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Lost River Electric Cooperative, Inc.

November 13, 1989

Dear Member:

The current controversy over water rights and ground water levels have prompted your Board of Directors to examine the Cooperative's revenues and the possible effects a discontinuation of pumping in the Lost River Valley would have on you as a residential/commercial rate payer.

For the purpose of this review, we did not attempt to classify irrigation by water source. We took the total irrigation segment of our system and arrived at the following conclusions.

In 1988, the Cooperative delivered 55,312,761 KWH and received revenue of \$2,534,092.00. The total cost of doing business was \$2,285,088.00, which left a margin of \$249,004.00. This margin was distributed to your individual patronage capital accounts for future refund to you.

Without the irrigators' usage, the KWH deliveries would have only been 23,105,387 and the revenues would have been \$1,209,554.00. The cost of doing business would have been reduced only by the reduction in the purchase price of wholesale power which we have computed to be \$441,645.00. Because the new cost of doing business of \$1,843,443.00 would be greater than the revenue received from the non-irrigating customers, the Cooperative would have experienced a loss of \$633,889.00. This loss would have cost each of you 2 3/4 cents per KWH.

Admittedly, this scenerio is extreme, but it does point out how our low-cost electric rates depend on continuing usage by the valley's irrigators.

The Board urges you all to make yourself knowledgeable of the questions involving water in our valley and cautions restraint in dealing with these issues.

Sincerely yours,

LOST RIVER ELECTRIC COOPERATIVE, INC.

Margery Fulton Smith, President

MFS/dh