

Approved: Feb. 9, 1999
Date

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on January 28, 1999 in Room 531-N of the Capitol.

All members were present except:

Sens. Jones and Salisbury were excused

Committee staff present:

Lynne Holt, Legislative Research Department
Mary Torrence, Revisors of Statutes Office
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

Chris Giles, Director of Regulatory Services, Kansas City Power & Light
Earl Watkins, Legal Counsel, Sunflower Electric Power Corporation
Scott Keith, Director of Regulatory Rates, Westplains Energy & UtiliCorp United
Bruce Graham, Vice-President, Kansas Electric Power Cooperative, Inc.
Ed Schaub and Les Morgan for Jim Ludwig, Western Resources

Others attending:

See attached list

Sen. Ranson recognized pages from Sen. Morris' district, who are assisting the committee today, and thanked them for their assistance. She also called attention to an article from the Wichita Eagle, entitled "Western Resources want to boost power", dated January 28, 1999, which has been distributed to members of the committee.

Sen. Ranson then announced the committee will continue hearing reports from electric utilities regarding capacity planning efforts and introduced the following:

Chris Giles, (Attachment 1)
Earl Watkins, (Attachment 2)
Scott Keith, (Attachment 3)
Bruce Graham, (Attachment 4)
Ed Schaub, (Attachment 5)

Mr. Giles directed the committee's attention to the last page of his testimony, and the exhibit which shows the actual vs. forecast peaks. He explained the figures, updating the 1998 figures to read, Actual - 3136; Forecast - 3115, with the Actual/Forecast Deviation at 1.0067. He explained the situation last summer when customers were curtailed on electrical usage and noted that the peak demand rises approximately 2% each year. He also explained the weather factor and stated that for every degree over 100, 18 megawatts are required per degree. He also explained the notification procedures used, with one customer requiring only one hour notification; he stated that they call all customers to give notice of curtailment, and the amount of curtailment varies with the contract they have with the customer. He also explained their plans for expansion, which is a result of a needs assessment completed every three years, and presently those plans include a 294 megawatt expansion for the year 2000, which will be east of Kansas City on the Missouri River. Another expansion is the addition of a second coal-fired base load plant located in Weston, Missouri; that coal is delivered by railway. He added that there is no requirement for siting applications in Missouri.

Mr. Watkins directed the committee's attention to Pages 5 and 6 of his testimony, where he discusses capacity and resources. He referred to the two graphs which are attached to his testimony and stated that Sunflower forecasts they will peak at 405 megawatts in 1999. Sen. Steffes pointed out that is a 20% increase in peak load in one year.

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE, Room 531-N Statehouse, at 1:30 p.m. on January 28, 1999.

Mr. Keith referred to the second page of his testimony, showing West Plains' load and resource forecast and answered questions regarding forecasts. Mr. Graham stated KEPCo provides wholesale generation and transmission service to 21 rural electric distribution cooperatives. They enter into contracts to transport the power via grid. In response to questions from the committee, Mr. Graham stated KEPCo has interruptible contracts and that they contact all contractors. They feel they are saving money for ratepayers and that their customers understand that KEPCo is giving them a good deal. Their growth is steady at 1.5%. Sen. Ranson questioned him regarding hydropower, which Mr. Graham stated comes from construction of dams, and a contract they have with the government. Sen. Steffes asked how they transport their power, and Mr. Graham answered they have to pay for the transmission which is regulated by FERC. Sen. Morris asked questions regarding price spikes, which KEPCo customers are protected from, and also their response to weather and storms.

Sen. Ranson then called on Ed Schaub (Mr. Ludwig was unable to be present), who stated the first part of testimony is historical and directed the committee to page 9 of Mr. Ludwig's testimony. He stated KPL has not built a new power plant since 1983, and KGE has not built one since Wolf Creek was completed in 1985. He continued by addressing generating capacity and future plans on Page 10, where they have announced plans to build three combustion turbines, adding 300 MW generation by the spring of 2000. He stated a permit must be obtained from the Department of Health and Environment, as well as a siting application by the KCC, which must all be done by April 15 in order to meet their goal. He asked committee members to encourage construction of additional generation and to modify the Siting Act and restructure tax policies. He stated that utilities have served as tax collectors for the government. Mr. Schaub then introduced Les Morgan, who answered questions regarding forecasting with accuracy. In answer to questions from Sen. Ranson, he stated that peaking generation is very expensive to build and requires considerable maintenance. He further stated that Western Resources has no plans for base line generation. Sen. Steffes questioned the risk of major investments by stockholders, considering the cost of peak generation vs. base load generation and the possibility of stranded costs. He stated when considering the capital and the fuel cost at the peaking plant, the cost would run between 4 to 8 cents vs. 3 cents as a base load cost.

Sen. Pugh questioned Mr. Morgan regarding the Siting Act and what it took to get a Siting permit. Mr. Morgan explained they have to apply to the Kansas Corporation Commission, and supply extensive data and other required information, which is very expensive. Mr. Watkins stated that a Siting application also has to go to the Department of Health and Environment, after the KCC application is approved; that the Holcomb plant in 1977 required six days of hearing and 70 witnesses. Mr. Giles stated that even though they are located in Missouri, they have to comply with Kansas Siting law. Mr. Schaub stated that Western Resources spent a quarter million dollars on their last Siting application.

Sen. Ranson announced that written testimony has been distributed to members from Whitney Damron on behalf of Empire District Electric Company (Attachment 6).

Meeting adjourned at 2:30.

Next meeting will be February 2, 1999

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: 1-28-99

NAME	REPRESENTING
John K Miles	KCC
Tom Hester	SUNFLOWER
Bruce Graham	KEPCO
Tom HESTERMANN	Sunflower
Earl W. Williams	Sunflower
Joe Buck	KCKBPU
Ronald H. Reynolds	KICPL
Kevin Case	
John Pinegar	SITA
ED SCHAUB	WESTERN RESOURCES
Whitney Dameron	Kansas Gas Service
Steve Johnson	Kansas Gas Service
Wayne Kitchin	Western Resource
Erin Carlson	Intern- Rep. Holmes
Lee Mayan	Western Resources
Chuck Hodson	WESTERN RESOURCES
Tom Deches	McCill, Coaches & Asso
Marc Hamann	Division of the Budget
Leslie Kaufman	Ks Farm Bureau

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: 1-28-99

NAME	REPRESENTING
J.A. Long	UCU
Scott Heit	UCCU
Bill Dowling	MIDWEST ENERGY, INC.
Angela Campbell	Midwest Energy, Inc.
Bud Burke	Western Resources
John Hein	Hein and Weir, Chtd.

