

NEWS



301 West 13th Street • HAYS, KS 67601 • TEL: 785.628.2845 • WWW.SUNFLOWER.NET

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FOR MORE INFORMATION:

Steve Miller
785.623.3364
smiller@sunflower.net

SUNFLOWER ELECTRIC COMPLETES CORPORATE RESTRUCTURING

Officials from the Rural Utilities Service (RUS) and Sunflower Electric Power Corporation met to complete Sunflower's corporate restructuring at a transaction closing in Washington, D.C. today at the offices of Sunflower's special counsel, Ballard Spahr Andrews & Ingersoll, LLP.

The restructuring, which has been under consideration for the past six years, involves the transfer of substantially all of Sunflower's assets to a newly-created corporation, owned and controlled by the same six distribution cooperatives that own the "old" Sunflower.

The new corporation will assume fixed debt obligations to the RUS and Sunflower's other creditors, in exchange for Sunflower's prior contingent obligations. When completed, the transfer will be transparent to Sunflower's employees, vendors, customers and other constituents.

Rural Utilities Service Administrator Hilda Gay Legg commented on the transaction saying, "RUS participated in this restructuring to help Sunflower stabilize its future and because of the potential for enormous economic development activity which will result from the continued development of a new 600 MW coal-fired power plant that will be constructed in Finney County, Kansas on the existing site of Sunflower's Holcomb Unit #1."

Investors will own the new plant with construction activities forecast to begin in 2003. The power from the project, which will be operated and maintained by Sunflower, is being marketed to load-serving utilities in the Midwest.

According to an economic impact study prepared by Dr. Ralph Gamble, an economics professor at Fort Hays State University, the new plant will create a \$2.5 billion positive economic impact, in part by creating 1,600 jobs during the construction phase of the project.

Sunflower will receive development fees and lease income in addition to the operation and maintenance revenue generated by the work of its experienced workforce.

The Gamble study also predicts that 149 permanent new jobs will be created by the project in Kansas and that the continuing operation of the new plant will increase annual earnings throughout the state by \$7.3 million.

Chris Hauck Sunflower's President and CEO noted that, "Sunflower has invested a significant amount of both human and financial resources in economic development activities throughout western Kansas because we realize that a deep commitment to our communities is required if our rural way of life is to be sustained."

Hauck added, "This transaction not only helps Sunflower continue to create jobs indirectly, but the new plant will also provide the economic engine for real growth in western Kansas for a long time."

Sunflower has been quite active in its facilitation of applications for rural development projects. In the last several years, nineteen projects with a capitalized cost of nearly \$35 million have benefited from funding supplied through the Rural Economic Development Loan and Grant program, an initiative administered by the USDA. "Those projects have created new jobs and meant employment opportunities were available to people who otherwise may have had to move away from their rural roots," said Administrator Legg. She added, "Several of these projects involved infrastructure financing at rates that allow communities to spend their tax dollars delivering services instead of paying interest."

Chris Hauck praised the work of the RUS saying, "We've worked diligently with the agency and with our Member systems for many years to find ways to continue the important services Sunflower provides to the people of western Kansas." He added, "I can attest that with the work of these dedicated RUS employees and Administrator Legg we were able to find a solution that will bring many benefits to the people with whom we are associated."

About Sunflower Electric Power Corporation—

SEP Corporation, doing business as Sunflower Electric Power Corporation, is a member-owned generating and transmission cooperative that provides wholesale power to its six member cooperatives and other regional utilities in ten states. Sunflower's members serve 120,000 people in a 30,000 square mile area in western Kansas.