



Weathering the **STORM**



■ United work crews respond to inclement weather



PICKING UP THE PIECES—Power lines are strung like Christmas tree glitter within the branches of massive oak trees that suffered damage from a suspected tornado along FM 916 near Rio Vista.

CLEBURNE — A line of extreme and unseasonable thunderstorms rolling northeasterly across North Texas during the afternoon of Dec. 29 may have spawned one or more F2 class tornados that damaged several cooperative service areas and left about 4,500 United Cooperative Services members in western Erath county and portions of Johnson county without power for varying lengths of time that evening and throughout the next morning.

Tornados and high winds—reportedly gusting in excess of 60 mph in some areas—either directly or indirectly contributed to power losses and structural damage across the region.

Twenty United line crews, many of

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SEVERE DEVASTATION



NATURE'S TEMPEST—This front porch and stoop were the only recognizable features left from the mobile home that once rested on this spot after a twister brought a frightful year-end for one family, and uncertainty for the prospect of a Happy New Year.

“ Our hearts go out to everyone who lost property during this storm, but we’re especially thankful no one appeared to have been critically injured as a result of it.”

RAY BEAVERS
United CEO/General Manager

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whom were on vacation, responded immediately to reported outages and worked through the night to restore power in extreme weather conditions.

The majority of outages were concentrated in the Carlton area near Stephenville and the Rio Vista and Sand Flat areas near Cleburne.

One twister leveled more than 20 homes along FM 916 near Rio Vista, while 75 more sustained significant damage. Eight power poles and several spans of primary service line were also ripped out and strewn across the countryside.

An outage to a high-voltage transmission line operated by Brazos Electric Cooperative—a generation and transmission cooperative utility—serving the Carlton Substation in west Erath County, triggered more than half of the reported system outages caused by the storm front, said Murray McCollum, United field operations manager. Broken tree limbs and other airborne debris caused damage to other parts of United’s system.

Ray Beavers, United CEO/general manager, said, “Our hearts go out to everyone who lost property during this storm, but we were especially thankful no one appeared to have been critically injured as a result of it. We take it very personally when folks are thrust into situations like these and we are trying to do what we can to soften the blow.”

In addition to aid provided by United line crews, members who were victims of the storm will be eligible to receive help from Operation Roundup, a special “members helping members” cooperative program, which is designed to provide various forms of emergency aid to members who are facing dire circumstances.

Lineman of the Year

■ Granbury's Robert Rejcek receives coveted service award

Neither snow, nor rain, nor heat, nor gloom of night—the start of this unofficial credo was a nice thought that for years may have been misdirected to the wrong outside employee group.

Being a lineman is a tough, physically demanding job, and the employees who practice the craft daily within the ranks of United Cooperative Services' operations department are—we think—the best and safest in the business.

Granbury journeyman lineman Robert Rejcek was this year selected as the “cream of the crop” and was presented the “Lineman of the Year” award by CEO/General Manager Ray Beavers during United's annual Christmas party, held Dec. 2 at the Fort Worth Stockyards.

Rejcek, who was recognized in September for 20 years of service to the co-op, became the fourth United lineman to receive the coveted award. Previous recipients were: Eddie Nunez, Mike “Frog” Ferguson and Mark Buckner.

Rejcek was hired as a groundman in 1986. In February 2001, he received a commendation from the United Cooperative



BIG HONOR—Robert Rejcek smiles as he accepts the “Lineman of the Year” award from United CEO/General Manager Ray Beavers.

