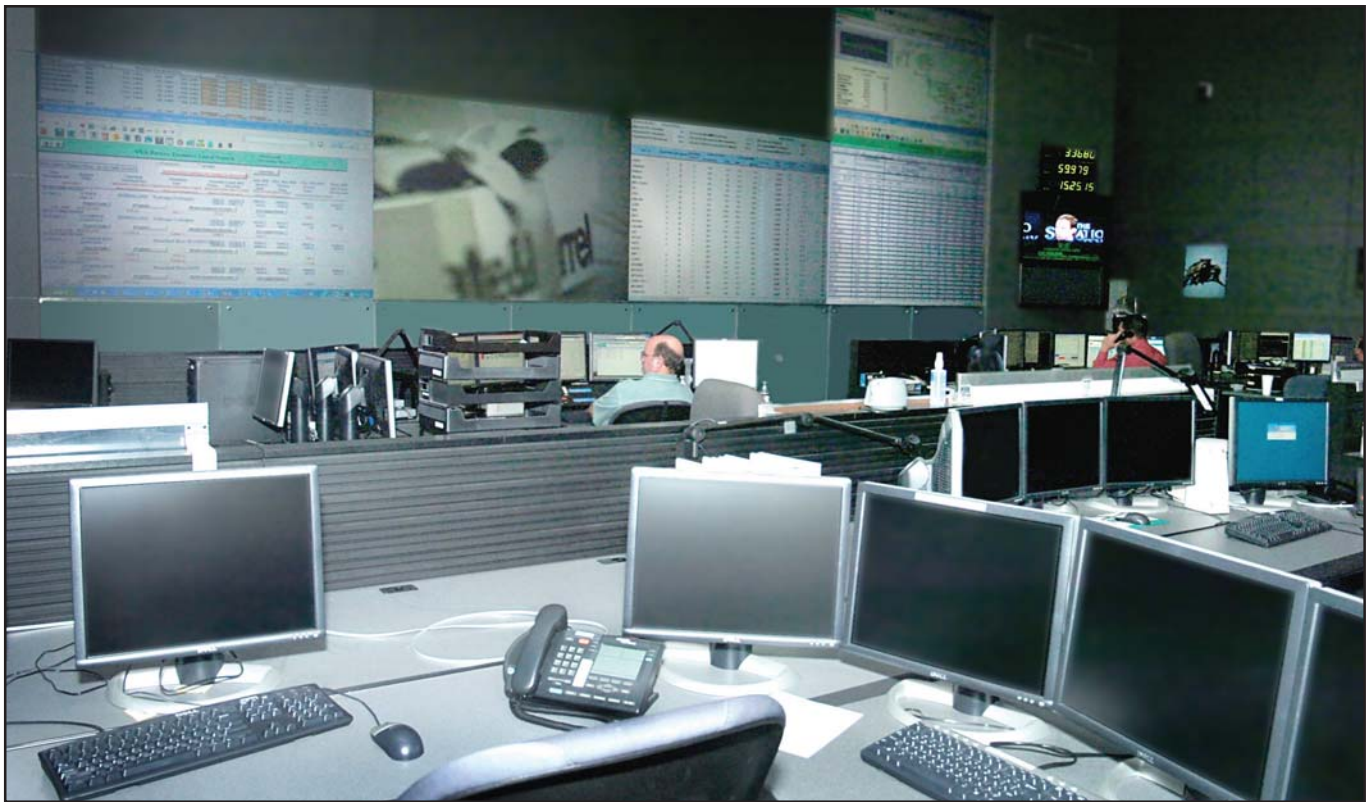
public. If the public decided tomorrow, 'You know what, we don't want any more coal-fired generation plants and we will all agree to either shut off our airconditioners or pay higher prices,' then that would be one significant solution to our problem."

Given today's news, Roark understandably never misses an opportunity to emphasize one of her most salient points about the state of Texas' electric market and her role in reporting its condition. She knows memories are often short, but she tries very hard to remind everyone that she and ERCOT *are only the messengers.*



BLOOD PRESSURE—An ERCOT power readout (top row) shows demand on a Thursday afternoon.

