

From: "Steve Bohan" <steveb@cbpower.com>
To: <UGP2004RateAdj@wapa.gov>
Date: Thu, Sep 11, 2003 9:02 AM
Subject: Comments on 2004 Rate Adjustment

Dear Western Area Power Administration:

On behalf of Corn Belt Power Cooperative, the following are our comments on the proposed 2004 Rate Adjustment:

1. We feel that Western has definitely proven the case for a rate increase. Our only concern is the size of that increase, and how the increase will be passed along to your customers. We primarily serve the rural areas of Iowa. The rural economy is currently quite stressed by the recent drought conditions, low grain prices and an overall lackluster economy. Any increase will have to be passed along to our member/customers, and this will only serve to worsen the situation. Therefore, we would like to see the increase kept as small as possible, consistent with sound business practices.

2. We question the need for such a large increase to the Tiered Rate. The proposed increase to approximately 7.23 mills/kHz (+114% increase) seems somewhat unfair. For those customers with good load factors, we will see a larger overall percentage increase than those with lower load factors who do not purchase as much of the Tiered Energy. This result seems somewhat out of line with traditional rate theory wherein higher load factors are generally promoted and rewarded.

3. If a rate increase must be implemented, we prefer the option of a 2-step increase in 2004. As we have previously stated, the rural farm economy is currently depressed. We would prefer a smaller total increase than is being proposed, but if that is not possible, then we prefer the 2-step option. The 2-step approach slightly lowers the amount of the total overall increase that we will have to pass along to our customers in 2004.

In closing, we want to thank you for the time and efforts spent in informing your customers and seeking their comments. No one likes a rate increase, but we certainly understand why one is necessary at this time. We appreciate the information that you have supplied us, and the many steps that you have taken to seek our input. We appreciate our business relationship, and we look forward to working with you in the future on this rate increase and other business activities.

Best regards,

Steve

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