A-1

Senate Utilities Committee
Testimony of Chris Giles
Kansas City Power & Light Company
January 26, 1999

My name is Chris Giles. I am Director Regulatory Services and am pleased to be here on behalf of Kansas City Power & Light Company (KCPL). I was asked to provide information regarding KCPL's generation expansion plans. I will describe those generation expansion plans and briefly discuss the price spikes experienced in the summer of 1998 and some implications of those spikes for customers and retail competition or retail wheeling.

KCPL employs a complex and thorough long-term planning process which covers at least a 20 year period. Each year KCPL planners prepare a "needs assessment" which supplements the long-term plan. The "needs assessment" is utilized to both ensure adequate capacity is available in the near term and that decisions are made in a timely manner to either purchase capacity or construct generating equipment. Based on the Company's peak mw demand forecast, it's existing generating capability and capacity purchases, a capacity deficiency of 120 mw was identified for the summer of 2000.

KCPL plans to repower the steam generator at the formerly retired Hawthorn 4 unit, by adding a Heat Recovery Steam Generator (HRSG) to capture waste heat from the existing Hawthorn 6 unit. This will achieve an additional 140 mw of capacity. This capacity is scheduled to be operational by April 2000. Two additional simple cycle combustion turbines will be installed at the Hawthorn site. Each of these combustion

Senate Utilities
1-28-99
Attach. 1

turbines are rated 77 mw. The first unit is scheduled to be operational by June 2000 and the second unit by September 2000. Total additional capacity of 294 mw will be adequate until 2001 and possibly 2002. The Company filed the application required by the Kansas siting act for these units with the Commission the first week of January 1999. Approval of the application will be needed by July 1999 in order to meet the current operational schedule for this new capacity.

I will now direct my comments to the price spikes of 1998. Much has been written about the cause of the spikes in the summer of 1998. I agree with the majority of the points made in the report on this topic of the Joint Committee on Economic Development. However, I will make a few observations from KCPL's perspective.

KCPL has not historically under forecasted it's peak demand. As the chart attached to my testimony shows KCPL has historically over forecasted it's peak demand. In fact, KCPL's forecast accuracy is quite good. KCPL's peak demand on July 20, 1998 was 3136 mw compared to a forecast of 3115 mw. The actual highest peak demand during the summer of 1998 was 3175 mw. However, KCPL did not request curtailment of it's interruptible customers on that date so it is not a valid comparison to forecast. KCPL had adequate capacity available to serve it's customers in 1998. That does not mean KCPL was not subject to extremely high and volatile prices in the wholesale power markets.

On June 25, 1998 KCPL was close to paying prices as high as \$4000 per mwh. That figure equates to \$4 per kwh compared with a price that would be considered high but not unusual in 1997 of 8 cents per kwh or \$80 per mwh. The highest price KCPL paid in 1998 was \$1800 per mwh. Although, generation outages, storm related transmission outages, and other factors may have contributed to these unusual price spikes, prices experienced during the remainder of the summer indicates the price of power is going up and it will remain volatile until an efficient wholesale market develops. The high norm of \$80 per mwh has been replaced with a high norm of \$350 to \$500.

Suggestions by some that more rapid implementation of retail competition or retail wheeling will alleviate this problem are totally unfounded. In fact, adding additional participants, retail customers, to this existing, ill defined and inefficient market, will magnify the problems and not only affect those retail customers currently billed under real time pricing rates (wholesale type pricing) and utilities, but all retail customers. Retail customers essentially become wholesale customers in a retail wheeling environment. How then is the problem to be resolved?

The transmission system is reliable, generation capacity is adequate and to the extent additional capacity needs to be constructed in the future to meet demands for power it will be built under either a competitive or regulated environment. However, until an Independent System Operator (ISO) is established to manage transmission constraints and an efficient spot market develops, prices will continue to be extremely volatile. An ISO with a formal power exchange as a function of the ISO could serve as a spot

market and would alleviate much of this price volatility. This is the system that is in place in each state that has implemented retail competition. Retail wheeling should not be permitted until a wholesale market is established.

One final comment, customers currently billed under real time pricing tariffs or contracts are justifiably upset with the wholesale price volatility, as are the utility companies. However, these are the same customers that typically propose retail competition. These customers want lower prices but at the same time they want the risk protection afforded them today through regulated prices. To ensure customers receive access to potentially lower prices that they expect, but not the volatility in the current immature wholesale market, which they can't tolerate, the wholesale market must become efficient and effective before retail competition. I urge retail customers that await the dawn of competition to take a step back and evaluate whether sufficient market mechanisms, prior to competition, are in place to protect customers.

Thank you. I will be happy to answer any questions.

1-5

Exhibit 1
Actual vs. Forecast Peaks

	Actual	Forecast	Act/Fore		
1986	2373	2382	0.9962	Mean Act/Fore	0.9817
1987	2531	2496	1.0140	Std. Dev.	0.0320
1988	2656	2578	1.0303	Count	12
1989	2541	2677	0.9492		
1990	2711	2727	0.9941		
1991	2751	2773	0.9921		
1992	2624	2807	0.9348		
1993	2819	2884	0.9775		
1994	2714	2938	0.9238		
1995	2909	2996	0.9710		
1996	2987	2982	1.0017		
1997	3044	3055	0.9964		

**TESTIMONY SUBMITTED
TO THE
SENATE AND HOUSE UTILITIES' COMMITTEE**

**By
Mr. Earl Watkins, General Counsel
SUNFLOWER ELECTRIC POWER CORPORATION**

January 28, 1999

First let me thank the Chairman and members of this Committee for providing Sunflower time to share our thoughts with you on our recently executed agreements with Utilicorp United and Midwest Energy as well as Sunflower's comments regarding the adequacy of electric generation in Kansas.

My name is Earl Watkins. I serve as Sunflower's legal counsel and have done so for more than 20 years. As most of you know, we were organized in 1957 to provide reliable wholesale power to the six rural electric cooperatives that own Sunflower. They serve approximately 150,000 consumers in 34 western Kansas counties. Since that time, we have built or acquired more than 1,000 miles of high-voltage transmission lines, and have built five power plants with a total generating capacity of approximately 580 megawatts.

First of all, I would like to comment on the issue of the two new agreements Sunflower recently entered into that are included with Sunflower's recent filing to the Kansas Corporation Commission on January 5, 1999.

With a common vision of reliability for our electric consumers, and a concern for the pressures on the Kansas economy, Sunflower and UtiliCorp recently signed agreements for the sale of power and energy from Sunflower to UtiliCorp.

*Senate Utilities
1-28-99
Attach. 2*

Among other things, the transaction provides for the purchase of capacity and related transmission services for UtiliCorp's system requirements. The associated energy will be produced from Sunflower's S-2, S-4 and S-5 generating units located in Garden City, Kansas. The initial term of this agreement continues until May 2002. However, Sunflower can extend the initial term through May 2005.