Babysitting the Texas Grid



AUSTIN WAR ROOM — One of two identical cavernous dens that serve as ERCOT control centers, where the bulk of the state's electricity usage is monitored all day, every day.

Soaring with the eagles

■ Stephenville Engineering Technician III, Clay Christian recently had the opportunity to see how the other half of United’s operation works after being chosen as the Assistant CEO of the Week. Employees who are members of ACRE/Rural Friends (the cooperative’s grassroots political action committee) are eligible to receive the distinction. **Two employees are selected to the honorary post each year and Christian was the second.**

— By CLAY CHRISTIAN —

“Hummm, let’s see...let me look into my crystal ball.”

I’ve uttered the above statement more than once to the billing department when they ask about an account that reflects either dramatic declines, or increased usage—wanting me to tell them why that might be.

Most of the time, I just don’t have all the information I need to determine the cause. Sometime the puzzle is easily solved, but on occasion I have to do some inten-

sive investigative work to find the answer.

Until my stint as Assistant CEO of the Week, I would never have imagined how this article’s opening statement could have applied to United’s General Manager, Ray Beavers, and to the United Board of Directors. They not only have to carry on the here and now business at hand, but they also have to possess the foresight and vision to make good decisions for the future.

Prior to the board meeting, my first item of business was to meet with Cameron Smallwood, United Vice President of Planning. Since he supervises the meter department in which I work, we share some common ground. It’s always good to be able to discuss goals and visions for our department and how they actually tie into the overall big picture. We had a little Philosophy 101 and discussed issues relating to our work direction and the impending hurdles our department and the entire co-op will face. These discussions became even more pertinent for me as the week progressed.

Next it was off to Ray’s office. He reviewed the agenda for the director’s meeting I would be attending



LEARNING FROM THE BEST — Clay Christian, right, looks over the shoulder of United engineer, Quentin Howard.

later that day. As the board members arrived, I was introduced to each and every one. At the time, I'm thinking that we will have a short meeting and then a long lunch at a nice restaurant. WRONG! The meeting lasted four hours and sandwiches were the special of the day. By then, I'm starting to think I may have overestimated this CEO deal—maybe the life of CEO isn't that glamorous after all.

During the board meeting, I began to better understand the planning and preparation that is made for meetings and I was impressed by the interaction between the staff and board members regarding future work and issues that will affect the membership. But I also recognized the interest each board member had for seeing that United succeed in every endeavor and the investment they each make in traveling to a variety of meetings and educating themselves about the business of the co-op. These board members often have to drive for hours to get to a meeting location. They stay overnight away from their loved ones and daily duties, only then to sit for hours listening to discussions so they can report pertinent information to the other board members. Gathering that information is very valuable to the co-op's planning. All of this isn't an easy row to hoe. I gained great respect for the United board.

I was up with the chickens Tuesday so I could get to Cleburne and rendezvous with Ray and Cameron. We were heading to Waco for a Brazos board meeting. On the way to Waco, Ray & Cameron filled me in on what the topics were for the day, but even with the advance overview I was scrambling to understand all of what was being said. One committee after another convened and gave reports. Ray would intervene from time-to-time to offer his thoughts and opinions—each time his comments seemed to bring some additional considerations to the decisions that were being made. It also seemed to me that some of the co-ops were satisfied with taking a business as usual approach, while others clearly had a better view of the future and the perils of deregulation and of deficit generation. There's an astonishing amount of legal wrangling that takes place in order to receive approval to build a generation plant. And that doesn't count the number of years to actually build one.

It's a great feeling to be at one of these meetings with Ray and Cameron, who not only understand many of the issues, but lead the way because of their knowledge and foresight. On the way back to United at the end of the day they were still discussing all that transpired that day while I sat pondering the event with a slight headache from information overload. Oh, and I forgot to mention that one of our board members was there on one of the committees. I don't know how they do it week after week.