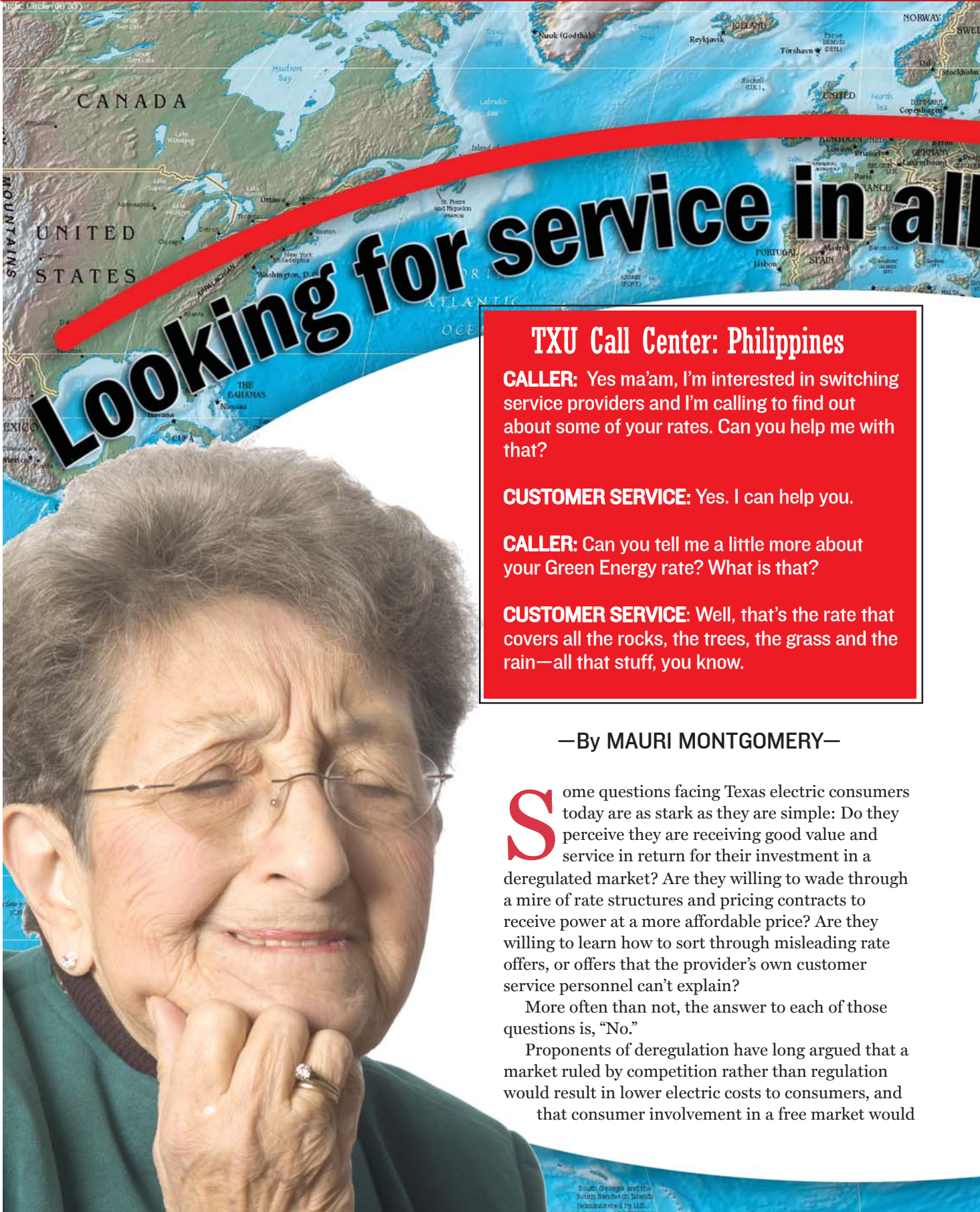
Services Board of Directors for his volunteerism and effort in helping Rusk County Electric Cooperative in East Texas, and People's Electric Cooperative in Ada, Okla.—both ravaged by severe ice storms.

Those who know him best say Rejcek is team-oriented, open-minded to ideas other than his own and that he has always been a role model for incoming operations department personnel.

“It's a great personal pleasure for me to see Robert receive this award. He has demonstrated a work ethic that has become synonymous with our daily goal to provide unparalleled service to our members. And he has shared his

professionalism with members and employees alike,” said Ray Beavers, United CEO/general manager. “The pride he has in doing his job, and doing it well, is reflected every day and we are very fortunate to count him as a key employee in our operations department.”

• Rejcek becomes fourth lineman honored with one of United's highest awards.



Looking for service in all

TXU Call Center: Philippines

CALLER: Yes ma'am, I'm interested in switching service providers and I'm calling to find out about some of your rates. Can you help me with that?

CUSTOMER SERVICE: Yes. I can help you.

CALLER: Can you tell me a little more about your Green Energy rate? What is that?

