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September 8, 2003

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

Dear Mr. Harris:

Please accept this letter as Traverse Electric Cooperative's (Traverse Electric) comments for the record on the proposed rate increase for Pick Sloan Missouri Basin Program Firm Power Customers published in the Federal Register on June 13, 2003.

East River Electric Power Coop, Traverse Electric's power supplier, is a major purchaser of firm federal hydropower and relies on that bulk resource to provide wholesale service to 21 rural electric cooperatives and one municipal electric system in eastern South Dakota and western Minnesota. Collectively, the 22 retail distribution systems that receive wholesale power from East River serve over 80,000 residential, commercial, and industrial accounts affecting approximately 250,000 persons.

With respect to the proposed rate increase, Traverse Electric offers the following comments.

1. Implementation: 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. Tiered-60% Load Factor: We are deeply 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.

4. Irrigation Wheeling: Traverse Electric 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 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 which is subject to rate recovery. We strongly urge Western to implement such a method as part of this rate increase proposal.

While Traverse Electric 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, East River will incur an average increase as a result of this proposal if it is implemented as published of over 20%. 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 East River and its member systems. Accordingly, we encourage Western to carefully examine all aspects of this proposal and seek means to moderate its substantial impact on customers.

We appreciate the opportunity to submit these comments and ask that they are given due consideration as part of Western's final determination on this rate proposal.

Sincerely,

Donald O'Leary

Donald O'Leary
General Manager