

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

<b>In the Matter of Application of Kansas</b>	<b>)</b>	<b>Docket No.</b>
<b>Electric Power Cooperative, Inc. for</b>	<b>)</b>	<b>16-KEPE-584-MIS</b>
<b>Approval of Amended and Restated</b>	<b>)</b>	
<b>Decommissioning Trust and a Change in</b>	<b>)</b>	
<b>Trustee.</b>	<b>)</b>	

**DIRECT TESTIMONY**

**PREPARED BY**

**Adam H. Gatewood**

**UTILITIES DIVISION**

**KANSAS CORPORATION COMMISSION**

**November 21, 2016**

1 **Q. Would you please state your name and business address?**

2 A. My name is Adam H. Gatewood. My business address is 1500 Southwest  
3 Arrowhead Road, Topeka, Kansas, 66604.

4 **Q. Who is your employer and what is your title?**

5 A. I am employed in the Utilities Division of the Kansas Corporation Commission as  
6 a Managing Financial Analyst.

7 **Q. What is your educational and professional background?**

8 A. I graduated from Washburn University with a B.A. in Economics and a Masters  
9 of Business Administration. I have filed testimony on cost of capital issues before  
10 the Federal Energy Regulatory Commission in natural gas pipeline and electric  
11 transmission dockets. In my primary role here at the Commission I have filed  
12 testimony in more than 100 proceedings involving rate of return and public utility  
13 finance issues including all of the proceedings at the Commission that centered on  
14 the decommissioning trusts of Wolf Creek Nuclear Generating Station.

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to provide a brief overview and recommendation  
17 regarding Kansas Electric Power Cooperatives' (KEPCo) request in this Docket.  
18 On June 22, 2016, KEPCo filed an Application seeking authority to amend and  
19 revise its existing Decommissioning Trust Agreement and change trustees. I  
20 reviewed KEPCo's Application and prepared a Report & Recommendation for the  
21 Commission that summarizes my findings. That Report and Recommendation is  
22 attached to my testimony and I am adopting its findings and recommendations.

23 **Q. Is KEPCo associated with the Wolf Creek Nuclear Generating Station?**

1 A. Yes. KEPCo is a co-owner of the Wolf Creek Nuclear Generating Station (Wolf  
2 Creek). KEPCo owns 6% of Wolf Creek. Westar Energy, Inc. and Kansas City  
3 Power & Light Company each respectively own 47%. As a part owner of Wolf  
4 Creek, KEPCo is required to fund its share of the eventual decommissioning costs  
5 associated with decommissioning Wolf Creek.

6 **Q. Can you briefly describe KEPCo's request in this Docket?**

7 A. Yes. As part owner of Wolf Creek Nuclear Generating Station, KEPCo is  
8 responsible for its proportional share of the total cost for decommissioning the  
9 power plant at the end of its operating license. The Commission requires owners  
10 of Wolf Creek to establish segregated trust funds to accumulate funds sufficient to  
11 pay for the owner's respective share of decommissioning Wolf Creek. KEPCo is  
12 seeking permission to amend its Trust Agreement related to the decommissioning  
13 of Wolf Creek.

14 **Q. What amendments is KEPCo seeking Commission approval of?**

15 A. KEPCo's request can be broken down into two issues: (1) a trust restatement, and  
16 (2) a change in trustee. First, KEPCo is requesting the Commission approve an  
17 Amended and Restated Trust Agreement. KEPCo explains this restatement more  
18 clearly sets forth the purpose of the Decommissioning Trust and that the  
19 Decommissioning Trust must be managed in accordance with applicable state and  
20 federal law. Second, KEPCo is requesting a change in the Trustee from CoreFirst  
21 to Country Club Trust Company. KEPCo explains the change in Trustee will  
22 result in a more efficient and economical administration of its Wolf Creek  
23 Decommissioning Trust.

1   **Q.     Has Staff reviewed KEPCo's request?**

2   A.     Yes. Staff reviewed the proposed Amended and Restated Trust Agreement and  
3           found nothing objectionable. Kansas law states that decommissioning costs are  
4           the responsibility of the nuclear plant's owners. Therefore, it is in KEPCo's best  
5           interest to construct a trust agreement that will best enable it to meet its share of  
6           decommissioning costs. Additionally, by changing Trustees, KEPCo is being  
7           cognizant of the fees and costs associated with managing its Decommissioning  
8           Trust. After all, fees and costs subtract from the annual return on investment  
9           experienced by the Decommissioning Trust and are ultimately borne by  
10          ratepayers.