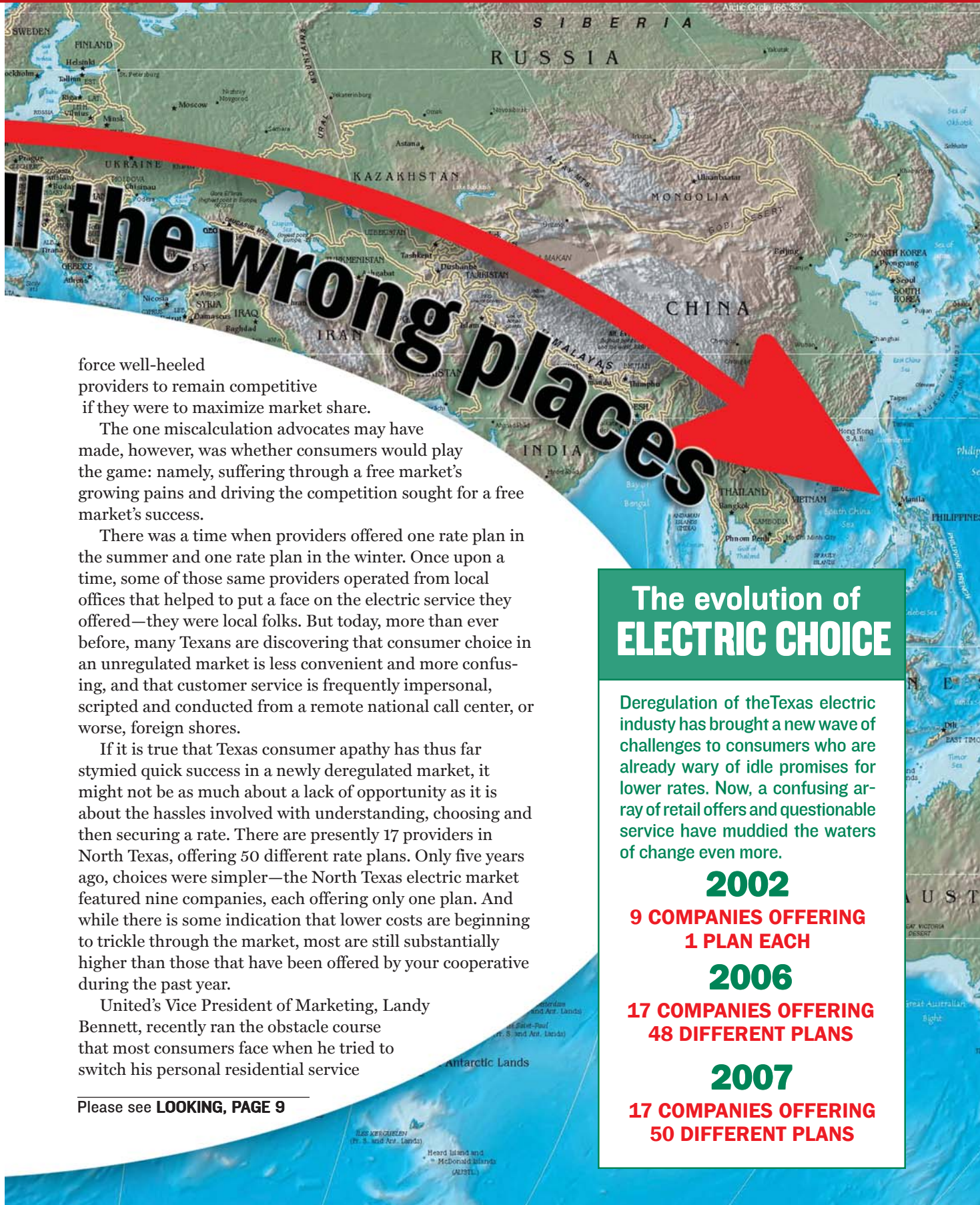
CUSTOMER SERVICE: Well, that's the rate that covers all the rocks, the trees, the grass and the rain—all that stuff, you know.

—By MAURI MONTGOMERY—

Some questions facing Texas electric consumers today are as stark as they are simple: Do they perceive they are receiving good value and service in return for their investment in a deregulated market? Are they willing to wade through a mire of rate structures and pricing contracts to receive power at a more affordable price? Are they willing to learn how to sort through misleading rate offers, or offers that the provider's own customer service personnel can't explain?

More often than not, the answer to each of those questions is, "No."

Proponents of deregulation have long argued that a market ruled by competition rather than regulation would result in lower electric costs to consumers, and that consumer involvement in a free market would



force well-heeled providers to remain competitive if they were to maximize market share.

The one miscalculation advocates may have made, however, was whether consumers would play the game: namely, suffering through a free market's growing pains and driving the competition sought for a free market's success.

There was a time when providers offered one rate plan in the summer and one rate plan in the winter. Once upon a time, some of those same providers operated from local offices that helped to put a face on the electric service they offered—they were local folks. But today, more than ever before, many Texans are discovering that consumer choice in an unregulated market is less convenient and more confusing, and that customer service is frequently impersonal, scripted and conducted from a remote national call center, or worse, foreign shores.

If it is true that Texas consumer apathy has thus far stymied quick success in a newly deregulated market, it might not be as much about a lack of opportunity as it is about the hassles involved with understanding, choosing and then securing a rate. There are presently 17 providers in North Texas, offering 50 different rate plans. Only five years ago, choices were simpler—the North Texas electric market featured nine companies, each offering only one plan. And while there is some indication that lower costs are beginning to trickle through the market, most are still substantially higher than those that have been offered by your cooperative during the past year.

United's Vice President of Marketing, Landy Bennett, recently ran the obstacle course that most consumers face when he tried to switch his personal residential service

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The evolution of ELECTRIC CHOICE

Deregulation of the Texas electric industry has brought a new wave of challenges to consumers who are already wary of idle promises for lower rates. Now, a confusing array of retail offers and questionable service have muddied the waters of change even more.

