BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

TESTIMONY IN SUPPORT OF STIPULATION AND AGREEMENT

OF

LARRY WILKUS

WESTAR ENERGY

DOCKET NO. 18-WCNE-107-GIE

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME.

A. Lawrence ("Larry") M. Wilkus.

Q. ARE YOU THE SAME LARRY WILKUS WHO FILED REBUTTAL TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I am providing testimony on behalf of Kansas Gas and Electric Company d/b/a Westar (Westar), Kansas City Power & Light Company (KCP&L), Kansas Electric Power Cooperative, Inc. (KEPCo) (together as the "Wolf Creek Owners") and Wolf Creek Nuclear Operating Corporation (WCNOC) in support of the Settlement Agreement between the Wolf Creek Owners, WCNOC, and the Staff of the Kansas Corporation Commission (Staff), which was submitted for Commission approval on June 22, 2018. The Settlement Agreement recommends that the Commission adopt a specified estimate of Wolf Creek decommissioning costs to be used to determine annual contribution amounts and accrual levels for the respective owner utilities' decommissioning trust accounts and a recommended escalation factor (inflation rate).

I will provide some background information regarding the Settlement Agreement, summarize the terms of the Agreement, and address the Commission's standards for review of settlements with respect to the Settlement Agreement in this case.

II. BACKGROUND

Q. PLEASE DESCRIBE THE HISTORY OF THIS DOCKET AND THE SETTLEMENT AGREEMENT.

A. On September 1, 2017, WCNOC filed its 2017 decommissioning financing plan for the Wolf Creek Generating Station, in accordance with the Commission's December 9, 1992 Order in Docket No. 163,561-U and the Commission's June 13, 2013 Order in Docket No. 13-WCNE- 204-GIE. The December 9, 1992 Order directed the filing of a decommissioning cost study every three years after September 1, 1993. The June 13, 2013 Order directed WCNOC and the owning utilities to update the estimates of the total capital costs of the

Independent Spent Fuel Storage Installation ("ISFSI") project at Wolf Creek as part of the triennial decommissioning cost study filings.

The decommissioning financing plan filed with the Application in this docket included a decommissioning cost study prepared by TLG Services, Inc. that provided cost estimates for decommissioning Wolf Creek. That cost study included estimates for three different decommissioning methods – the DECON method, the DECON Alternative with Long-Term Spent Fuel Management (DECON-LTSFM) method and the SAFSTOR method. Based on the cost study, the estimated costs to decommission Wolf Creek under the DECON method total $813.7 million in 2017 dollars. The estimated costs under the DECON-LTSFM and the SAFSTOR methodologies total $1.088 billion and $1.093 billion in 2017 dollars, respectively.

In previous triennial dockets, Staff has recommended and the Commission has accepted the DECON method as the appropriate methodology when determining a cost estimate for decommissioning Wolf Creek. However, in this docket Staff determined that it is more reasonable to use the cost estimate for the DECON-LTSFM method because the DECON method does not include any costs associated with long-term storage for spent fuel. Staff believes that because the federal government is not currently making any progress on meeting its obligation to deal with spent fuel, it is appropriate to include the costs of long-term storage in the cost estimates and, consequently, in the amounts contributed to the Wolf Creek Owners' trust funds.

As part of the initial application in this docket, the Wolf Creek Owners proposed an inflation rate to be used to convert the cost estimates in 2017 dollars into the dollar amount needed for decommissioning when the plant is closed. Staff agreed that the inflation rate recommended by the Wolf Creek Owners was reasonable.

III. TERMS OF THE SETTLEMENT AGREEMENT

Q. CAN YOU DESCRIBE THE TERMS OF THE SETTLEMENT AGREEMENT?

A. Yes. The parties to the Settlement Agreement agree that (1) the cost for decommissioning is $1.088 billion in 2017 dollars based on the cost estimate for the DECON-LTSFM method provided in TLG's cost study and that this number will be used by the Wolf Creek Owners in separate dockets to set a funding level for each company's decommissioning trust fund; and (2) the escalation rate of 2.91% per year should be used to escalate the 2017 decommissioning cost estimate of $1.088 billion from 2017 dollars to the appropriate dollar amount in the year that the costs will be incurred.

Q. IF THE COMMISSION APPROVES THE SETTLEMENT AGREEMENT, WHAT WILL THE NEXT STEPS BE TO ADJUST RATES?

A. If the Commission approves the cost estimate for decommissioning the plant and an inflation rate in this docket, the next step will be for the individual owners to propose an annual funding amount for their decommissioning trust funds and related rate recovery either through base rates or some other mechanism. For Westar, those issues are being addressed in its general rate case currently pending in Docket No. 18-WSEE-328-RTS. For KCP&L, they are being addressed in its general rate case in Docket No. 18-KCPE-480-RTS.