The Sunflower-Utilicorp agreements prescribe procedures for energy generation and marketing between the utilities. In addition, the agreements provide for a joint marketing effort between the utilities for additional energy available from the S-2 unit through May 2002.

To prepare for this increased use of its generating facilities in Garden City, Sunflower is completing a major upgrade and re-commissioning of its 90 megawatt S-2 generating unit. We are also making substantial improvements to our smaller S-4 and S-5 generators. These units each have the capacity to generate approximately 55 megawatts of electricity and are used routinely throughout the year.

As Chris Hauck, Sunflower's President and CEO said, "This landmark agreement shows how Sunflower can work with partners like UtiliCorp to utilize our assets to their fullest extent. It also helps us continue our mission to provide a reliable, affordable power supply to the Member cooperatives who own us and direct our activities for the benefit of the rural electric consumers of western Kansas."

Let me move on to describe the highlights of another agreement recently agreed to by the Sunflower Board and Midwest Energy.

The changing landscape of the electric utility industry led our two rural utilities to agree to replace the existing power supply contract with a new seven-year agreement designed to provide both of us with more flexibility to serve our customers.

Sunflower first provided power to a portion of the Midwest Energy system through an all-requirements power contract in place when they acquired the assets of the Colby-based Great Plains Electric Cooperative in 1988. Since that acquisition, Midwest Energy has discussed with Sunflower ways to modify the terms of that contract to recognize the fact that Midwest Energy is not a Member of Sunflower.

Under the terms of the new agreement, Midwest Energy will purchase power from Sunflower through a new seven-year System Participation Agreement. Provisions for transmission services between the utilities are also included in the new contract that can be renewed for one-year periods after the initial seven-year term.

The transaction also includes a Resolution Agreement that settles all outstanding issues between Midwest Energy and Sunflower. These issues include interventions by both utilities in several dockets currently under the review of the KCC and the Kansas Court of Appeals.

Sunflower recently filed an application with the KCC for the approval of these new agreements. If approved, the new contracts will result in lower rates to Sunflower's six Member cooperatives and provide for the changes proposed in the Midwest Energy contract.

With regard to the Midwest Energy contract, Sunflower believes the new agreement clears up all of our outstanding issues and sets the stage for a new era of mutual cooperation between Sunflower and Midwest. Without a doubt, the real winners in this agreement are the people of western Kansas.

Sunflower believes that with the support of all the parties involved, approval of the package by the KCC can be expected by March 1, 1999. Sunflower is also asking for approval of these agreements from the USDA's Rural Utilities Service (RUS). Both regulatory approvals must be received before the transaction can be implemented between the utilities.

Last of all, I would like to briefly comment on the status Sunflower's generation and transmission resources and planning practices.

Sunflower is a member of the Mid-Continent Area Power Pool's (MAPP) Regional Transmission Council. We are also a member of the Southwest Power Pool reliability council. Through membership in these organizations, Sunflower is intimately involved in regional generation and transmission planning.

Sunflower's transmission system is connected to the Nebraska Public Power District near McCook, Nebraska by a 345 kV interconnection. We are also interconnected to Utilicorp (WestPlains Energy) by a 115kV and 345/230 kV interconnection and to Midwest Energy by five 115 kV interconnections. These interconnections allow Sunflower to access the resources of both the MAPP and SPP.

Many of you may have heard about a new transmission line project recently announced by New Century Energies (NCE). Although regulatory approvals are pending, Sunflower is working with NCE to bring about completion of this important new project. When completed, a new 345kV transmission line will stretch from Amarillo, Texas to Holcomb Station, then west to Lamar, Colorado. In Colorado, the line will terminate at a 210 MW AC-DC-AC converter station. Not many other details are available at this time, however when completed this line will bring a valuable new resource to Kansas.

Sunflower has a variety of generating resources to meet its load requirements. We own three gas turbines that are used for meeting our peak loads. The S-3 unit is a 13 MW General Electric Frame 5 combustion turbine and was placed in service in 1973. S-3 is designated as Sunflower's "black start" unit. This means that this unit would be used to electrically energize the Sunflower system should a catastrophic event occur and the Sunflower system experienced a total loss of electrical power.

Sunflower's S-4 and S-5 units are GE Frame 7 combustion turbines placed in service in 1976 and 1979. These units have a generating capacity of 57 MW and 55 MW, respectively.

Sunflower's S-2 is a gas-fired steam unit that was placed in service in 1973. This unit was placed in a "cold standby" service condition in 1984 after Sunflower's Holcomb Station generating unit was placed into commercial operation. The S-2 unit is currently being reconditioned to return to active service beginning April 1999 with an anticipated rating of approximately 95 MW. Load growth in the Sunflower system, wholesale electric power market volatility as result of 1998 summer market conditions, and market sales opportunities make the this return to service

necessary. The S-2 unit and the three combustion turbines, all located in Garden City, and have a total generating capacity of 220 megawatts.

Holcomb Station, our baseload, coal-fired steam turbine, was put into commercial service in August 1983 with a rating of 296 megawatts. The unit was subsequently re-rated to 325 MW and later to 331 MW. Significant advances in turbine blade technology allowed Sunflower to upgrade the rating of the Holcomb unit to 360 MW in the fall of 1997. When our request for permit updates is approved by KDHE the unit's new rating will be approximately 370 MW.

Finally, in addition to our own generating units, Sunflower has access to municipal generating resources of 29 MW. These resources are contractually claimed by Sunflower as accredited generating capacity.

In 1998, our summer peak was 389 MW. With reserve requirements, our total system capacity responsibility was 449 MW. Given these facts and known new loads, we predict our 1999 summer peak will be 405 MW and our system capacity responsibility will be 467 MW, other things remaining constant.

I share this information with the Committee so you might have a better understanding of Sunflower. These facilities were built because western Kansans did not enjoy reliable service in the past. Brownouts, blackouts, and voltage problems were an everyday fact of life until today's Sunflower system was built. That is not the case today.