2002

**9 COMPANIES OFFERING
1 PLAN EACH**

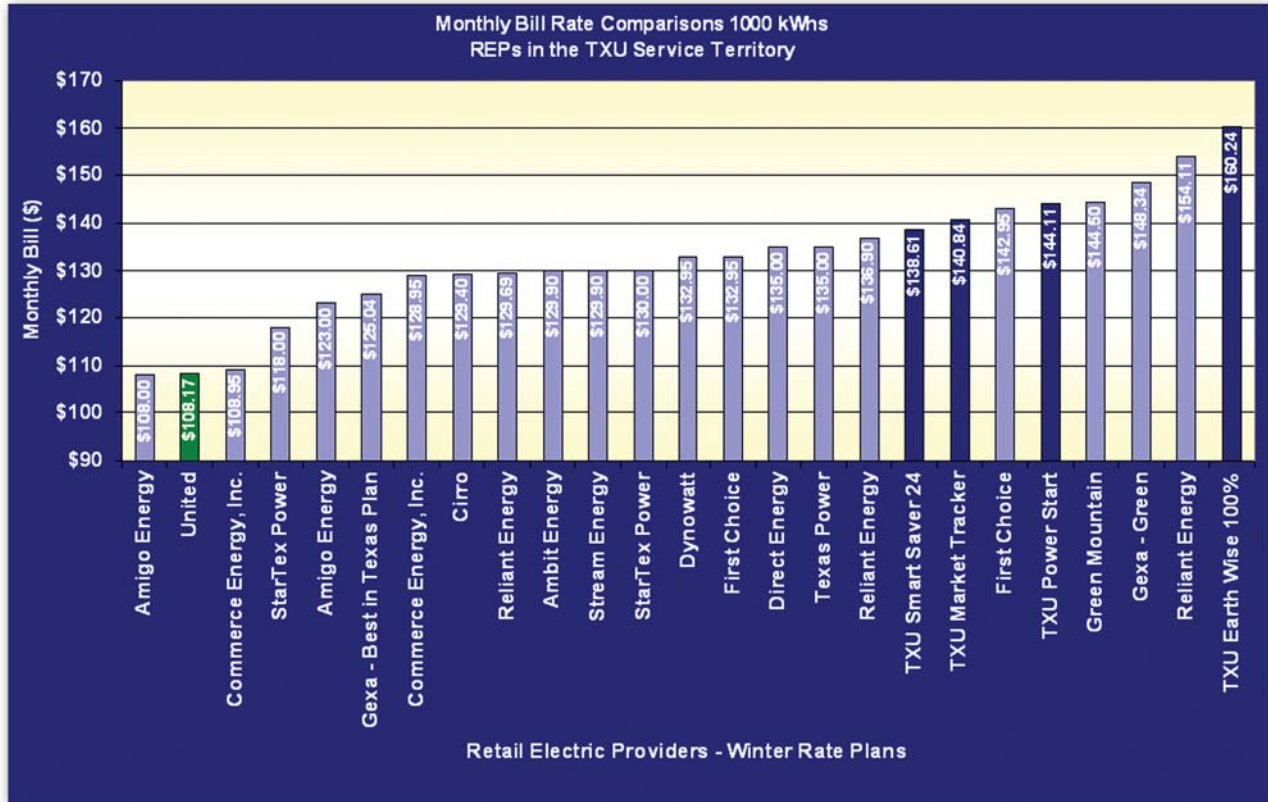
2006

**17 COMPANIES OFFERING
48 DIFFERENT PLANS**

2007

**17 COMPANIES OFFERING
50 DIFFERENT PLANS**

RATE WATCH



HOW WE COMPARE — The rate comparisons shown above represent a small portion of all rates offered in the North Texas utility market for the month of January 2007. A complete comparison may be obtained by going to www.powertochoose.org.



Your Touchstone Energy® Cooperative 

Committed to Youths

■ United will send four high school students to nation's capital to see government in action.

Co-ops should send young people to Washington, D.C., to see what the flag stands for. That was the message delivered by Lyndon B. Johnson 50 years ago in Chicago as he addressed attendees at the annual meeting of the National Rural Electric Cooperative Association. In 1957, Texas electric cooperatives heeded that advice, joining other co-ops from across the country in sponsoring trips to the nation's capital for young students eager to witness government in action. For decades, United Cooperative Services has played a pivotal role in giving dozens of young people such an opportunity.