My third day as an assistant CEO in was spent with

Lynn Godfrey, United CFO; Barry McWilliams, United COO and Danny Nichols, United Vice President of Operations.

Lynn discussed the measures we take at the co-op to carry on the financial end of the business. Lynn continually analyzes market and financial models and strategies and makes recommendations to the board based on that analysis. Much of his analysis is based on trends and long-range forecasts of both the national and world economies. The recommendations he makes today may save the co-op thousands, if not millions, of dollars in the future.

I rode with Barry and Danny around the eastern edge of our system. This area is growing phenomenally. There was a time not so long ago that a new substation were incorporated into our system about once every four years. Due to system growth, the rate is now more like four in one year. Barry pointed to dual certified areas within our service territory where a highway or street was the only separation between United distribution lines and another competing power company. In many instances, the two competing distribution systems crisscross each other from one side of the road to the other. What a maze. Danny related that he was once able to keep up with all the lines and new connections, as well as how and where they were installed, so he could direct linemen to them when there was a problem. He said he wouldn't be able to do that today because of all of the system growth.

My last day as an assistant CEO was spent in the Stephenville office with Quentin Howard, Vice President of System Engineering; Jake Brooks, Area Manager and Robert Sherman, Plant/Facilities Manager. Quentin showed me how he kept up with the employees' time in his department and how to chart and benchmark that time against the completion goals for a given project.

Jake and I went over the many different aspects of customer billing and service. We also discussed energy audits, energy conservation, and the many different building materials and methods United encourages its membership to consider as a proactive cost-saving measure.

The last stop was with Robert Sherman and he explained how difficult material purchasing has become because of the lack of available supply and the increasing purchasing lead times to acquire necessary material. Global demand for material makes purchasing a critical component in the United's overall work strategy. In review of my week as an honorary assistant CEO, it is abundantly clear to me that United's board members and staff have the uncanny ability to look down the road and make decisions that continue to ensure our existence for the future arrives. "Hmmm...now where did I put that crystal ball?"



Making Spirits Bright!

In a bid to outdo his neighbors in *National Lampoon's "Christmas Vacation,"* Clark W. Griswold installs 25,000 Christmas lights on his home at great risk of personal injury. If you saw the movie, you may recall that when Griswold's wife finally manages to find out why the entire string refuses to illuminate (not plugged in), the lights create a blinding nighttime display. The electric service meter spins and smokes, the neighborhood street lights dim and someone off-site throws a lever for more generation at the local utility!

For many of us, that scene may hit pretty close to home, but a consideration for the type of lights you may soon be stringing around the house can make a big difference in your holiday energy costs.

Three of the most common lighting types are:

Conventional Incandescent

- Usually C-7s or C-9s (watts). A strand having 100 blubs would equal 700 watts, and they get hot!

LED (Light Emitting Diodes)

- Energy Saving — up to 95% more energy efficient than incandescent bulbs, and can be connected end-to-end up to 1/2 mile and plugged into only one electric outlet.

Mini-Lights and Rice Lights

- Use 50 watts per string of 100

SAVINGS EXAMPLE:

- 600 C-7 Lights.....\$31.30
- 600 Mini-Lights.....\$6.00
- 600 LED Lights.....\$.45

**AN ENERGY SAVINGS OF \$30.85
BETWEEN THE LESS EFFICIENT
INCANDESCENT LIGHTS TO THE
MORE FRUGAL LED LIGHTS!**

*Costs based on 30-day usage,
6 hrs/day @ \$0.12/kWh

**HAVE A SAFE
AND
WONDERFUL HOLIDAY!**

**CHRISTMAS LIGHTING
SAFETY TIPS:**

- Inspect Christmas lights for fraying/exposed wire.
- Keep extension cords and connectors away from water.
- Replace bulbs with proper size/wattage.
- Turn off lights when sleeping or away from home.
- Use indoor lights only indoors.