Sunflower's mission is to provide reliable electric power to its western Kansas consumers. Reliable and affordable electric power will be even more crucial in the

L. Earl Watkins Jr. testimony before the Senate and House Utilities' Committee
January 28, 1999
Page 7

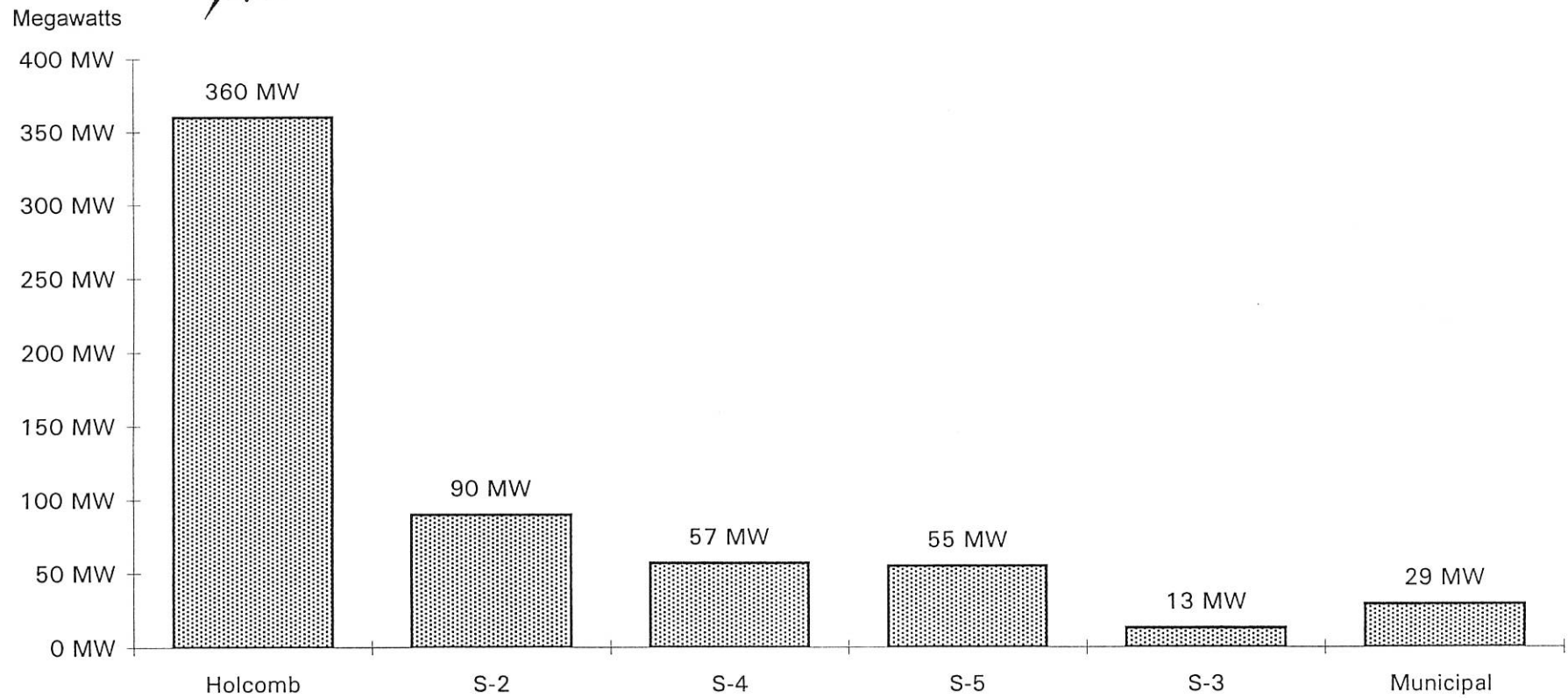
future especially in light of last summer's price spikes which saw electric power selling for nearly \$10,000 a megawatt hour. That is \$10.00 a kWh, more than 100 times what the average residential customer might pay. The Sunflower Board and management are working closely with regional utilities and power pools to make sure that the previously mentioned price spikes and rolling blackouts similar to those seen in the Denver area last summer never happen to Kansas customers.

Thank you for the time to share our views with the Committee. I would be happy to answer any questions.

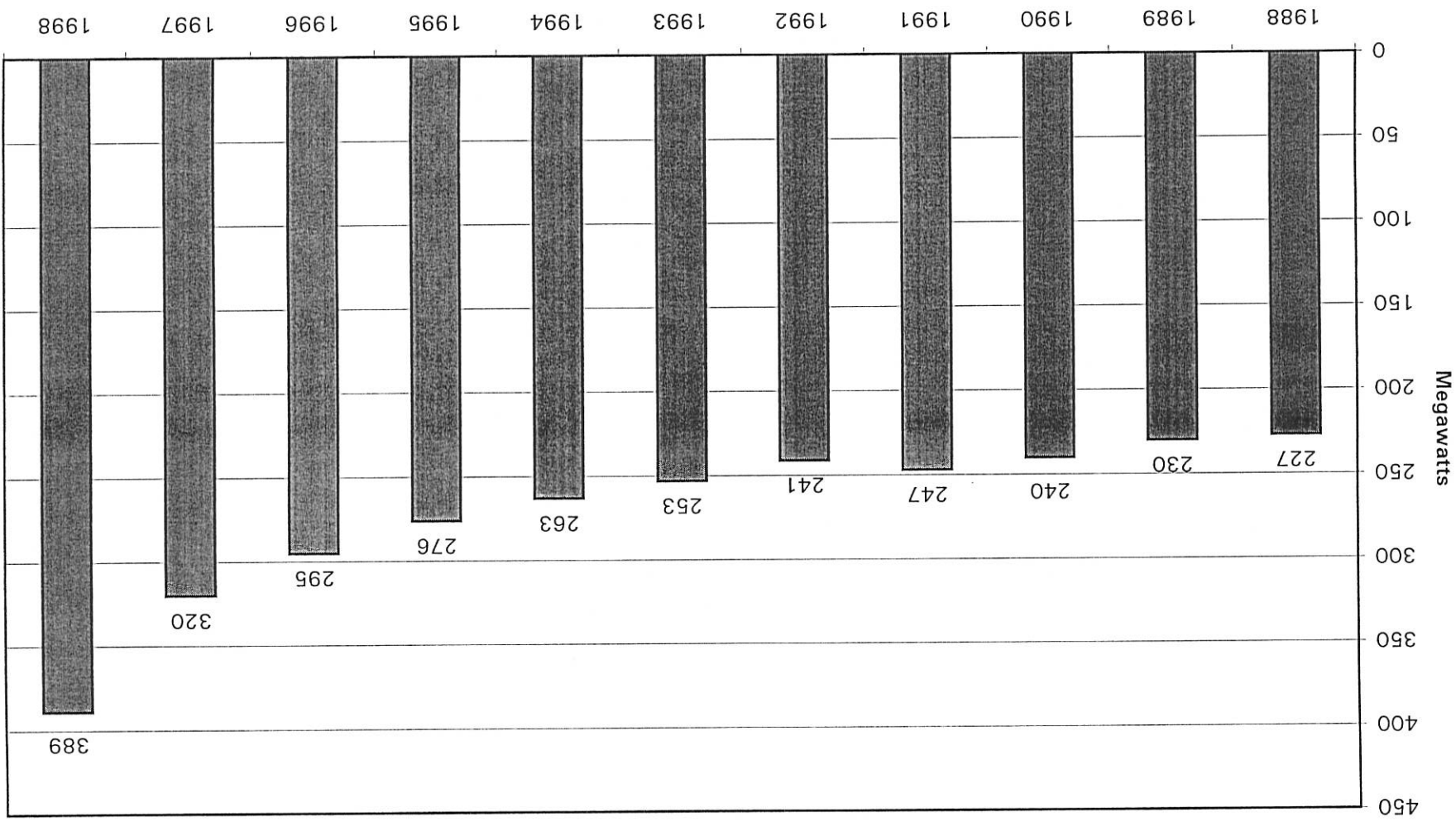
2-8



Sunflower Electric Power Corporation Generation Resources



Sunflower Electric Power Corporation Annual System Peaks 1988-1998



A-7

Scott Keith, Director
Regulatory Rates -- Electric
Kansas and Colorado
UtiliCorp United Inc.