Known as the Government-In-Action Youth Tour, United will again sponsor a trip to Washington, D.C., for four area high school students. The four students are selected following a special youth tour contest. The objectives of the Youth Tour are three-fold:

- To educate youth on all aspects of rural electrification in order to promote a better understanding of the value of rural electric cooperatives.
- To provide an opportunity for youth to visit monuments, government buildings and cooperative-related organizations in order to become familiar with the historical and political environment of their nation's capital.
- To provide an opportunity for youth to meet elected officials in order to better understand how their federal government works.

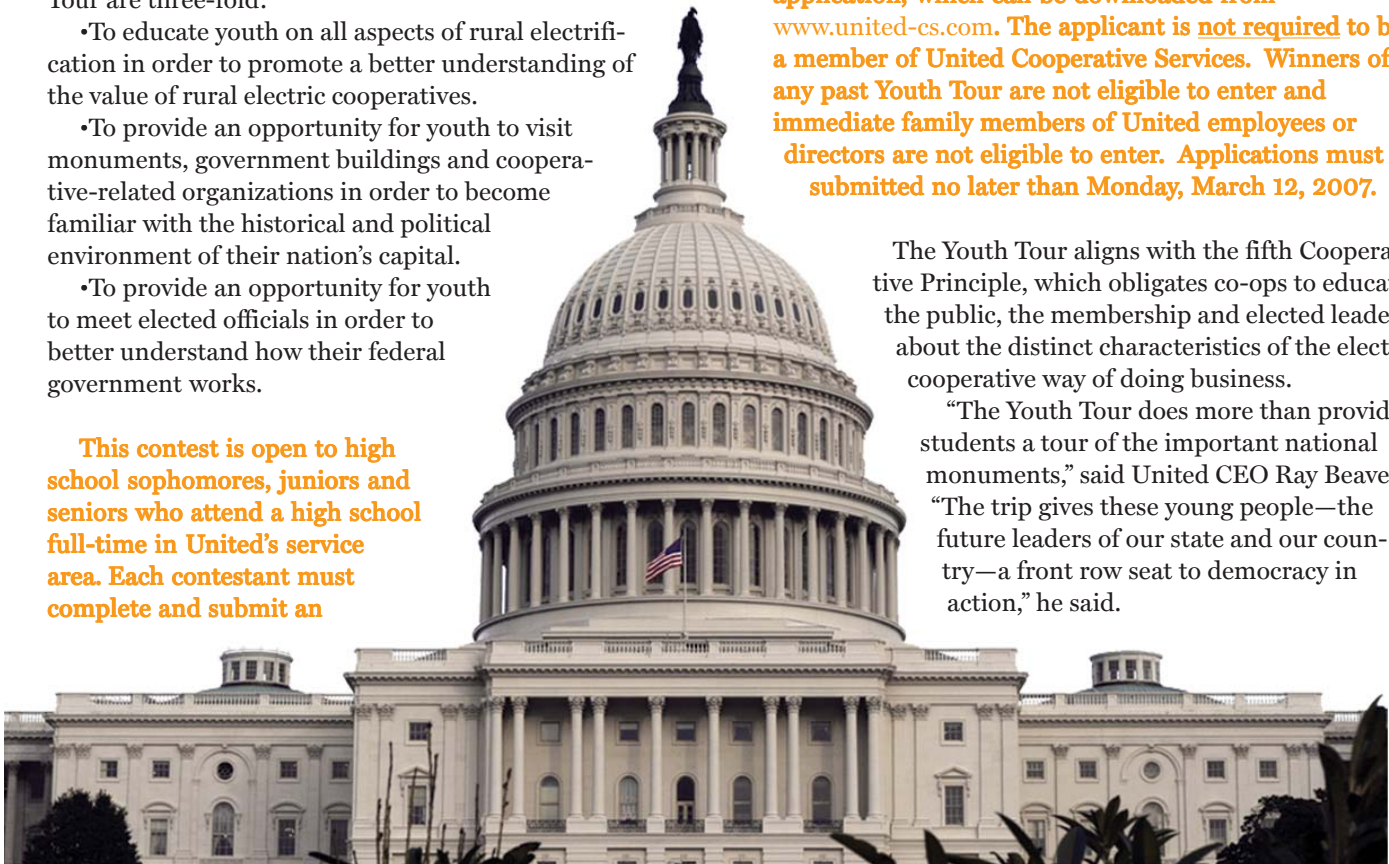
This contest is open to high school sophomores, juniors and seniors who attend a high school full-time in United's service area. Each contestant must complete and submit an



application, which can be downloaded from www.united-cs.com. The applicant is not required to be a member of United Cooperative Services. Winners of any past Youth Tour are not eligible to enter and immediate family members of United employees or directors are not eligible to enter. Applications must be submitted no later than Monday, March 12, 2007.

The Youth Tour aligns with the fifth Cooperative Principle, which obligates co-ops to educate the public, the membership and elected leaders about the distinct characteristics of the electric cooperative way of doing business.

