

NORTH PLAINS ELECTRIC COOPERATIVE

P.O. Box 1008 • Perryton, TX 79070 • Phone (806) 435-5482

FROM THE GENERAL MANAGER

by Randy Mahannah



January and February have been very busy months for North Plains Electric Cooperative. We have had several new line construction projects, and many new services have been added to the system. Members are requesting services for new homes, electric irrigation motors and new oilfield-related loads in larger numbers since late last year. Operations employees are working long hours and striving to keep up with the demand.

All of this activity is taking place during a time when the future cost of electricity is difficult to predict. In December, the Power Cost Recovery Factor (PCRF) that you paid was slightly over 4 cents per kWh. It is the highest PCRF since implementing the new rates in 2001. The damage from hurricanes in the Gulf region last fall and an unstable situation in the Middle East have forced energy prices higher. If the weather had been more severe in the Midwest this winter, the variability of our fuel factor could have been even greater.

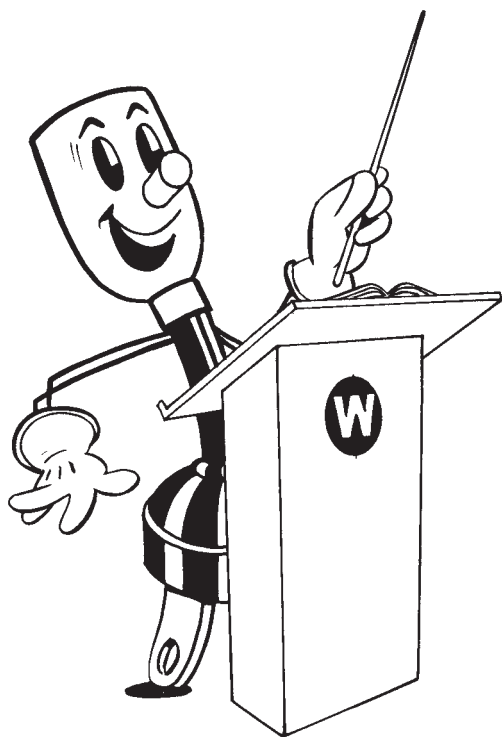
Natural gas continues to drive the variances in the cost of electricity that we furnish. Our wholesale supplier, Golden Spread Electric, purchases a portion of the energy that is sold to you and produces the remainder at Mustang Station near Denver City. During the winter months, about 30 percent of that energy comes from coal-fired generation, while natural gas is the fuel source of the other 70 percent. The coal-generated cost is very stable and predictable. However, the portion produced using natural gas closely follows the natural

gas market and has been very unstable. Natural gas price increases and decreases have a monthly impact on electric energy costs through your PCRF. This factor is used for fuel cost adjustment month by month to account for changes in the cost of fuels. Rates have not changed, but fuel cost adjustments cause substantial fluctuations.

Electricity furnished by NPEC during the summer is produced using a higher percentage of natural gas than in the winter months. Historically, natural gas prices start to move lower in the springtime and have been even lower in the summer months when demand is lowest, but under the conditions that prevail at this time, trends may not be reliable. Without certainty, the PCRF for the remainder of 2006 may be as high as 3 to 4 cents on your power bill. If this is the case, conservation and energy management become important tools to help offset higher costs.

NPEC, through its wholesale supplier, is planning for the future and taking steps that will make us less reliant on natural gas and its market variability. The options that are being considered take several years to become operational, so we still have to deal with the situation as it is today. Energy prices are high and they affect everyone, so we must work together. NPEC personnel can furnish advice and ideas to help with energy management and conservation. This service is always available to members free of charge. If you need assistance, let us know.

Willie says, "Participate in the business of your co-op!"



**North Plains EC's
annual
meeting
will be held
April 17.
Mark your calendar!**

- **Door prizes**
- **Entertainment**
- **Business reports from management and the board**

STATEMENT OF NONDISCRIMINATION

North Plains Electric Cooperative, Inc. is the recipient of federal financial assistance from the Rural Utilities Service, an agency of the U.S. Department of Agriculture, and is subject to the provisions of Title VI of the Civil Rights Act of 1964, as amended. Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, as amended, and the rules and regulations of the U.S. Department of Agriculture which provide that no person in the United States on the basis of race, color, national origin, age, or handicap shall be excluded from participation in, admission or access to, denied the benefits of, or otherwise be subjected to discrimination under any of this organization's programs or activities.

The person responsible for coordinating this organization's nondiscrimination compliance efforts is Randy Mahannah, general manager. Any individual, or specific class of individuals, who feels that this organization has subjected them to discrimination may obtain further information about the statutes and regulations listed above from and/or file a written complaint with this organization; or the Secretary, U.S. Department of Agriculture, Washington, D.C. 20250; or the Administrator, Rural Utilities Service, Washington, D.C. 20250. Complaints must be filed within 180 days after the alleged discrimination. Confidentiality will be maintained to the extent possible.