

**In the Matter of the 2017 Wolf Creek Triennial
Decommissioning Financing Plan.**

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18-WCNE-107-GIE

STAFF TESTIMONY IN SUPPORT OF SETTLEMENT AGREEMENT

PREPARED BY

LEO M. HAYNOS

UTILITIES DIVISION

KANSAS CORPORATION COMMISSION

June 27, 2018

**Testimony of Leo M. Haynos in Support of Settlement Agreement
Docket No. 18-WCNE-107-GIE**

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

A. My name is Leo M. Haynos. My business address is 1500 Southwest Arrowhead Road, Topeka Kansas, 66604.

Q. Are you the same Leo M. Haynos who filed direct testimony in this docket on May 15, 2018?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. My testimony supports the Joint Motion to Approve the Settlement Agreement filed in this docket.

Q. What is the purpose of the Settlement Agreement?

A. The Settlement Agreement (Agreement) agrees that a reasonable estimate of the Wolf Creek Generating Station (Wolf Creek) decommissioning costs is \$1.088 billion in 2017 dollars. The details for this estimate can be found in Appendix E of the Triennial Decommissioning Cost Study (DCS) that was filed in this docket as Attachment 2 to the Joint Pleading concerning the Decommissioning Financing Plan (Plan) for Wolf Creek.

Q. In past reviews of the Plan, has the Commission approved plans using the cost estimate methodology proposed in the Agreement?

A. No. In past Plan reviews, the Commission has always approved cost estimates derived from the cost estimate methodology known as DECON.

Q. Please describe Appendix E of the 2017 version of the DCS.

A. Appendix E combines the decommissioning cost estimate methodology known as DECON with additional contingency funding for on-site spent fuel storage.

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1 **Q. Has the issue of on-site spent fuel storage been discussed in previous Plan review**
2 **dockets?**

3 **A.** Yes. Beginning in 2012, Staff raised the issue of interim storage of spent fuel in two
4 previous Plan review dockets. In the recent past, the Commission also ordered a general
5 investigation into the status of spent fuel storage at Wolf Creek.¹

6 **Q. What is the concern over the status of spent fuel as part of the DCS?**

7 **A.** The DECON cost estimating methodology assumes the U.S. Department of Energy will
8 dispose of spent fuel and other radioactive waste shortly after the plant ceases to operate.
9 However, at the present time, there is no national solution for the disposition of this type
10 of waste. Therefore, on-site storage will be required until a national solution is
11 developed.

12 **Q. What is the outcome of using the cost estimating methodology in Appendix E of the**
13 **DCS as the basis for the update of the Decommissioning Plan?**

14 **A.** Using this method, the cost for decommissioning funding will increase by \$274 million in
15 2017 dollars over the cost estimated by the updated DECON methodology. Staff witness
16 Adam Gatewood addresses the escalation rate used to inflate the cost estimate to the
17 future years when they will occur. His testimony in the 18-WSEE-328-RTS and 18-
18 KCPE-480-RTS dockets addresses the annual accrual to their respective
19 decommissioning trust accounts for Westar and KCP&L.
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¹ See Docket 12-WCNE-136-GIE, Direct testimony of Michael J. Wegner; Docket 13-WCNE-204-GIE, General Investigation regarding spent nuclear fuel; Docket 15-WCNE-093-GIE, Direct testimony of Leo M. Haynos.

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Q. What other issues are discussed in the Agreement?

A. The Agreement also agrees to the appropriate escalation factor to be used in conjunction with the decommissioning cost estimate in setting accrual levels of the respective owner utilities' decommissioning trust accounts.

Q. Was the Agreement unanimous?

A. No. The Applicant, three of the Interveners², and Staff are signatories to the Agreement. It is my understanding that the Citizens' Utility Ratepayer Board (CURB) is opposed to the Agreement.

Q. Have you reviewed the five factor test used by the Commission to evaluate a settlement agreement?

A. Yes. It is my understanding the Commission must make an independent finding that settlement is supported by substantial competent evidence in the record. To perform this evaluation, the Commission uses the following five factors:

(1) Has each party had an opportunity to be heard on its reasons for opposing the settlement?

(2) Is the Agreement supported by substantial competent evidence in the record as a whole?

(3) Does the Agreement conform to applicable law?

(4) Will the Agreement result in just and reasonable rates?

(5) Are the results of the Agreement in the public interest, including the interests of customers represented by any party not consenting to the Agreement?