“The Youth Tour does more than provide students a tour of the important national monuments,” said United CEO Ray Beavers. “The trip gives these young people—the future leaders of our state and our country—a front row seat to democracy in action,” he said.



Investing in Your Co-op's Future

As the Texas Legislature convened last month with the promise of addressing a multitude of energy issues (potential capacity shortages, environmental concerns, deregulation, etc.), the employees of United Cooperative Services stepped up to ensure that legislative and regulatory initiatives continue to protect the cooperative way of doing business and the members who benefit from co-op services.

Investing their own money into a bipartisan political action commit-

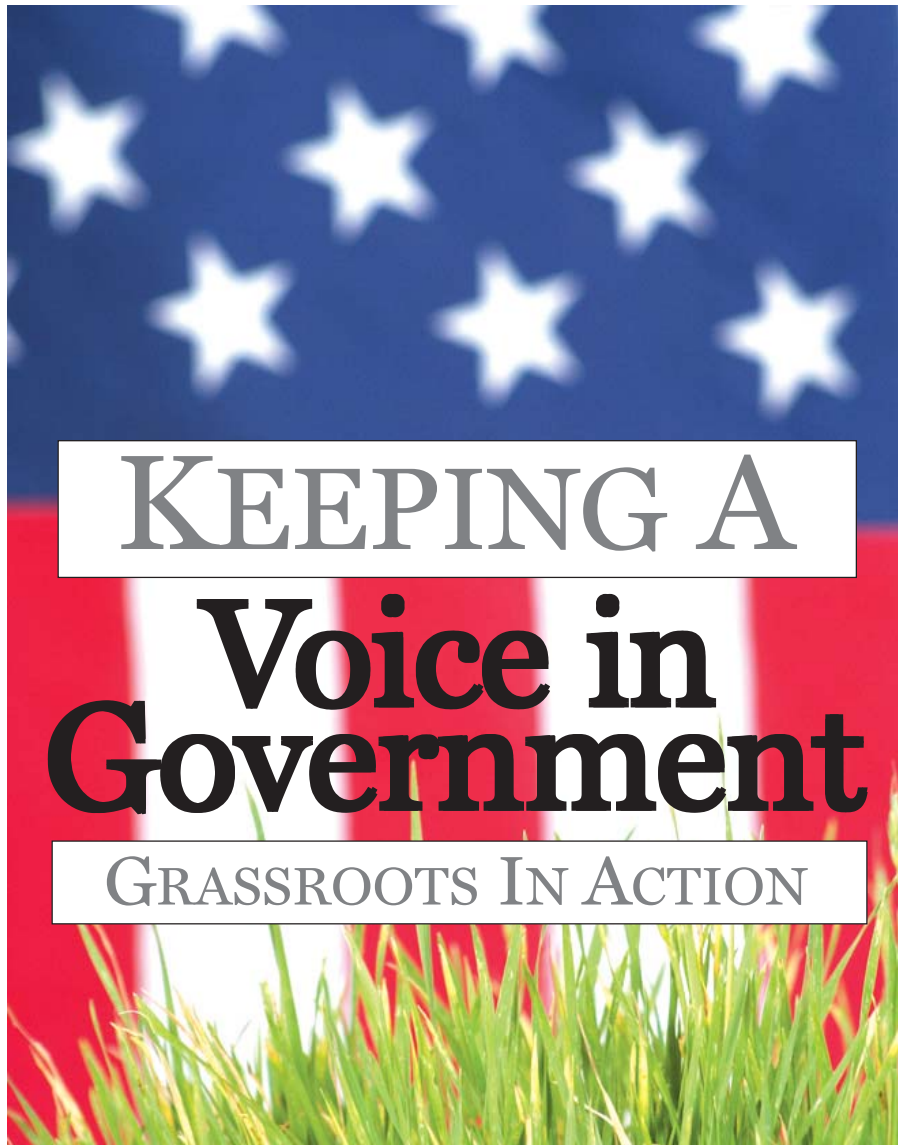
tee—called Rural Friends/ACRE (Action Committee for Rural Electrification)—United employees are making sure that legislators at both the state and federal levels hear about what's important to co-ops and the members they serve. In Texas, both democratic and republican legislators are supported and Rural Friends/ACRE adheres to all state and federal campaign finance laws and reporting requirements. In 2007, United employees have pledged more than \$4,000 of their hard-earned dollars to

Rural Friends/ACRE.

Membership in Rural Friends/ACRE is open to all people with an interest in preserving their local electric co-ops and promoting the progress and growth of co-ops and the communities they serve. As of January 2007, United Cooperative Services has 239 employees, board members, spouses and friends enrolled in the PAC.

