

DAIRYLAND POWER COOPERATIVE
(LA CROSSE, WISCONSIN)

Dairyland Power Cooperative is a Generation and Transmission Cooperative which is headquartered in La Crosse, Wisconsin and serves 575,000 members in Wisconsin, Minnesota, Iowa and Illinois. Dairyland spends about \$50 million per year to transport slightly over 3 million tons of coal for the generation of electricity at our power plants.

Like many other shippers in our region, Dairyland experienced service delivery problems in 2004. Failure by the Union Pacific to deliver 25% of scheduled shipments of a very critical Utah coal resulted in Dairyland's overall fuel budget increasing by roughly 10%. Negotiating acceptable contracts is also becoming more difficult. The two western railroads are pursuing a strategy of reliance solely on tariff rates, rather than negotiated contracts. In addition to rate increases, railroads are applying fuel surcharges as a percentage of the full rate. In many instances the surcharge has no direct correlation to actual fuel cost differentials.

Dairyland is anticipating a 49% effective increase in rail transportation costs in 2006 alone. Other Midwest shippers are experiencing similar increases. Shippers closer to the coal fields are experiencing nearly 100% increases in rail transportation costs! Cost increases of this magnitude will have a dramatic impact on the cost of electricity generation for our members. Rapid energy cost increases have a dampening effect on an economy still in the recovery mode.