



L I N C O L N E L E C T R I C S Y S T E M

August 1, 2003

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AUG 4 2003

Mr. Robert Harris
Regional Manager
Upper Great Plains Region
Western Area Power Administration
2900 4th Avenue, North
Billings, MT 5901-1266

Dear Mr. Harris:

SUBJECT: WAPA Proposed 2004 Rate Adjustment

This letter is in response to the Western Area Power Administration request for comments on the 2004 proposed rate increase.

Lincoln Electric System has analyzed the impact of this rate increase to the LES customers including the Western deliveries to the University of Nebraska and Health and Human Services. The attached table provides the expected impact for the 2004 and 2005 budget years. As indicated in this table, the impact in 2004 can be reduced by \$126,400 through the utilization of a two-step rate increase approach. Because of the November 2003 timing of this decision, Lincoln Electric System strongly recommends that the rate increase be implemented in steps due to the near-term 2004 cash flow impact to all Western customers.

Should you have any comments regarding this letter or the included analysis, please feel free to contact me at 402-473-3396.

Sincerely,

Doug Bantam
Power Supply Manager

DDB/mt

Attach.

c: Terry Bundy
Bruce Merrill
Dennis Florom

EXISTING RATES

(\$3.20/KW-MONTH, 8.32 MILLS/KWH, >60 PERCENT LOAD FACTOR \$3.38MILLS/KWH)

RESOURCE	2004			2005		
	DEMAND	ENERGY	TOTAL	DEMAND	ENERGY	TOTAL
	WAPA FIRM POWER	1,125.6	939.7	2,065.3	1,125.3	939.7
WAPA PEAKING POWER	1,787.9	27.5	1,815.4	1,787.9	27.0	1,814.9
WAPA CLASS II	672.8	841.3	1,514.1	672.4	841.5	1,513.9
TOTAL (\$1,000)	3,586.3	1,808.5	5,394.8	3,585.6	1,808.2	5,393.8

ONE STEP RATE INCREASE

(\$3.70/KW-MONTH, 9.57 MILLS/KWH, >60 PERCENT LOAD FACTOR \$7.23MILLS/KWH)

RESOURCE	2004			2005		
	DEMAND	ENERGY	TOTAL	DEMAND	ENERGY	TOTAL
	WAPA FIRM POWER	1,263.2	1,134.2	2,397.4	1,262.9	1,134.2
WAPA PEAKING POWER	2,067.3	29.3	2,096.6	2,067.3	28.7	2,096.0
WAPA CLASS II	777.9	1,038.7	1,816.6	777.5	1,039.0	1,816.5
TOTAL (\$1,000)	4,108.4	2,202.2	6,310.6	4,107.7	2,201.9	6,309.6

TWO STEP RATE INCREASE

(\$3.60/KW-MONTH, 9.31 MILLS/KWH, \$3.71/KW-MONTH, 9.58 MILLS/KWH, >60 PERCENT LOAD FACTOR \$7.23MILLS/KWH)

RESOURCE	2004			2005		
	DEMAND	ENERGY	TOTAL	DEMAND	ENERGY	TOTAL
	WAPA FIRM POWER	1,241.9	1,109.9	2,351.8	1,265.6	1,135.4
WAPA PEAKING POWER	2,024.0	28.9	2,052.9	2,072.9	28.7	2,101.6
WAPA CLASS II	762.3	1,017.2	1,779.5	779.6	1,040.1	1,819.7
TOTAL (\$1,000)	4,028.2	2,156.0	6,184.2	4,118.1	2,204.2	6,322.3

COMPARISON OF TWO STEP RATE INCREASE
VERSUS
ONE STEP RATE INCREASE

RESOURCE	2004			2005		
	DEMAND	ENERGY	TOTAL	DEMAND	ENERGY	TOTAL
	WAPA FIRM POWER	-21.3	-24.3	-45.6	2.7	1.2
WAPA PEAKING POWER	-43.3	-0.4	-43.7	5.6	0.0	5.6
WAPA CLASS II	-15.6	-21.5	-37.1	2.1	1.1	3.2
TOTAL (\$1,000)	-80.2	-46.2	-126.4	10.4	2.3	12.7