

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Brian J. Moline, Chair
 Robert E. Krehbiel
 Michael C. Moffet

In the Matter of the Application of Sunflower)
Electric Power Corporation and Kansas Electric) Docket No. 06-SEPE-1203-CON
Power Cooperative, Inc. for an Order Approving)
a New Wholesale Power Agreement.)

ORDER APPROVING WHOLESALE POWER AGREEMENT

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration upon the Application of Sunflower Electric Power Corporation (Sunflower) and Kansas Electric Power Cooperative, Inc. (KEPCo) for approval of a new wholesale power agreement. Having examined its files and records, and being duly advised in the premises, the Commission hereby enters its Order Approving Wholesale Power Agreement. For its Order, the Commission finds and concludes as follows:

I. BACKGROUND

1. On May 12, 2006, Sunflower and KEPCo filed a new 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 its intent to terminate the existing WPA on May 31, 2007. Subsequently, Sunflower and KEPCo have negotiated a new WPA to replace the existing agreement. (Application, ¶¶ 2-4.)

2. Under the terms of the new WPA, Sunflower agrees to supply all power and energy requirements to KEPCo for a portion of KEPCo's service area as set out in the new WPA. (Application, ¶ 4.) The only exception to this all requirements agreement is that KEPCo

may still deliver its allocation of hydroelectric power from the Western Area Power Administration or other Federal power supply agencies to the specified delivery points. (WPA, §4.B.)

3. Under the terms of the agreement, KEPCo will pay sunflower the same rates that Sunflower charges its own members, under its Commission-approved wholesale tariff, plus an adder. (Application, ¶ 6.)

4. The agreement also contains provisions to allocate transmission costs to the applicable KEPCo load in Sunflower's transmission control area in the event Sunflower should unbundle transmission costs to its members. (WPA, §4.D.)

5. 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). (WPA, §4.C.)

6. Finally, the Application includes a Temporary Services Agreement whereby the negotiated rate structure contemplated in the new WPA would be utilized beginning on June 1, 2006, until such time as Sunflower and KEPCo receive the necessary regulatory approvals. (Application, ¶ 5.)

II. DISCUSSION

7. Staff prepared a memorandum dated July 11, 2006, analyzing the new WPA. Staff believes the agreement is in the interests of Sunflower and KEPCo and their affected members. According to Staff, the rate structure allows Sunflower's members to be reasonably compensated for the potential opportunity cost of marketing the power represented by the new WPA, while also providing an important source of capacity and energy for KEPCo's affected members at a reasonable rate. In addition, both Sunflower and KEPCo are benefited by allowing

KEPCo an option to participate in the proposed Holcomb East unit. The agreement proactively addresses any concerns that may arise in the event Sunflower unbundles its transmission rates for its members or places its members under the Southwest Power Pool Network Integrated Service tariff. Finally, Staff opined that although unusual, the Temporary Services Agreement has allowed the parties to begin benefiting from the new WPA while awaiting regulatory approvals. Staff recommended that the Commission approve the new WPA and associated transactions.

8. The Commission has reviewed the Application, new WPA, Temporary Services Agreement and Staff's memorandum. The Commission finds that pursuant to Staff's analysis, paraphrased in paragraph 7 above, the new WPA entered into between Sunflower and KEPCo should be and hereby is approved.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

For the reasons set out in paragraph 7 above, the Commission hereby approves the new Wholesale Power Agreement attached to the Application herein.

The parties have 15 days, plus three days if service of this Order is by mail, from the date this Order is served in which to petition the Commission for reconsideration of matters decided finally herein. Petitions for reconsideration should be served on the Executive Director of the Commission.

The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further order or orders as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Moline, Chr.; Krehbiel, Com.; Moffet, Com.

Dated: JUL 17 2006

ORDER MAIL

JUL 17 2006

 Executive Director

Susan K. Duffy
Executive Director

SBC