UtiliCorp United/Sunflower Electric Capacity Agreement

Capacity

Purchase power contract includes one unit of Sunflower that brings S-2 into service after 15 years out of service. S-2 is 90 megawatts.

Other

Mult-year contract to adequately serve our customer base for 1999 and future years.

Maintains UtiliCorp's SPP Reserve Margin above 13.0%.

This agreement provides UtiliCorp with the flexibility for an ever changing political and regulatory environment.

Senate Utilities
1-28-99
Attach. 3

WESTPLAINS ENERGY - KANSAS LOAD AND RESOURCE FORECAST

January, 1999

3-2

SYSTEM PEAK RESPONSIBILITY (MW)

RESERVE MARGIN

YEAR	NATIVE LOAD NET 1-HR	WPECO SALE	TOTAL SYSTEM PEAK RESP.	TOT SYSTEM RESERVE RESP.	CAPACITY SALES	CAPACITY REQD	ACCREDITED GENERATING CAPACITY	SEC PURCH	TOTAL SYSTEM CAPACITY	CAPACITY BALANCE	CAPACITY MARGIN	RESERVE MARGIN
1999	500	20	520	78	6	604	558	50	608	4	13.7%	15.8%
2000	508	20	528	80	6	614	558	60	618	4	13.8%	15.9%
2001	517	20	537	81	3	621	558	65	623	2	13.4%	15.5%
2002	526	20	546	82	3	631	558	75	633	2	13.4%	15.4%
2003	536	20	556	84	3	643	558	85	643	0	13.1%	15.1%
2004	545	20	565	85	3	653	558	95	653	0	13.1%	15.0%
2005	555	20	575	87	0	662	558	0	558	(104)	-2.6%	-3.0%
2006	565	20	585	88	0	673	558	0	558	(115)	-4.0%	-4.6%
2007	575	20	595	90	0	685	558	0	558	(127)	-5.4%	-6.2%

Minimum Capacity Margin: 13.04%

ACCREDITED GENERATING CAPACITY

GENERATING UNIT NAME	CAPACITY, MW	TYPE	FUEL
Arthur Mullergren #3	90.5	Base/Int. (ST)	Nat. Gas
Cimmarron River #1	58.0	Int./Peak (ST)	Nat. Gas
Cimmarron River #2	14.0	Peak (CT)	Nat. Gas
Clifton #1	71.0	Peak (CT)	Nat. Gas
Clifton #2	2.5	Peak (IC)	#2 Oil
Judson Large #4	142.8	Base/Int. (ST)	Nat. Gas
Jeffrey Energy Ctr #1	59.7	Base (ST)	Coal
Jeffrey Energy Ctr #2	59.7	Base (ST)	Coal
Jeffrey Energy Ctr #3	59.7	Base (ST)	Coal
TOTAL CAPACITY	557.9		

WESTPLAINS ENERGY - KANSAS LOAD AND RESOURCE FORECAST January, 1999

SYSTEM PEAK RESPONSIBILITY (MW)									RESERVE MARGIN			
YEAR	NATIVE LOAD NET 1-HR	WPECO SALE	TOTAL SYSTEM PEAK RESP.	TOT SYSTEM RESERVE RESP.	CAPACITY SALES	CAPACITY REQD	ACCREDITED GENERATING CAPACITY	SEC PURCH	TOTAL SYSTEM CAPACITY	CAPACITY BALANCE	CAPACITY MARGIN	RESERVE MARGIN
1999	500	20	520	78	6	604	558	50	608	4	13.7%	15.8%
2000	508	20	528	80	6	614	558	60	618	4	13.8%	15.9%
2001	517	20	537	81	3	621	558	65	623	2	13.4%	15.5%
2002	526	20	546	82	3	631	558	75	633	2	13.4%	15.4%
2003	536	20	556	84	3	643	558	85	643	0	13.1%	15.1%
2004	545	20	565	85	3	653	558	95	653	0	13.1%	15.0%
2005	555	20	575	87	0	662	558	0	558	(104)	-2.6%	-3.0%
2006	565	20	585	88	0	673	558	0	558	(115)	-4.0%	-4.6%
2007	575	20	595	90	0	685	558	0	558	(127)	-5.4%	-6.2%

Minimum Capacity Margin: 13.04%

ACCREDITED GENERATING CAPACITY

GENERATING UNIT NAME	CAPACITY, MW	TYPE	FUEL
Arthur Mullergren #3	90.5	Base/Int. (ST)	Nat. Gas
Cimmarron River #1	58.0	Int./Peak (ST)	Nat. Gas
Cimmarron River #2	14.0	Peak (CT)	Nat. Gas
Clifton #1	71.0	Peak (CT)	Nat. Gas
Clifton #2	2.5	Peak (IC)	#2 Oil
Judson Large #4	142.8	Base/Int. (ST)	Nat. Gas
Jeffrey Energy Ctr #1	59.7	Base (ST)	Coal
Jeffrey Energy Ctr #2	59.7	Base (ST)	Coal
Jeffrey Energy Ctr #3	59.7	Base (ST)	Coal
TOTAL CAPACITY	557.9		

