



KINGSBURY Electric
COOPERATIVE, INC.

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DENNIS KRUSE
 MANAGER



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 Your Touchstone Energy Cooperative

SEP 12 2003

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ROUTE TO	INITIALS	DATE
86100		



September 10, 2003

Mr. Robert Harris, Regional Manager
 Upper Great Plains Customer Service Region
 Western Area Power Administration
 2900 4th Avenue North
 Billings, MT 59101-1266

Dear Mr. Harris:

On behalf of Kingsbury Electric Cooperative, (Kingsbury), I wish to submit this letter of comment in response to the proposed rate increase for Pick Sloan Missouri Basin Program Firm Power customers published in the Federal Register on June 13, 2003.

Kingsbury is a rural electric cooperative that provides retail power and other services to 750 consumer owners in east central South Dakota. Our distribution system provides retail service to 950 residential, agricultural and commercial interests. East River Electric Power Cooperative Inc. holds a contract for Kingsbury and 21 other distribution systems with the Western Area Power Administration (Western) for a significant allocation of power supply furnished from the Missouri River main stem system. This portion of East River's bulk power supply constitutes approximately 40% of the total requirements of the member owners of Kingsbury.

With respect to the proposed rate increase, Kingsbury offers the following comments:

1. We strongly urge Western to implement the proposed rate adjustment using the "two step" option. Based on the information described by Western in its June 13, 2003 Federal Register Notice, the "two step" option generates revenue adequate to meet the federal obligations as required by law. Accordingly, in view of the substantial increase being proposed, we believe that a phased approach provides some moderation in the first year impacts of the increase and should be the preferred implementing method.

2. We are concerned by the 114% proposed increase to the portion of monthly energy over 60% load factor. Such a large increase is a substantial rate shock for Western customers. We believe Western must re-examine the basis for imposing the tiered rate in view of the substantial use among customers. We note there are many features within Western's operation which are "pooled" for ratemaking purposes rather than singled out for special rate treatment, as is the case with the tiered rate feature. Accordingly we object to the substantial increase in the tiered rate as proposed and believe it should be re-examined. If Western elects to institute the tiered rate as proposed, we believe full attention should be given to both the philosophy of singling out this cost for special rate treatment and, if it is continued, the method by which it is structured should be considered before any future rate adjustment is offered.

3. Kingsbury strongly disagrees with the administrative determination by the U.S. Bureau of Reclamation that has shifted off-system wheeling costs for federal irrigation projects to an obligation of firm power customers. We believe this decision exceeds the authority of the Bureau of Reclamation and Western to incorporate what is now over one-half million dollars of annual costs for which neither the Bureau nor Western has any control. Rather than the carte blanche approach offered by Western, we request that Western implement the same practice that applies to firm customers which secure wheeling from third parties. These customers are entitled to a uniform defined credit from Western. We believe such a method appropriately recognizes the responsibility of the customer (in this case irrigation projects) to secure and be responsible for wheeling costs. For Western's firm power customers, it would establish a defined obligation that is subject to rate recovery. We strongly urge Western to implement such a method as part of this rate increase proposal.

While Kingsbury strongly supports the federal power program and has high confidence in Western's capabilities, we note that the average composite rate increase of 15.4% imposes significantly unequal results among Western's customers. For example, Kingsbury will incur an average increase of over 20% as a result of this proposal if it is implemented as published. While we recognize that a substantial portion of this increase is driven by drought conditions, we note the substantial level of this increase and the impact it imposes on Kingsbury and its East River Electric Power Cooperative sister Cooperatives. Accordingly, we encourage Western to carefully examine all aspects of this proposal and seek means to moderate its substantial impact on customers. Thank you for this opportunity to provide these comments.

Sincerely,

Dennis Kruse, Manager
Kingsbury Electric Cooperative