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Mr. Robert J. Harris
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Upper Great Plains Region
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Thank you for the opportunity to comment and ask questions about the proposed rate adjustments by WESTERN in the Pick-Sloan Region, Eastern Division.

It is my understanding that rates are cost based using water flow and generation projections for the region. Pick-Sloan has two rates, one for firm and one for peaking energy. The two rates share the responsibility of generating revenue to cover the costs of the operations. The rates have two components, base rate plus the recently added drought adder.

The drought adder is to cover costs associated with the drought, mostly reflecting purchased power costs and interest on the drought debt, caused by increased purchased power costs. I understand the low water problem and the need to recover those costs.

My question is related to the peaking rate and whether it is truly reflecting the costs associated with the drought and the delivery of the peaking energy. I am assuming that peaking energy is scheduled during peak hours when the purchase price is the highest. If this is accurate, the drought adder should be significantly higher for peaking energy than for the firm rates. The proposed rate is the same.

Additionally, WESTERN allows the energy to be returned. Under what conditions? Is it returned at the same value?

If energy is returned off peak (at a lesser value) when WESTERN is providing the energy on peak through purchases, it is costing WESTERN more than the rate recovers.

If these assumptions are accurate, the firm power customers are subsidizing those customers who receive peaking energy in the drought adder. Again this should not be if the rates are truly cost based. If the peaking energy customers are costing WESTERN more due to the drought, they should pay those additional costs. Those customers, if allowed to return the energy, it must be returned at equal value and if not then firm customers again are subsidizing the peaking customers.

Another topic I would like to explore is the voltage discount that is given to some customers. If I am correct, this is a straight % off of the bill. As the bills have grown since that % was put in place, is the % giving too much of a discount compared to the actual cost. In light of the fact that most of the increases the last few years are due to the drought, it would seem the credit is too high. If this is the case, then those who do not get the discount are subsidizing those who do.

I appreciate the opportunity to discuss these questions and will be awaiting your response.

Sincerely,

SPENCER MUNICIPAL UTILITIES

Leon J. Rodas
General Manager

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