² The interveners consist of CURB and the Wolf Creek owner-utilities. The owner-utilities are as follows: Kansas City Power & Light owns 47%; Kansas Gas & Electric owns 47%; and Kansas Electric Power Cooperative owns 6%.

Parties had an Opportunity to be Heard on Reasons for Opposing the Settlement

Q. Has each party had an opportunity to be heard on its reasons for opposing the settlement?

A. Yes. The Commission issued an Order adopting a procedural schedule on January 4, 2018. The schedule set deadlines for filing direct, cross-answering and rebuttal testimony before holding settlement discussions, which provided ample opportunity for all parties to analyze the Application and provide recommendations to the Commission.

Q. Did parties for all interveners participate in settlement discussions?

A. Yes. The Applicant was represented by the Joint Owners Kansas Gas and Electric Company d/b/a Westar Energy (Westar), Kansas City Power & Light Company (KCP&L), and Kansas Electric Power Cooperative, Inc. (KEPCo) which are also interveners in the docket. CURB and Staff were also present for the settlement discussions.

Q. Which of the interveners have filed testimony in this docket?

A. Staff filed Direct Testimony in the docket providing its analysis of the DCS and the Plan. In conclusion, Staff recommended adoption of the cost estimate found in Appendix E of the study. As one of the joint owners of Wolf Creek, Westar filed Rebuttal Testimony, and CURB filed Surrebuttal Testimony in response to Westar's Rebuttal.

Q. In their responsive testimonies, do CURB or Westar take issue with Staff's analysis and recommendation regarding the use of the Appendix E cost estimate?

A. No. The testimony of Westar and CURB in this docket do not address or dispute Staff's funding recommendation. Instead, the testimony of the two interveners are focused on the mechanism for cost recovery from Westar ratepayers in the pending Westar rate case.

The Agreement is Supported by Substantial Competent Evidence in the Record

Q. Is the Agreement supported by substantial competent evidence in the record as a whole?

A. Yes. The Agreement essentially adopts Staff's filed position regarding escalation rates and decommissioning cost forecasts. The escalation rate adopted by Staff is the same proposed by the Applicant. The Applicant provided detailed information as attachments to the Application. In fact, the Applicant provided additional information necessary to satisfy an Agreement reached in Wolf Creek's prior triennial decommissioning docket (Docket No. 15-WCNE-093-GIE). Staff also provided testimony in support of its position. I also note that no intervenor has taken issue with the accuracy of the proposed decommissioning plan or its estimates.

The Agreement Conforms with Applicable Law and will Result in Just and Reasonable Rates

Q. Does the Agreement conform to applicable law?

A. On advice of counsel, it is my understanding the Agreement conforms with applicable law. The Agreement was prepared by sophisticated parties represented by counsel. The presence of multiple represented parties with separate interests helps ensure the Agreement is consistent with and conforms to applicable law.

Q. Will the Agreement result in just and reasonable rates?

A. In my opinion, this settlement evaluation factor is not applicable to this docket. In this case, the Commission is determining whether the Plan is appropriate and complete at this time. Setting the appropriate cost estimate and escalation rate permits the Commission and other parties to establish just and reasonable rates in separate proceedings.

Determining rates that permit recovery of decommissioning costs will be set in rate cases that are in process; 18-WSEE-328-RTS (Westar) and 18-KCPE-480-RTS (KCPL-KS).

This proceeding helps establish the evidentiary basis needed for recovering decommissioning costs during the rate cases. The information provided in this docket represents the most accurate cost and inflationary forecasts available at this time regarding nuclear plant decommissioning. Therefore, using this data to set funding levels eventually recovered through rates helps ensure the ultimate rates approved are just and reasonable.

The Results of the Agreement are in the Public Interest, Including the Interests of Customers Represented by any Party not Consenting to the Agreement

Q. Are any of the intervening parties opposed to the Agreement?

A. At the time I prepared this testimony, it is my understanding that CURB opposes the Agreement.

Q. What is the basis of CURB's opposition?

A. At the time I prepared this testimony, it is my understanding that CURB is opposed to the increase of funding that would be required if the Commission adopts the Appendix E cost estimate. Once CURB's specific objections are filed in the docket, Staff will address them in testimony.

Q. Why do you feel the increased cost estimate is necessary?

A. The Agreement adopts Staff's recommendation to use the DECON cost estimate methodology with contingency for long-term spent fuel management as described in Appendix E of the DCS. While this approach increases the amount of the necessary reserve fund, it also recognizes the fact that on-site storage of spent fuel at the time of

1 decommissioning in year 2045 is highly likely. Beginning to fund this contingency at the
2 present time will allow investment growth to pay for part of the funding and not place an
3 undue burden on future generations of ratepayers. Staff views such an approach as an
4 equitable means of addressing decommissioning costs and therefore, in the best interest
5 of current and future ratepayers.

