



Kansas Electric Power Cooperative, Inc.

January 18, 2012

Senate Utilities Committee

Testimony on behalf of Kansas Electric Power Cooperative, Inc. (KEPCo)

Mr. Chairman and Members of the Committee, I am Phil Wages with Kansas Electric Power Cooperative, Inc (KEPCo).

KEPCo is the wholesale electric provider for 19 rural electric distribution cooperatives in the eastern two-thirds of Kansas. KEPCo's mission is to provide a safe, reliable, and economic electric supply to its Members. This mission is becoming more challenging to meet due to the numerous EPA regulations set to take effect. With the new regulations, KEPCo will need to pass along to its Member systems the cost of compliance, thus raising electricity rates in the rural areas KEPCo serves.

KEPCo owns the Sharpe Generating Station located in Sharpe, Kansas. The generating station is comprised of 10, 2 MW diesel-fired generators. The generating station is used as a peaking facility and as a back-up, off-site power source for Wolf Creek. In order to comply with the EPA Reciprocating Internal Combustion Engine (RICE) National Emissions Standards for Hazardous Air Pollutants (NESHAP) rule, KEPCo will need to install catalytic convertors and crankcase ventilation systems on the generators. The estimated cost of the equipment and installation is approximately \$400,000. The retrofit will occur in April, 2012.

KEPCo is a joint owner (3.53%) of the 850 MW Iatan 2 coal-fired generating unit in Weston, Missouri. Kansas City Power & Light (KCPL) is

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the majority owner and operator of the unit. The Iatan 2 unit became commercially operational on December 31, 2010. At the time of construction, Iatan 2 was built with the latest, state-of-the-art emission control devices. If it is determined that additional or updated emission control equipment must be installed to comply with an EPA regulation, KEPCo's proportional share of the costs incurred to comply with these regulations will flow through to KEPCo's Member systems in the form of higher electricity prices.

KEPCo also has purchase power agreements with local and regional electric utility companies, such as Westar and Sunflower. Any costs that are incurred to comply with EPA regulations by companies that KEPCo purchases power from will increase the price of electricity and will flow through to KEPCo Member systems in the form of higher electricity prices.

Mr. Chairman, this concludes my testimony and I will stand for questions at the appropriate time.