11   **Q.     Does Staff have a recommendation regarding KEPCo's request?**

12   A.     Yes. As stated in Staff's Report and Recommendation, Staff recommends that the  
13          Commission issue an Order: 1) granting KEPCo the authority requested in this  
14          Docket; and 2) requiring that KEPCo file a copy of the executed Trust Agreement  
15          in this Docket.

16   **Q.     Does this conclude your testimony?**

17   A.     Yes.

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Chairman Jay Scott Emler  
Commissioner Shari Feist Albrecht  
Commissioner Pat Apple

**FROM:** Adam Gatewood, Managing Financial Analyst  
Justin Grady, Chief of Auditing & Financial Analysis  
Jeff McClanahan, Director of Utilities

**DATE:** August 2, 2016

**SUBJECT: Docket No: 16-KEPE-584-MIS**  
In the Matter of Application of Kansas Electric Power Cooperative, Inc.  
for Approval of Amended and Restated Decommissioning Trust and a  
Change in Trustee

**EXECUTIVE SUMMARY:**

In this Docket, KEPCo seeks authority from the Commission to: 1) amend and revise its existing trust agreement; and 2) change trustees. Staff recommends the Commission grant KEPCo's request.

**BACKGROUND:**

As an owner of Wolf Creek Nuclear Generating Station, KEPCo is responsible for its proportional share of the total cost for decommissioning the power plant at the end of its operating license. When Wolf Creek was placed in service, each of its three owners were ordered by the Commission to establish segregated trusts to accumulate funds sufficient to pay for their respective share of decommissioning Wolf Creek. The Commission authorized KEPCo to utilize a segregated internal funding mechanism in Docket No. 142,100-U. KEPCo created a Grantor Trust (Trust) for this purpose and that action was approved by the Commission in Docket No. 167,220-U.

**ANALYSIS:**

KEPCo has decided that it should revise the Trust so that the agreement with the trustee clearly sets forth the purpose of the Trust as a decommissioning trust for Wolf Creek and that it must be managed in accordance with the applicable state and federal regulatory

requirements.<sup>1</sup> The Application includes a draft of the *Amended and Restated Trust Agreement for the KEPCO – Wolf Creek Decommissioning Trust*.<sup>2</sup> Staff reviewed the proposed trust agreement and found nothing objectionable. K.S.A. 66-128 (l through p) states that decommissioning costs are exclusively the responsibility of the plant owner(s). Thus, it is clearly in KEPCo's best interest to craft a trust agreement that will best enable it to meet its share of the decommissioning costs as any shortfall in funding the trust will be paid by the owner.

In addition to changing the language in the Trust, KEPCo also requests authority to change trustees. KEPCo states that changing the trustee from CoreFirst Bank & Trust of Topeka to Country Club Trust Company in Kansas City, Missouri, will provide for more efficient and economical administration of the trust. The Trust has been managed by CoreFirst since it was created. Staff is pleased that KEPCo is being cognizant of the fees and costs associated with managing the Trust as these costs subtract from the annual return on the investments, thus ultimately are borne by the ratepayers that fund the Trust. Economical and efficient administration of the Trust benefits the retail customers of the electric cooperatives that makeup KEPCo.

Staff recommends that the Commission issue an Order: 1) granting KEPCo the authority requested in this Docket; and 2) requiring that KEPCo file a copy of the executed Trust Agreement in this Docket.

**RECOMMENDATIONS: GRANT**

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<sup>1</sup> Application 16-KEPE-584-MIS; para 5.

<sup>2</sup> Application 16-KEPE-584-MIS; Exhibit A.

## **CERTIFICATE OF SERVICE**

16-KEPE-584-MIS

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony of Adam Gatewood was served by electronic service on this 21st day of November, 2016, to the following:

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/S/ Pamela Griffeth

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Pamela Griffeth  
Administrative Specialist