

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In The Matter Of the Joint Application)
Of Westar Energy, Inc. and Kansas Gas)
And Electric Company for Approval to)
Make Certain Changes in their)
Charges for Electric Service.)

KCC Docket No. 18-WSEE-328-RTS

CROSS-ANSWERING TESTIMONY OF
STACEY HARDEN
ON BEHALF OF
CITIZENS' UTILITY RATEPAYER BOARD

JUNE 22, 2018

1 **Q. Please state your name and business address.**

2 A. My name is Stacey Harden. My business address is 1500 SW Arrowhead Road, Topeka,
3 Kansas 66604.

4

5 **Q. Did you previously file testimony in this proceeding?**

6 A. Yes. On June 11, 2018, I filed Direct Testimony on behalf of the Citizens' Utility
7 Ratepayer Board ("CURB").

8

9 **Q. What is the purpose of your Cross-Answering Testimony?**

10 A. The purpose of my Cross-Answering Testimony is to respond to the testimonies
11 submitted by Staff witnesses Adam Gatewood and Justin Grady that collectively
12 recommend the Commission approve the addition of a Nuclear Decommissioning Trust
13 ("NDT") Variable in Westar Energy, Inc.'s ("Westar") Retail Energy Cost Adjustment
14 ("RECA").

15

16 **Q. Before you begin discussing Mr. Gatewood and Mr. Grady's recommendations,
17 please explain how the NDT annual accrual is determined.**

18 A. Every three years, the Wolf Creek Nuclear Operating Corporation, Westar, Kansas City
19 Power and Light Company ("KCPL"), and Kansas Electric Power Cooperative, Inc.
20 ("KEPCo") submit a Triennial Decommissioning Financing Plan to the Commission. The
21 filing of the Triennial Decommissioning Financing Plan is Phase 1 of a two-phase
22 process that was adopted in the Commission's December 9, 1992 Order in Docket No.
23 163-561-U. During Phase 1, the Commission reviews the decommissioning alternatives

1 and approves the decommissioning cost estimate, as well as the rate of escalation used for
2 that cost estimate. Phase 1 of this two-phase process is currently pending before the
3 Commission in Docket No. 18-WCNE-107-GIE (“107 Docket”). During Phase 2, based
4 upon the Commission’s determination in Phase 1, each utility recalculates its annual
5 accrual amount and then files a separate proceeding, which may be solely related to the
6 issue of decommissioning funding or may be included as one of many issues in a general
7 rate case. Said another way, in the 107 Docket the Commission will approve the
8 decommissioning plan which establishes the present day dollars that are necessary to
9 complete decommissioning. In this rate case, the Commission will approve ratemaking
10 treatment for Westar so that it can collect from ratepayers its portion of the
11 decommissioning cost estimate.

12
13 **Q. Did Westar request a change to the ratemaking treatment associated with its NDT**
14 **annual accrual in its application?**

15 A. No it did not. In its application, Westar proposed no to change to the existing NDT
16 annual accrual amount of \$5,772,700, which if approved would have resulted in no rate
17 change or ratemaking treatment associated with the NDT accrual.¹

18
19 **Q. What decommissioning method did Westar use to determine its annual accrual**
20 **amount?**

21 A. Westar based its annual accrual amount on the DECON method, which has been the

¹ Direct Testimony of Susan McGrath, at page 7-8.

1 method accepted by the Commission in each of the previous Triennial Decommissioning
2 Financing Plans.