3-4

WESTPLAINS ENERGY - KANSAS LOAD AND RESOURCE FORECAST

January, 1999

SYSTEM PEAK RESPONSIBILITY (MW)									RESERVE MARGIN			
YEAR	NATIVE LOAD NET 1-HR	WPECO SALE	TOTAL SYSTEM PEAK RESP.	TOT SYSTEM RESERVE RESP.	CAPACITY SALES	CAPACITY REQD	ACCREDITED GENERATING CAPACITY	SEC PURCH	TOTAL SYSTEM CAPACITY	CAPACITY BALANCE	CAPACITY MARGIN	RESERVE MARGIN
1999	500	20	520	78	6	604	558	50	608	4	13.7%	15.8%
2000	508	20	528	80	6	614	558	60	618	4	13.8%	15.9%
2001	517	20	537	81	3	621	558	65	623	2	13.4%	15.5%
2002	526	20	546	82	3	631	558	75	633	2	13.4%	15.4%
2003	536	20	556	84	3	643	558	85	643	0	13.1%	15.1%
2004	545	20	565	85	3	653	558	95	653	0	13.1%	15.0%
2005	555	20	575	87	0	662	558	0	558	(104)	-2.6%	-3.0%
2006	565	20	585	88	0	673	558	0	558	(115)	-4.0%	-4.6%
2007	575	20	595	90	0	685	558	0	558	(127)	-5.4%	-6.2%

Minimum Capacity Margin: 13.04%


ACCREDITED GENERATING CAPACITY

GENERATING UNIT NAME	CAPACITY, MW	TYPE	FUEL
Arthur Mullergren #3	90.5	Base/Int. (ST)	Nat. Gas
Cimmarron River #1	58.0	Int./Peak (ST)	Nat. Gas
Cimmarron River #2	14.0	Peak (CT)	Nat. Gas
Clifton #1	71.0	Peak (CT)	Nat. Gas
Clifton #2	2.5	Peak (IC)	#2 Oil
Judson Large #4	142.8	Base/Int. (ST)	Nat. Gas
Jeffrey Energy Ctr #1	59.7	Base (ST)	Coal
Jeffrey Energy Ctr #2	59.7	Base (ST)	Coal
Jeffrey Energy Ctr #3	59.7	Base (ST)	Coal
TOTAL CAPACITY	557.9		

A-4



Kansas Electric Power Cooperative, Inc.

A Touchstone EnergySM Partner 

KEPCo's Power Supply Resources and Planning

Bruce Graham, Vice President, Member Services & External Affairs

Prepared for the Senate Utilities Committee -- January 26, 1999

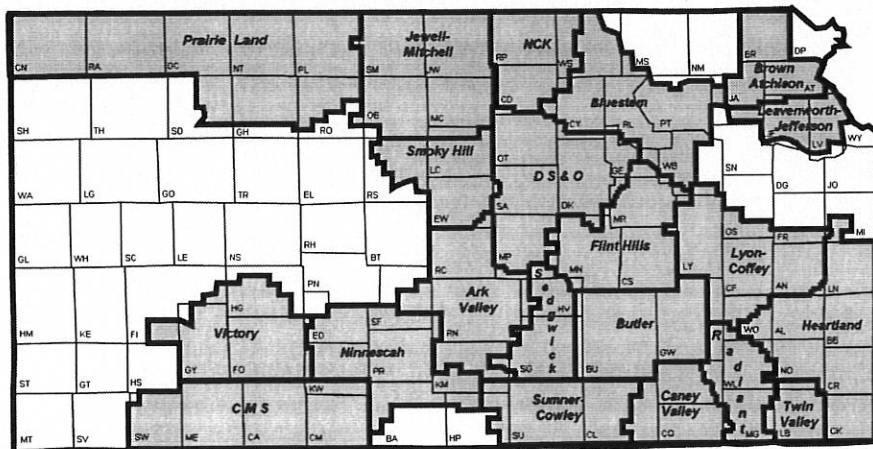
Kansas Electric Power Cooperative (KEPCo) provides wholesale generation and transmission service to 21 rural electric distribution cooperatives which serve approximately 100,000 meters covering two-thirds of rural Kansas (see map below).

KEPCo constantly conducts power supply planning and contract reviews. KEPCo also compiles regular Power Requirement Studies for its member distribution cooperatives which are required by the USDA's Rural Utilities Service along with an aggregate study for itself. KEPCo's most recent study projects steady but less than dramatic sales growth of 1.5 percent annually.

KEPCo's demand peaked at 341 MW in June 1998. KEPCo meets the needs of its members through a combination of plant ownership, long-term contracts for hydropower allocations and through contracts from other utilities in the region. KEPCo's generation specifics:

- 71 MW From Wolf Creek Generating Station, KEPCo owns six percent of the plant
- 114 MW Hydropower allocations from the Southwestern Power Administration and the Western Area Power Administration
- Other Purchases under contract from Western Resources, KCP&L, Empire District Electric, Utilicorp United and Sunflower Electric

To simplify, consider KEPCo's Wolf Creek ownership and hydropower allocations as its baseload capacity and the other utility contracts as meeting KEPCo's needs according to customer demand. For KEPCo to meet the needs of its members and their customers, other utilities must fulfill their power supply obligations and contracts to KEPCo and, of course, plan appropriately for future generation. KEPCo works closely with those utilities to forecast and communicate demand in order to enable proper planning by the utilities.



KEPCo member cooperatives serve two-thirds of rural Kansas.

Senate Utilities
1-28-99
Attach. 4

**Testimony Before
The Senate Utilities Committee**

by
~~Jim Ludwig~~ Ed Schaub
**Western Resources
January 26, 1999**

Chair Ranson and members of the Committee:

Thank you for inviting Western Resources to appear before you today. I'll talk about the events of last summer that created some concern about our ability to provide enough electricity to meet the growing needs of our customers, how we determine those needs, the role played by interruptible service and wholesale service in meeting those needs and holding retail rates down, and our plans to restart and add additional generating capacity over the next several years. I'll also explain how Wolf Creek remains a resource fully used and required to be used to serve KGE customers.

Let me begin with several key points that will help you understand what follows.

- 1) Historically, the wholesale electricity market and interstate transmission network have allowed utilities to provide reliable service with fewer power plants. The wholesale market has allowed utilities to share risks, keeping overall costs lower. Recent profound changes in both the wholesale electricity market and control over the interstate transmission network to encourage wholesale competition have reduced reliability.

Senate Utilities
1-28-99

Attach. 5

2) Federal regulatory policy is driving utilities to cede substantial control over their transmission lines to independent parties. These parties can and do limit or stop electricity from flowing, regardless of the agreement between the buyer and seller of the electricity. This means purchases from other utilities can be suddenly curtailed, creating immediate and unexpected reliability problems.

3) Wholesale electricity markets are now largely deregulated with few price constraints and no utility service obligations beyond those stated in a contract between buyer and seller. With retail markets still fully regulated and utilities obligated to serve retail customers at fixed rates, utilities that have to buy electricity on the wholesale market can be financially whipsawed.

4) As excess generating capacity diminishes throughout the Midwest, the role played by interruptible customers in helping utilities maintain service to firm customers becomes more critical. Customers choosing interruptible service need to understand what it means, and how they can harm other customers if they refuse to be interrupted.

