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February 27, 2008

The Honorable Stephen R. Morris
President of the Senate
Room 371-E, State Capitol
Topeka, KS 66612

The Honorable Melvin Neufeld
Speaker of the House of Representatives
Room 380-W, State Capitol
Topeka, KS 66612

Dear Senate President Morris and Speaker Neufeld:

Thank you for your kind invitation to visit and learn about the new coal-fired power plant proposed by Sunflower Electric. While my schedule will not make a visit possible at this time, I appreciate your offer of additional information regarding this proposal. I will certainly read with interest any additional information you would like to share.

On February 14, 2008, I wrote to the Administrator of the Rural Utilities Service (RUS) to inquire whether and how RUS is accounting for the financial risks associated with regulation to address climate change when RUS provides financing for new coal-fired power plants with uncontrolled greenhouse gas emissions. As Chairman of the Committee on Oversight and Government Reform, a key focus of my work is safeguarding taxpayer dollars from waste. Major private-sector investment banks have instituted a new policy of enhanced diligence prior to funding new coal-fired power plants. Citigroup, J.P. Morgan Chase, and Morgan Stanley have determined that future regulation of greenhouse gas emissions is likely and as large emitters of greenhouse gases, uncontrolled coal-fired power plants may incur additional, potentially substantial, costs to control their emissions.

In my letter, I inquired whether, when RUS loans out taxpayer dollars, RUS takes similar precautions as investment banks are taking to protect their shareholders' value. I also asked whether RUS analyzed the financial risks associated with climate change when it agreed to allow Sunflower and its partners to take on \$3.6 billion of new debt to build coal-fired power plant units with large greenhouse gas emissions. I am concerned that if this financially risky project

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faces costs that were overlooked in the initial financial assessment, American taxpayers and Kansas ratepayers will be left to make up the difference.

Understandably, the Kansas press focused on my questions regarding the Sunflower Electric proposal. However, let me assure you that my letter is an attempt to understand the practices of RUS throughout the nation, not just in Kansas. The nation faces a challenging transition in the coming years to deploy low carbon energy systems. Prudent investors recognize this, and we must ensure that those managing taxpayers' dollars do as well. I'm sure you would agree with me that safeguarding taxpayer dollars is one of the most important responsibilities of elected officials.

Thank you again for your interest in my inquiry to RUS and your offers of assistance.

With kind regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Henry A. Waxman
Chairman