3
4 **Q. Did Staff recommend the Commission accept the DECON method in the 107**
5 **Docket?**

6 A. No. In the 107 Docket, Staff recommends the Commission abandon the DECON method
7 that has been previously accepted by the Commission, and instead recommends the
8 Commission approve one of two alternate methods: DECON alternative with Long-Term
9 Spent Fuel Management (DECON-LTSFM) or SAFESTOR.²

10
11 **Q. What is the impact of each of the decommissioning methods presented in the**
12 **Triennial Decommissioning Financing Plan on Westar's annual accrual amount?**

13 A. Each of the decommissioning methods presented in the 107 Docket will cause an increase
14 to the nominal decommissioning cost. Westar's application presumed that the
15 Commission would continue to accept the DECON method of decommissioning, and
16 coupled with Westar's estimated market returns, required no change to its annual accrual
17 amount. Alternatively, according to Mr. Gatewood's testimony, Staff's recommendation
18 in the 107 Docket that the Commission adopt either the DECON-LTSFM or SAFESTOR
19 methods will result in a significant increase to the annual accrual amount. Additionally,
20 Mr. Gatewood forecasts a lower market return than Westar, which would result in an
21 increase in the annual accrual amount for the DECON method. Table 1 below
22 summarizes the annual accrual recommended in Mr. Gatewood's direct testimony, as

² KCC Docket No. 18-WCNE-107-GIE, Direct Testimony of Leo M. Haynos, at page 15.

1 well as a comparison to the existing annual accrual amount.

TABLE 1

Method	Annual Accrual	\$ change in annual accrual	% change in annual accrual
Westar's Annual Accrual Amount	\$ 5,772,700	\$ -	-
DECON; using Westar's assumptions	\$ 5,772,700	\$ -	0%
DECON; using Gatewood's assumptions	\$ 6,441,000	\$ 668,300	12%
DECON-LTSFM	\$ 7,793,500	\$ 2,020,800	35%
SAFESTOR	\$ 8,694,000	\$ 2,921,300	51%

2

3 **Q. At the time of your testimony, has the Commission issued an order in the 107**
 4 **Docket?**

5 A. No. A Commission order in the 107 Docket is not expected until August 9, 2018.

6

7 **Q. Why does Staff recommend the Commission approve a new variable in the RECA**
 8 **related to the Wolf Creek nuclear decommissioning trust funding?**

9 A. Staff recommends a new variable be added to Westar’s RECA to allow Westar to recover
 10 its actual annual accrual amount from ratepayers. Mr. Gatewood testifies that “(a)dding
 11 an NDT variable to the RECA will ensure that Westar collects through rates the amount
 12 that it deposits in its NDT account.”³

13

14 **Q. How does Westar currently collect from customers the amount that it deposits in its**
 15 **NDT account?**

16 A. Westar collects the amount that it deposits in its NDT account through base rates.

³ Direct Testimony of Adam Gatewood, at page 5.

1 **Q. Has Westar provided testimony in this proceeding suggesting that it has been**
2 **unable to recover from ratepayers its annual accrual amount?**

3 A. No.

4
5 **Q. Has Westar or Staff previously provided testimony with the Commission**
6 **recommending that Westar be allowed to recover its annual accrual amount**
7 **through a mechanism other than base rates?**

8 A. No, not to my knowledge.

9
10 **Q. In your opinion, why does Staff now recommend that Westar be allowed to recover**
11 **increased costs associated with its nuclear decommissioning trust fund through its**
12 **RECA?**

13 A. In my opinion, Staff's recommendation may be driven by two factors. First, Westar is
14 entering a five-year general rate moratorium as a result of the Commission-approved
15 stipulation and agreement in Docket No. 18-KCPE-095-MER. Because of this
16 moratorium, Westar will not have the ability to file a general rate case after the
17 conclusion of the next Triennial Decommissioning Financing Plan. As a result, Westar
18 will not be able to immediately file for a rate change that may be caused by future
19 increases in the decommissioning cost estimate that may occur while Westar is under the
20 rate moratorium. Further, because the Commission's order in the 107 Docket is not due
21 until after the evidentiary hearing in this proceeding, it is reasonable to presume that Staff
22 may have concluded that it could not incorporate the updated annual accrual amount into
23 this rate case.