5) Western Resources is committed to providing the electricity needed to keep Kansas growing through cooperation with customers, other electric suppliers, transmission system operators, and regulators. We may ask for legislative assistance in simplifying or eliminating the Kansas Siting Act (for which no parallel exists in nearby states).

Compliance with Siting Act requirements will add cost and could potentially delay

completion of urgently needed new generating capacity. We also anticipate asking the legislature to remove tax barriers and implement tax incentives for Kansas power plants.

The Summer of '98

The problems faced by Western Resources in meeting customer needs this summer were not unique to Western Resources but were shared by most utilities in the region. The bottom line is not one KPL or KGE customer was forced to reduce electric use unless they were contractually obligated to do so. Of course, many customers voluntarily reduced their electric use in response to our appeals for conservation. We can't thank those customers, perhaps including you, enough for that assistance.

Western Resources and other electric utilities do not operate in isolation. For over 30 years, and with government encouragement, utilities have become increasingly interdependent in the way we plan and use our transmission systems, and in relying on those systems to deliver electricity hundreds of miles to our customers. Western Resources and the other utilities in the Southwest Power Pool are part of a much larger group of interconnected utilities from the High Plains to the East Coast commonly called the Eastern Interconnection. Other groups of interconnected utilities exist in the western states and in Texas.

The summer of 1998 stressed the Eastern Interconnection's ability to serve customer load, caused rotating blackouts in other states and caused numerous transmission service curtailments. Part of this stress was caused by summer peak responsibility growth across the region of 5-7% instead of

the projected 2-3% growth. (KGE's peak responsibility grew by 5.8% and KPL's by 4.8%.)

Additional stress was created by the shutdown of several thousand MWs of nuclear generation in the upper Midwest (Wisconsin, Illinois, Michigan and Ohio). These shutdowns, combined with unscheduled unit outages (like the ones at our Lawrence and La Cygne power plants), created a shortage of generation at times throughout the Eastern Interconnection.

Many of the problems of serving the summer peak responsibility have been blamed on the weather, an inefficient energy market and artificially high energy prices. This is only part of the story. These problems occurred on numerous days from late May through September, not just on the hottest days. Even when energy was available on a daily and hourly basis, new difficulties arose in moving the energy from generators to customers. The difficulties are associated with new transmission arrangements to enhance wholesale competition that were put in place this year, including the Southwest Power Pool transmission tariff and new line loading relief procedures. In general, utilities have less control over their transmission systems, making delivery of purchased power less certain. There were times when electricity could not be delivered, and times when the market price of the available electricity rose.

Western Resources is committed to working with the Southwest Power Pool, other power pools and other power suppliers to restore smoothly functioning wholesale power markets and improve access to emergency electricity. We support the Federal Energy Regulatory Commission's order of December, 1998 requiring all utilities in the Eastern Interconnection to have in place transmission line loading relief and congestion management procedures by this coming summer.

These steps will reduce future price spikes like those that caused electricity in the summer of 1998 to cost as much as 100 times what it normally costs in the summertime.

Western Resources in the Summer of '98

In 1998, Western Resources experienced a peak responsibility of 4,287 MW. Our total capacity is 4,960 MW, of which 528 MW were unavailable because of forced outages, to meet this peak responsibility. The weather was certainly a factor during the summer. It was the warmest in Wichita since the scorcher of 1980. Nights were also unusually warm, causing many air conditioners to be run continuously for long periods. In addition, there was strong growth in non-weather sensitive peak responsibility. Western Resources' peak responsibility is estimated to have grown by roughly 30 MW more than normal. This underlying growth probably reflects the strong economy and job growth throughout our service territory and particularly in the Wichita area.

Western Resources and all other utilities are required by their power pools to maintain certain margins of generating (or purchased) capacity above their peak responsibility level. These reserves allow customers who are paying for uninterrupted service to be assured service, even if some generation has to be removed from service or extreme heat causes predicted peak responsibility levels to be exceeded. Unexpected generating outages during peak load conditions can force Western Resources into the mostly deregulated and less reliable wholesale power market to buy enough electricity to meet its peak responsibility. Fortunately, we were able to meet our peak responsibility with a combination of our own generating capacity and power

purchased in the wholesale market, even though some of our generating capacity was out of service.

Now I'll explain more about how we measure peak responsibility and determine the generating capacity available to meet that peak responsibility.

Utilities make capacity decisions with long-term financial impacts (like building new power plants) based on predicted (not actual) peak loads. These predictions are updated at least annually and, during peak periods in the summertime, daily. Because of the mechanics of implementing interruptions, our system controllers must decide by midmorning whether to call for interruptions on a given day. Of course, should conditions change, system controllers can and will cancel their call for interruptions. Also note that we can and will work with customers that have a unique hardship in fully or timely complying with a specific request for interruption.

Peak responsibility includes retail and wholesale customers who are paying for firm service but does not include retail and wholesale customers who are paying lower rates for interruptible service. Western Resources does not include 191 MW of interruptible load from KGE and KPL retail customers in its peak responsibility projections. This is a normal, accepted practice in utility planning. Interruptible customers pay considerably less than firm customers in exchange for accepting a lower priority of service. The exact savings vary widely depending on the size of the customer and how steadily the customer uses electricity through the day, month and year. Savings from 20% to 40% below rates paid by firm customers are common.

Some wholesale customers pay for service from specific generating units. These are called capacity sales. To the extent portions of generating units are dedicated in this manner they cannot be used to meet peak responsibility. Service to these customers is interrupted if the specified generating units stop running or run at a reduced rate.

If interruptible customers do not curtail service when the utility requests, the utility is forced to count such customers as part of its peak responsibility and must continue to serve them. This service may be incredibly costly if the utility must buy additional electricity in the wholesale market.

If large interruptible customers choose to switch to firm service, the utility's predicted peak responsibility immediately jumps, and can force the utility to provide new generating capacity. This is unmanageable and costly considering the multi-year lead time to build capacity.

These rules are not unique to Western Resources. They are administered through regional power pools and the North American Electric Reliability Council, and cannot be controlled by individual utilities or states.

There were 51 hours spread over eight days last summer when KPL and KGE interruptible customers were requested to reduce their electrical consumption. Large customers were requested to voluntarily reduce consumption on four days. On July 20 and July 21 ALL

customers were requested to conserve because of our concern about rotating electric outages. In the end, no outages were necessary.

Some interruptible customers apparently believe that wholesale customers with a higher service priority should have been interrupted first. Unfortunately, interrupting a firm supply to another utility in this highly interdependent region would have added to the risk of region-wide shortages. Diverting generating capacity from firm wholesale customers to interruptible retail customers would also violate our federally-approved contracts with those wholesale customers. In hindsight it appears that, because of receiving years of uninterrupted electricity at much lower prices, some interruptible customers viewed their service as firm, or at least viewed KGE's supply of excess capacity as inexhaustible. Perhaps some customers agreed to be interrupted without considering the consequences of interruptions to their own operation.

