

NEWS



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KDHE EXTENDS AIR PERMIT FOR SAND SAGE PROJECT

HAYS, KS—The Secretary of the Kansas Department of Health and Environment issued an 18-month extension to the Holcomb 2 Prevention of Significant Deterioration (PSD) permit on April 5, 2004.

Sand Sage Power LLC, a subsidiary of Sunflower Electric Power Corporation, received the air quality construction permit for the planned 600-megawatt coal-fired plant in October 2002 after more than one year of work with the Kansas Department of Health and Environment and the Environmental Protection Agency. The original permit was scheduled to expire on April 8, 2004.

This permit is essential to the project because the Clean Air Act (CAA), and the regulations promulgated to enforce its provisions, have been modified several times over the years. These modifications have added several air pollution prevention and control provisions designed to protect and enhance the quality of the nation's air resources.

The permit extension application was necessary because the Sand Sage project has faced a delay in its development schedule resulting from the collapse of energy markets and the subsequent adverse impact upon regional electric utilities which were to serve as core participants in the Sand Sage project.

However, the project now has new participants who have made preliminary commitments which, in the aggregate, exceed the new plant's full output. Development efforts are now focused on the complex and time-consuming task of obtaining the firm transmission services that will be needed to deliver the output of the new plant to its customers and owners, over its life.

Finally, the structuring of an Engineering, Procurement and Construction (EPC) contract must be completed before construction can begin. With the EPC approach, the EPC firm or consortium assumes responsibility for achieving the targeted cost and schedule of the project, as well as its performance. This will relieve Sand Sage of this burden and risk. Sand Sage will deal with a single-point contact – the EPC project manager – thus simplifying the lines of communication. With an EPC approach, the parties involved, the project budget and the project schedule are known before the project begins.

It now appears that the closing of the Project's construction financing will take place in the first quarter of 2005, which was beyond the expiration date of the original permit. Therefore, Sand Sage requested and received the extension of the term of the permit from April 8, 2005 through October 8, 2005.

Sunflower Electric Power Corporation is a regional wholesale power supplier that owns and operates a 595 MW system of gas and coal-fired generating plants and a 1,200-mile transmission system for the needs of its six member cooperatives who serve 120,000 people spread throughout a 21,000 square mile area in western Kansas. Sunflower also provides power to regional utilities in western Kansas and in ten states.