1 Second, it is my opinion that Staff's recommendation to amend Westar's RECA
2 tariff is a result of the increased costs that are associated with Staff's recommendations in
3 the 107 Docket. As illustrated in Table 1 of my cross-answering testimony, if the
4 Commission wholly adopts Staff's recommendations in the 107 Docket, along with the
5 forecasts included in Mr. Gatewood's direct testimony in this proceeding, Westar's
6 annual accrual amount would increase by at least 35% and potentially as much as 51%.

7
8 **Q. Is there another reason Staff recommends Westar's RECA tariff be amended to**
9 **include the change in costs associated with Westar's nuclear decommissioning trust**
10 **fund?**

11 A. Yes. Mr. Grady testifies that "because the timing of Westar's base rate cases and the
12 Commission's determination of the annual funding levels for the nuclear
13 decommissioning trust fund are not always in sync."⁴ According to Mr. Grady, this
14 difference in timing could lead to a situation where Westar over-recovers or under-
15 recovers these expenses, which is not in the public interest. Mr. Grady also states his
16 opinion that Westar should not "profit or be harmed when this funding accrual amount is
17 reset."⁵

18
19 **Q. In your opinion is it likely that Westar will over-recover the expense from**
20 **ratepayers, hence causing harm to ratepayers?**

21 A. No. While it is possible that Westar may recover more from ratepayers than it actually

⁴ Direct Testimony of Justin Grady, at page 44.

⁵ *Id.*

1 contributes to its nuclear decommissioning trust fund, in my opinion it is highly unlikely.

2
3 **Q. Please explain why it's unlikely that Westar would recover more from ratepayers**
4 **than it actually contributes to its nuclear decommissioning trust fund.**

5 A. It is unlikely that Westar will recover more from ratepayers than it actually contributes to
6 its nuclear decommissioning trust fund because of the Commission's two-phase process.
7 As I previously described, first the Commission reviews the decommissioning cost study,
8 selects the decommissioning methodology, and determines the appropriate inflation rate
9 to apply to the decommissioning cost estimate. Then Westar requests Commission
10 approval of rates which include the updated decommissioning cost estimate approved by
11 the Commission in the triennial Decommissioning Financing Plan. In order for Westar to
12 recover more from ratepayers than it actually contributes to its nuclear decommissioning
13 trust fund, there would need to be (1) a Commission order in a triennial
14 Decommissioning Financing Plan that decreases the nominal decommissioning costs, (2)
15 a period of significant deflation, or (3) a period of time where Westar realizes larger than
16 anticipated returns on its portfolio, accompanied by an extended period of time before
17 Westar files an application to update its rates. In my opinion, none of these scenarios are
18 likely to occur.

19 As illustrated in Table 2 below, out of the ten previous Triennial
20 Decommissioning Financing Plans the Commission has only approved one decrease in
21 the nominal decommissioning cost.

TABLE 2

Docket Number	Order Date	Nominal Decommissioning Costs (Millions)	Year of Nominal Dollars
142,099-U	September 27, 1985	\$140	1985
163,561-U	August 1, 1989	\$206	1988
188,904-U	June 9, 1994	\$370	1993
97-WCNE-128-GIE	March 3, 1997	\$409	1996
00-WCNE-154-GIE	April 26, 2000	\$471	1999
03-WCNE-178-GIE	April 16, 2003	\$468	2002
06-WCNE-204-GIE	May 24, 2006	\$518	2005
09-WCNE-215-GIE	August 31, 2009	\$594	2008
12-WCNE-136-GIE	May 16, 2012	\$630	2011
15-WCNE-093-GIE	March 24, 2015	\$765	2014
18-WCNE-107-GIE	Undecided	\$814 (DECON)	2017
18-WCNE-107-GIE	Undecided	\$1,093 (SAFSTOR)	2017

1

2 **Q. Does Staff's recommendation to add an NDT variable to the RECA expire at the**
3 **end of the five year rate moratorium?**