IV. COMMISSION STANDARDS FOR REVIEW OF SETTLEMENT AGREEMENTS

Q. WHAT IS THE STANDARD THE COMMISSION APPLIES TO DETERMINE WHETHER TO APPROVE SETTLEMENT AGREEMENTS?

A. The Commission determines:

1. Whether each party had an opportunity to be heard on its reasons for opposing the Stipulation;
2. Whether the Stipulation is supported by substantial competent evidence;
3. Whether the Stipulation conforms with applicable law;
4. Whether the Stipulation results in just and reasonable rates; and
5. Whether the results of the Stipulation are in the public interest.

Q. WHO ARE THE PARTIES TO THIS DOCKET?

A. The Parties to the docket are the Wolf Creek Owners, WCNOC, CURB and Staff. All of those parties except for CURB are signatories to the Settlement Agreement.

Q. DID ALL OF THE PARTIES HAVE AN OPPORTUNITY TO BE HEARD WITH RESPECT TO THE TERMS OF THE SETTLEMENT AGREEMENT?

A. Yes. All of the parties, including CURB, participated in the settlement conference. Additionally, CURB will have the opportunity to file testimony in opposition to the Settlement Agreement and participate at the evidentiary hearing.

Q. IS THE SETTLEMENT AGREEMENT SUPPORTED BY SUBSTANTIAL EVIDENCE IN THE RECORD AS A WHOLE?

A. Yes. The cost estimates are supported by the TLG cost study and TLG is an expert in the field. No party in the docket challenged the validity of the cost estimates provided. Staff witness Haynos supports the decision to utilize the DECON-LTSFM method in his direct testimony and no party has challenged the basis for which he provided for that recommendation. Jim Gilligan of KCP&L filed testimony on behalf of the Wolf Creek Owners proposing an inflation rate and Staff witness Gatewood supports the estimate in his direct testimony. As a result, the Settlement Agreement is supported by substantial evidence.

Q. DOES THE SETTLEMENT AGREEMENT CONFORM TO APPLICABLE LAW?

A. The Settlement Agreement addresses the issues required to be decided by the Commission in the triennial dockets required by Commission order and by K.S.A. 66-128m. I also understand that the Commission has previously recognized that settlements are favored by the law.

Q. WOULD THE RATES IMPLEMENTED PURSUANT TO THE SETTLEMENT AGREEMENT BE JUST AND REASONABLE?

A. Yes. Although rates will not change as a direct result of the Settlement Agreement in this docket, the Agreement ensures that the rates that will be established in the individual owners' specific dockets will be reasonable.

The cost estimate adopted by the Commission in the last triennial docket was $765,060,000, based on the DECON method. For Westar, this was the basis for establishing an annual funding amount of $5,772,700, which is currently in rates. For KCP&L, an annual funding amount of $2,036,230 is currently in rates. As indicated above, the cost estimate from TLG's 2017 cost study for the DECON method was $813.7 million in 2017 dollars. The estimated costs under the DECON-LTSFM are $1.088 billion in 2017 dollars. Westar and KCP&L estimate that the annual funding requirement associated with the updated DECON method estimate would be the same as the amount currently in rates. If the Commission adopts the DECON-LTSFM methodology, Westar expects the annual contribution required will increase by approximately $2 million. In other words, the impact to Westar's revenue requirement from the change in decommissioning method recommended by Staff and agreed to by the Wolf Creek Owners would be approximately $2 million, which is about a one-tenth of one percent increase to Westar's revenue requirement to be collected from customers. The impact on KCP&L's rates is expected to be similar.

Q. ARE THE RESULTS OF THE AGREEMENT IN THE PUBLIC INTEREST?

A. Yes. The Kansas legislature and this Commission have found that it is in the public interest to ensure adequate funding for the decommissioning of Wolf Creek and that the rate impact of building that fund should be spread across the generations of customers benefitting from the plant. By adopting the DECON-LTSFM method, the Settlement Agreement recognizes the need to address funding for storage for spent fuel now because the federal government is not making progress in meeting its obligations to handle the spent fuel. It recognizes the benefit of beginning to fund that expense now, obtaining the benefit of the trust fund earning interest over time, requiring less overall contribution from customers. The Settlement

Agreement also results in spreading the cost associated with storing the spent fuel across more generations of customers that benefit from the plant, rather than waiting until the end to address the issue and placing the burden of funding on the customers at that time. Thus, the Agreement is in the public interest and should be approved by the Commission in its entirety.

Q. THANK YOU.