"This is a very critical time for the electric industry not only in this country, but more importantly in the state of Texas," said United CEO and General Manager Ray Beavers. "I'm extremely proud of the United Cooperative Services employees for taking it upon themselves to play a role in shaping energy policy that's in the best interest of the members we serve," added Beavers.

More information on Rural Friends/ACRE is accessible at www.united-cs.com.



KEEPING A

**Voice in
Government**

GRASSROOTS IN ACTION

ON YOUR PAYROLL

Legislative Watch

The 80th Session of the Texas Legislature officially opened on January 9, 2007. The deadline for filing bills is March 9, and the session ends on May 28. Governor Rick Perry has until June 17, 2007, to sign or veto bills that the Legislature passes. Any bill not acted upon by then will automatically become law.

You can keep up with proposed legislation at www.capitol.state.tx.us. You can get more information about the Senate and House of Representatives, including audio and video coverage, at www.senate.state.tx.us and www.house.state.tx.us.

Service that
doesn't
exactly inspire
consumer
confidence.



LOOKING

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from TXU to one of the lower rate providers posted on the Internet at www.powertochoose.org. The following are recorded excerpts (including italicized grammatical errors, or peculiar word usage) from one of more than 20 calls that took him shopping in the Philippines, Iowa and Florida, and California, too. His travels were met with conflicting reports, insufferable delays and tiresome elevator music—none of which inspired confidence that a lower rate was worth the grief.

CUSTOMER SERVICE: Thank you for calling TXU Energy. This is Terry. How may I help you please.

CALLER: Yes, this is Landy Bennett in Cleburne, Texas and I was looking over your rates on the Internet and trying to get the differences on the rates you're offering. Can you help me with that?

CUSTOMER SERVICE: Yes sir.

CALLER: Where are you located at Terry?

CUSTOMER SERVICE: We are located in the Philippines, sir. Makati, it's our call office in the Philippines.

CALLER: Do you show a changeover from my TXU account to Commerce Energy? I switched the other day and I just don't know where that change went.

CUSTOMER SERVICE: Uh, no sir. *I am unable to see a Commerce Energy.*

CALLER: Hmm. Okay then, on your available accounts you have the TX Energy Texas Choice Plan that's coming in at 14.5 cents per kilowatt-hour, is that right?

CUSTOMER SERVICE: Yes sir.

CALLER: And the Smart Saver 24...there's just so many plans...what is the rate on that?

CUSTOMER SERVICE: (She is reading from a script without pause) For the Smart Saver 24 plan and an average monthly usage of 1000 kilowatt-hour, your rate would be 14.5 cents per kilowatt-hour, but this plan offers a volumetric discount (no pause) if you were to use 1,500 kilowatt-hour your rate is 13.8 per kilowatt-hour. So, the more electricity you use, the lower rate that you will pay.

CALLER: What about the Sure Value Plan? Can you tell me about that one?

CUSTOMER SERVICE: Okay sir. For that plan sir, huh, *because on my answer sheet* there is only three service plans that we are offering, and for the Sure Value Plan I will be connecting this call to the specialty team where *in* they could advise you *on what are the rates*.

CALLER: So you're only authorized to discuss these three plans? Okay then, can you please transfer me to another call center?

CUSTOMER SERVICE: Sure, one moment sir. Is there anything else I can help you *for* before I connect this call?

CALLER: No ma'am. That's fine, Terry. Thank you for your help.

CUSTOMER SERVICE: Thank you for calling TXU Energy. Have a great day.

More than 10 minutes elapsed before Bennett was prompted to leave a message.

Now, four days later, it appears TXU may never have remembered he was a customer—a customer seeking service.

Conventional electric furnace can't match heat pump efficiency

As the term “pump” implies, a heat pump moves heat from one place to another. In the winter, it moves heat from outside to inside to heat your home. In the summer, it moves heat in the other direction to cool your home.

This reverses the natural flow of heat from warm places to cooler places. Like a water pump that uses energy to pump water uphill, a heat pump uses electrical energy to pump heat “uphill” from cool locations to warmer locations. Heat pumps use the refrigeration cycle to accomplish this.

The advantage of pumping heat is that it takes less electrical energy than it does to convert electrical energy into heat (as in electric furnaces). In fact, in mild winter temperatures you can get three times as much heat out of each watt of electricity as you get from an electric furnace.

Energy cost savings differ for each installation. Properly sized and installed heat pumps can reduce heating costs by 30 to 50 percent compared to electric furnaces. The quality of the installation will greatly affect energy savings and longevity.

Installation cost for a heat pump is higher than a conventional electric furnace, but because of its superior efficiency, return on investment is typically within 9 months to two years, depending on power costs.

And because heat pumps are used year-round (for cooling and heating) they cost less per hour of use (purchase and installation cost divided by total number of hours

■ Tax incentives and rebates make heat pump investments even more attractive.



used per day) than do individual heating and cooling systems, which are typically idle at various times throughout the year.