6 **Q. Do you believe the Agreement based on the increased cost estimate is in the public**
7 **interest?**

8 **A.** Yes. I believe it is in the public interest to develop a strategy that reflects the reality of
9 on-site spent fuel storage. This shift in the decommissioning funding strategy updates the
10 approach that has been taken by the DCS since its inception in 1985. As the
11 decommissioning date draws closer, I believe it is in the interest of all parties to be
12 prepared for this likely increase in costs.

13 **Q. What is the rate impact of this shift in decommission funding strategy?**

14 **A.** The per-customer impact is utility-specific and depends on factors present in their
15 respective retail rate proceedings. This docket is often referred to as Phase 1, where
16 escalation rates and cost estimates are updated. Phase 2 is where these updated escalation
17 rates and cost estimates are input into a utility's revenue requirement.

18 **Q. Can you provide an example of the overall funding impact that would occur by**
19 **shifting the funding strategy to the Appendix E methodology?**

20 **A.** Yes. A sense of the impact of the change in methodology can be seen by using Westar as
21 an example. Using the DECON method, Westar currently contributes approximately
22 \$5.8 million annually to its decommissioning trust. When DECON is updated to include
23 the 2017 cost estimates and escalation rates in this docket, those annual contribution

1 levels rise to approximately \$6.4 million. In other words, a \$668,300 annual increase in
2 decommission trust funding is necessary to maintain the status quo. Shifting
3 decommissioning methodologies to DECON with contingency for long-term spent fuel
4 management as described in Appendix E of the DCS would increase this to just under
5 \$7.8 million annually. The shift in decommissioning methodologies represents an overall
6 increase for Westar of approximately \$129 million³ in anticipated decommissioning
7 costs. If such a shift is made at this time, an *annual* increase in decommissioning trust
8 funding requirements of \$1.4 million over the status quo levels meets this contingency. I
9 should note that this is just an example of the impact of shifting decommissioning
10 methodologies. Staff is not recommending any particular ratemaking treatment in this
11 docket.

12 **Q. Is there a possibility a national solution to the disposal of spent fuel will be**
13 **developed before Wolf Creek's license expires?**

14 **A.** Although it appears to be remote at this time, a national solution is always possible. If
15 such a solution is developed, I recommend the Commission adjust the Plan funding level
16 at that time. Because the Commission has ordered Wolf Creek to review and update the
17 Plan every three years, any overfunding of the decommissioning effort should be
18 minimized if a national solution to spent fuel disposal is developed. On the other hand,
19 the longer that on-site spent fuel storage is not considered in the DCS, the more funding
20 will be needed from future generations of ratepayers if on-site storage is required.
21 Absent adjustments to decommissioning cost methodologies, it is likely future

³ Westar is responsible for 47% of the total \$274 million increase expected from using the Appendix E cost estimate methodology vs. the DECON methodology.

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1 generations of ratepayers would lose out on the compounding effect long-term
2 investments experience. Mr. Gatewood can expand on this effect if necessary.

3 **Q. What is your ultimate recommendation regarding the Agreement?**

4 **A. I recommend the Commission approve the Agreement submitted in this proceeding.**

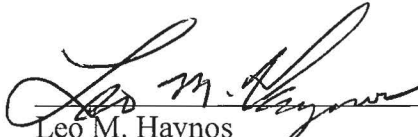
5 **Q. Does this conclude your testimony?**

6 **A. Yes.**

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

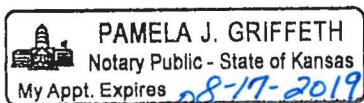
VERIFICATION

Leo M. Haynos, being duly sworn upon his oath deposes and says that he is the Pipeline Safety Chief Engineer in the Utilities Division of the Kansas Corporation Commission, that he has read and is familiar with the foregoing *Staff Testimony in Support of Settlement Agreement*, and that the statements therein are true to the best of his knowledge, information and belief.



Leo M. Haynos
Chief Engineer, Utilities Division
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 27th day of June, 2018.





Notary Public

My Appointment Expires: August 17, 2019

CERTIFICATE OF SERVICE

18-WCNE-107-GIE

I, the undersigned, certify that a true and correct copy of the above and foregoing Staff Testimony in Support of Settlement Agreement Prepared by Leo M. Haynos was served by electronic service on this 27th day of June, 2018, to the following:

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