4 A. No it does not. Staff's testimony supporting an addition of an NDT variable to the RECA
5 is not a temporary solution to address increased costs associated with nuclear
6 decommissioning only during the five year rate moratorium. Rather, according to Mr.
7 Gatewood's testimony, Staff recommends Westar's RECA tariff be amended in order to
8 "account for any difference between the NDT annual accrual in base rates and the amount
9 set by **any** subsequent decommissioning cost review."⁶ (**emphasis added**)

10

11 **Q. How many subsequent decommissioning cost reviews are scheduled to take place?**

12 A. Based upon presumption that Wolf Creek will be decommissioned in 2045 and that
13 decommission cost estimates are reviewed and approved by the Commission every three

⁶ Direct Testimony of Adam Gatewood, at page 3.

1 years, there are potentially nine future cost reviews scheduled to take place.

2

3 **Q. Do you agree with Staff that Westar's RECA should be amended to account for any**
4 **difference between the NDT annual accrual in base rates and the amount set in any**
5 **of these nine future cost reviews?**

6 A. No, I do not.

7

8 **Q. Is there a way to preserve the traditional ratemaking treatment for Westar's**
9 **recovery of its annual accrual amount in this proceeding without adding an NDT**
10 **variable to the RECA?**

11 A. Yes there is. The Commission's Order in the 107 Docket is not due until August 2018,
12 making it difficult to incorporate the change into Westar's first step rate change in
13 September. However, because Westar's application requests a second step rate change be
14 approved in February 2019 for known and measurable changes to its revenues, and
15 because the Commission's determination in the 107 Docket will result in a known and
16 measurable change to Westar's annual accrual amount, it is my recommendation that the
17 updated annual accrual amount approved by the Commission in the 107 Docket be
18 included in Westar's second-step rate change. By including the updated annual accrual
19 requirement in the second step phase in of Westar's rates, Westar will not be harmed by
20 potential under-recovery of the costs associated with the Commission's decision in the
21 107 Docket during the five-year rate moratorium.

22

23

1 **Q. How do you recommend the annual accrual amount be updated in Westar's second**
2 **step rate change?**

3 A. Mr. Gatewood's direct testimony sets forth the change in the annual accrual for each of
4 the methods presented in the 107 Docket. If the Commission agrees with the forecasts
5 included in Mr. Gatewood's direct testimony, when the Commission issues its order in
6 the 107 Docket, then the change in accrual amount should be updated in the step two
7 revenue requirement schedules and rates should be adjusted accordingly.

8

9 **Q. Please summarize your recommendation.**

10 A. I recommend the Commission deny the addition of an NDT variable in Westar's RECA
11 to account for any increased costs associated with the triennial decommissioning cost
12 review. Instead, I recommend Westar's annual accrual amount be updated following the
13 Commission's order in the 107 Docket, and that the necessary rate change be included in
14 Westar's proposed step two rate change to be effective February 1, 2019.

15

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


17 A. Yes.

18

VERIFICATION

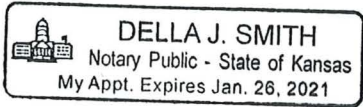
STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

I, Stacey Harden, of lawful age and being first duly sworn upon my oath, state that I am a Senior Regulatory Analyst for the Citizens' Utility Ratepayer Board; that I have read and am familiar with the above and foregoing document and attest that the statements therein are true and correct to the best of my knowledge, information, and belief.



Stacey Harden

SUBSCRIBED AND SWORN to before me this 22nd day of June, 2018.





Notary Public

My Commission expires: 01-26-2021.

CERTIFICATE OF SERVICE

18-WSEE-328-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 22nd day of June, 2018, to the following:

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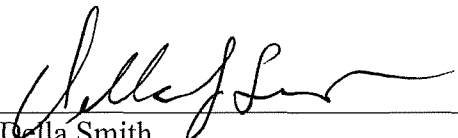
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