A conventional heat pump also delivers three times more heat than the energy it consumes (3-1), while the electric furnace only produces a 1-1 efficiency ratio.

Geothermal heat pumps trump both the conventional air-source

heat pump with a 400 percent efficiency—65 percent more efficient than the electric furnace, and 45 percent more efficient than an air-source heat pump.

Heating and cooling functions of a heat pump each have their own measure of efficiency. Cooling efficiency is measured by its Seasonal Energy Efficiency Rating (SEER). Heating efficiency is measured by its Heating Seasonal Performance Factor (HSPF).

United Equipment Rebates on New Residential Construction

AIR-SOURCE HEAT PUMP

- Minimum SEER of 14.0 — \$50/ton
- Minimum SEER of 15.0 — \$100/ton
- Minimum SEER of 16.0/more — \$150/ton
- Dual Fuel Incentive — \$25/ton adder

GOTHERMAL GROUND-SOURCE HEAT PUMP

- Rebate: \$200/ton
- Minimum EER of 11.0
- Minimum COP of 3.4

• NO REBATES GIVEN FOR CENTRAL AIR/STRIP HEAT SYSTEMS

• COMPLETE SYSTEM CHANGE-OUTS REQUIRED FOR RETROFIT REBATES

TAX CREDITS

A tax credit of up to \$300 is available for air-source and ground-source heat pump systems placed in service from January 1, 2006, through Dec. 31, 2007. More information may be obtained about qualifying products and tax incentives at www.eere.energy.gov

—Thanks for the—
HIGH
—MARKS.—



We'd like to thank our members for helping us score an "87" in the recent American Customer Satisfaction* Index. Your feedback puts United Cooperative Services a full 15 points higher than the utility industry average.

Even though ACSI recognizes "customer" satisfaction, United Cooperative Services members are in fact "owners." That's an important distinction. And it's why we strive to provide a level of service that's second to none.

Naturally, we're honored. But it won't go to our heads. We'll remain the dependable source of electricity our members never think twice about. Unless, of course, they're being surveyed by the ACSI.



Looking out for you.



*Touchstone Energy ACSI member ratings using the ACSI customer satisfaction survey questions are compared to the ACSI ratings of residential customers of the U.S. largest investor-owned energy utilities.

Our Mission To Serve

United's member-focus never ceases



RAY BEAVERS
CEO/General Manager

In today's busy world, it often appears that customer service has simply gone the way of the dinosaurs. Yet, as a member of an electric cooperative, there's still ample opportunity to witness a culture focused on high-quality customer service. It's where the advantage of being a member of an electric cooperative still shines.

One of the most important measures of success in any co-op is a satisfied member. After all, that's why cooperatives exist in the first place – to satisfy and meet the needs of members. Over the last few years, United Cooperative Services has received confirmation from you—our members—that our efforts are not going unnoticed. Through the American Customer Satisfaction Index, the most reputable barometer of customer satisfaction in the United States, our members recently gave United a satisfaction rating of 87. That's better than any of the nation's top 30 investor-owned (i.e. for-profit) energy utilities and 15 points higher than the industry average of 72.

The American Customer Satisfaction Index, or ACSI, is managed by the University of Michigan Business School. It measures customers' satisfaction in 16 major industries and 190 leading corporations. Each quarter, the university conducts an ACSI survey in which utilities are rated on customer expectations and perceived quality. Our score of 87 wasn't only the

highest for the energy utility sector: It's one of the scores against past performance, competitors, and other utilities. There is no better benchmark than the ACSI to show co-op employees where they need to work and where they need to improve. The ACSI measure becomes even more important when each employee realizes how he or she can impact how our members' perceive us. Employees take the information obtained through the ACSI to heart. At United, employees have seen their score rise over the last two years from 84 to the current 87, clearly showing that employee efforts are moving the needle when it comes to satisfying members.

The ACSI is not only an indication of how well the employees are doing their jobs, but serves as a morale booster. Co-op employees are proud when they get confirmation through the ACSI that their members are aware of their efforts. Not only that, but the ACSI helps to prove that United delivers on the promises we make in our communications and outreach materials, the services we provide, and how we demonstrate the *cooperative difference* every day.

The bottom line is that we look out for the members we serve.

Electric cooperative utilities are not ones to rest on their laurels. While United's satisfaction score helps to confirm that we are doing a great job serving and communicating to our members in a consistent manner, we will continue to use this valuable ACSI tool to learn how we can increase our level of service to the membership.

The electric utility industry is in transition, and knowing where we stand with the membership is essential. The employees at United Cooperative Services will continue, as they've always done, to seek better ways to serve our members. We'll continue to look out for you.