Some people may not realize the benefits that retail customers get when we make wholesale power sales. The Kansas Corporation Commission approves the rates KPL and KGE charge retail customers. In determining the revenues we can charge retail customers, the KCC makes reductions to reflect revenues collected from wholesale customers. If Western Resources did not make these wholesale sales, firm retail rates for BOTH KPL and KGE would have to be higher.

Adding Generating Capacity

While Western Resources met its obligation to serve its customers' peak loads last summer, there is an obvious need for more generating capacity here and in much of the country. We recognized

this need even before last summer. Although KPL has not built a new power plant since 1983 and KGE has not built one since Wolf Creek was completed in 1985, we have invested in efficiency improvements at existing power plants to increase their output. Western Resources has added 118 MW of capacity at the coal-fired La Cygne and Jeffrey generating stations. This summer, 1999, we will restore KGE's mothballed Neosho power plant to service, adding 67 MW of capacity. The Neosho plant burns natural gas. We are purchasing 83 MW of peaking generating capacity from the McPherson municipal utility in addition to the 115 MW we purchased from McPherson last summer. We are also pursuing similar transactions for this summer with several other municipalities.

Even though both KPL and KGE need to add generating capacity, some KGE customers believe some portion of Wolf Creek should be assigned to KPL customers, apparently on the theory that they are already using Wolf Creek "electrons". Remember my earlier remarks about the Eastern Interconnection. Strictly speaking, every power plant connected to the Eastern Interconnection feeds electricity into the grid, while utility substations take electricity off the grid and deliver it to customers. Electrons aren't the issue. Each utility's balance of resources is the issue. A utility will run its generating plants based on their operating costs, with the cheapest-to-run plant generating first. In KGE's case, that plant is Wolf Creek. For KPL it is the Jeffrey Energy Center. KGE's peak responsibility this summer was 1,982 MW. Even on a mild spring or fall day, KGE firm customers demand roughly 1,200 MW of electricity. KGE's 47% share of Wolf Creek equals 560 MW, less than half what is required even on a mild day. Thus, when Wolf Creek is running, all power from the plant is needed to serve KGE customers.



Returning to the issue of new capacity, [we recently announced our intention to build three combustion turbines adding approximately 300 MW of peaking, gas-fired generating capacity, partly in the spring of 2000 and partly in the spring of 2001. Both KPL and KGE will take shares of the new capacity, which amounts to a 5% increase in the total capacity owned by Western Resources. While this new capacity will meet our customers' needs for several years, it is not a long-term solution. As peaking capacity, the new turbines will typically operate less than 10% of the year. We are planning to locate the new turbines at KGE's Gordon Evans plant site near Colwich, northwest of Wichita in Sedgwick County. Their cost is estimated at \$120 to \$140 million. We are also pursuing joint ownership or participation in other new generating plants.

Despite the widely recognized need for this new capacity, we face a variety of hurdles in meeting the aggressive timetable we have set. A permit must be obtained from the Kansas Department of Health and Environment. We also need approval of a siting application by the KCC, which we filed December 2, 1998. The KCC staff has indicated a willingness to help expedite consideration of our application. Approval by April 15, 1999 will be essential to helping us meet our deadlines for installation of these new units.

It is difficult to plan to meet the needs of our customers when the electric utility industry is undergoing so much change. We expect those changes to continue. However, in accordance with our obligation to serve retail customers in our certified service territory, we must and will continue to provide reliable and reasonably priced electricity to our customers. It would

5-10

certainly help if Kansas chose to encourage construction of additional generation, even while retaining regulatory control. The legislature can help by enacting tax incentives and streamlining or eliminating the Siting Act.

Thank you for the opportunity to testify today. We would be pleased to answer any questions you may have.

WHITNEY B. DAMRON, P.A.
1100 MERCANTILE BANK TOWER
800 SW JACKSON STREET
TOPEKA, KANSAS 66612-2205
(785) 354-1354 ♦ 354-8092 (FAX)

(A-6)
Written Daily

- MEMORANDUM -

TO: The Honorable Pat Ranson, Chair
And Members Of The
Senate Committee on Utilities

FROM: Whitney B. Damron
On Behalf Of
The Empire District Electric Company

RE: Electric Generating Capacity; Empire

DATE: January 26, 1999

Pursuant to your Committees' interest in present and future generating capacity of electric utilities serving Kansas, attached to this cover page you will find a copy of a recent press release for the Empire District Electric Company concerning additional generation considerations.

Please contact me if you have any specific questions regarding Empire and I will see that your inquiries are addressed promptly. Thank you.

Attachment

Senate Utilities
1-28-99
Attach. 6

**THE EMPIRE DISTRICT ELECTRIC COMPANY
WILL CONSTRUCT A 350 MW ADDITION
AT THE STATE LINE POWER PLANT**

The Empire District Electric Company has announced plans for the construction of an additional 350 megawatts of electric power generation at its State Line Power Plant located on the Missouri side of State Line Road between Joplin, Missouri and Galena, Kansas.

The State Line Power Plant now consists of a 101 MW simple cycle combustion turbine and a 150 MW simple cycle combustion turbine. Empire will add an additional 150 MW combustion turbine. This new turbine, together with the Company's existing 150 MW combustion turbine (State Line Unit 2), will be used as a heat source to power an additional 200 MW of steam-powered combined cycle generation. After completion, the site will contain a 500 MW combined cycle unit and a 101 MW simple cycle combustion turbine.

It is estimated that the construction of the combined cycle generation plant will begin in the fall of 1999 and that the unit will be commercial by June of 2001. The Company solicited proposals for participants in the combined cycle plant, and is currently finalizing negotiations with another participant such that Empire will own 60% of the 500 MW combined cycle unit.

Expiring purchase power contracts and continued growth in Empire's service territory drove the need for the unit. After a thorough evaluation of Empire's needs in the year 2001 and beyond, and considering the state of the electric energy supply in our region, Empire has determined that this construction project is the most appropriate action to ensure our customers reliable, economical energy. Upon completion, the State Line combined-cycle unit will be one of the most energy-efficient plants in the United States.

Empire has made application under the Kansas generation siting act statues in Docket number 99-EPDE-416-EGF.

The Empire District Electric Company is an investor-owned utility supply electric service to approximately 143,000 customers in a 10,000 square-mile area in southwest Missouri, southeast Kansas, northeast Oklahoma and northwest Arkansas. The Company also provides water service in three incorporated communities in Missouri.