

KANSAS

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Public Version MEMORANDUM

July 11, 2006

In the Matter of the Application of Sunflower)
Electric Power Corporation and Kansas Electric)
Power Cooperative, Inc. for an Order Approving a)
New Wholesale Power Agreement)

Docket No. 06-SEPE-1203-CON

To: Chair Moline
Commissioner Krehbiel
Commissioner Moffet

From: Larry Holloway

DATE SUBMITTED TO LEGAL:

7/11/06

DATE SUBMITTED TO COMMISSIONERS:

7-14-06

Background

On May 12, 2006, Sunflower Electric Power Corporation ("Sunflower") and Kansas Electric Power Cooperative, Inc. ("KEPCo") filed a Wholesale Power Agreement ("WPA") for Commission approval. At the time of the filing, Sunflower provided approximately 40 megawatts (MW) of electric power and associated energy to KEPCo through a WPA approved by the Commission in Docket No. 02-SEPE-734-CON. Earlier this year, under the provisions of the existing WPA, Sunflower notified KEPCo of Sunflower's intent to terminate the existing WPA on May 31, 2007. Subsequently, Sunflower and KEPCo have negotiated the new WPA to replace the existing agreement.

Description

Under the terms of the new WPA, Sunflower agrees to supply all power and energy requirements for KEPCo's members at delivery points specified in Comanche, Meade, Seward, Clark, Ford, and Gray counties through [REDACTED]. The only exception to this all requirements agreement is that KEPCo may still deliver its allocation of hydroelectric power from Federal Power Agencies to the specified delivery points. Additionally, Sunflower agrees that KEPCo shall have the right, at KEPCo's option, to participate in 25 MW of any future coal generation facility developed at Sunflower's Holcomb plant site that is synchronized with the Eastern Interconnect ("Holcomb East").

Under terms of the agreement, KEPCo will pay Sunflower the same rates that Sunflower charges its own members, under its Commission approved wholesale tariff, with the exception that KEPCo will pay Sunflower an additional adder of [REDACTED] per kilowatt-hour. The agreement also contains provisions to allocate transmission costs to the applicable KEPCo load in Sunflower's transmission control area, should Sunflower unbundled transmission costs to its members.

[REDACTED]

Finally, the application includes a temporary service agreement whereby the new WPA will be essentially put into effect June 1, 2006 until such time as KEPCO and Sunflower receive the necessary regulatory approvals.

Analysis

Staff has reviewed the agreement and discussed the new WPA and the temporary service agreement with both Sunflower and KEPCo. Staff believes the agreement is in the interest of Sunflower and KEPCo and their affected members. The adder is nominal, and allows Sunflower's members to receive some compensation for any wholesale opportunities foregone by this long term agreement, while providing an important source of capacity and energy for KEPCo's affected members at a reasonable rate. KEPCo and Sunflower both have potential benefits by allowing KEPCo an option to participate in the proposed Holcomb East unit. Additionally, the agreement addresses any concerns that may arise should Sunflower unbundle its transmission rates for its members, and if Sunflower places its membership under the Southwest Power Pool Network Integrated Service tariff. Finally, the temporary service agreement, while unusual, allows both parties to begin benefiting from the new WPA while awaiting regulatory approval.

Recommendation: Approve

cc: Don Low
Susan Cunningham
Executive Director
PIO

[Note: Redacted information is minimal and based upon conversations between Susan Cunningham and Tom Hesterman (Sunflower) and Mike Peters (KEPCO).]