# WOLF CREEK
NUCLEAR OPERATING CORPORATION

Annette F. Stull
Vice President and Chief Administrative Officer

March 29, 2013
CO 13-0002

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

Subject: Docket No. 50-482: Wolf Creek Generating Station (WCGS) Financial Assurance Requirements for Decommissioning Nuclear Power Reactors 10 CFR 50.75(f)(1)

Ladies and Gentlemen:

Pursuant to 10 CFR 50.75(f)(1), each power reactor licensee is required to report to the NRC the status of its decommissioning funding for each reactor or part of each reactor it owns on a calendar year basis, beginning March 31, 1999, and every two years thereafter. Wolf Creek Nuclear Operating Corporation (WCNOC) holds the operating license for Wolf Creek Generating Station (WCGS) which is jointly owned by Kansas Gas and Electric Company (KGE), a wholly-owned susidiary of Westar Energy, Inc.; Kansas City Power & Light Company (KCPL), a wholly owned subsidiary of Great Plains Energy Incorporated; and Kansas Electric Power Cooperative, Inc. (KEPCo). Accordingly, WCNOC provides the information for WCGS in accordance with the requirements of 10 CFR 50.75(f)(1).

There are no regulatory commitments contained within this correspondence. If you have any questions, please call me at (620) 364-4004, or Mr. Michael Westman at (620) 364-4009.

Sincerely,

Annette F. Stull

Annette F. Stull

AFS/rlt

A001
NRR

Enclosure I – Wolf Creek Nuclear Operating Corporation Decommissioning Funding Status Report as of 3/31/13 (1 page)

Enclosure II – Wolf Creek Nuclear Operating Corporation Minimum Decommissioning Funds Estimate pursuant to 10 CFR 50.75 (b) and (c) with Owner Specific Details (10 pages)

Enclosure III – Generic Updated Wolf Creek Decommissioning Cost Study, Phase I (22 pages)

Enclosure IV – Kansas Gas and Electric Company (KGE) Updated Wolf Creek Decommissioning Cost Study, Phase II (10 pages)

Enclosure V – Kansas City Power & Light Company (KCPL) Updated Wolf Creek Decommissioning Cost Study, Phase II (14 pages)

Enclosure VI – Kansas Electric Power Cooperative, Inc. (KEPCo.) Updated Wolf Creek Decommissioning Cost Study, Phase II (7 pages)

Enclosure VII – Kansas City Power & Light Company (KCPL) Missouri Public Service Commission - Updated Wolf Creek Decommissioning Cost Study (17 pages)

cc: E. E. Collins (NRC), w/a
C. F. Lyon (NRC), w/a
N. F. O'Keefe (NRC), w/a
Senior Resident Inspector (NRC), w/a

# Wolf Creek Nuclear Operating Corporation
## Decommissioning Funding Status Report as of 3/31/13
Owned by Kansas Gas & Electric (KGE), Kansas City Power and Light (KCPL) and Kansas Electric Power Cooperative (KEPCo)

| | Westar Energy (KGE, 47% ownership) | Great Plains Energy (KCPL, 47% ownership) | KEPCo, 6% ownership | TOTAL |
|---|---|---|---|---|
| **10 CFR 50.75(f)(1) Requirement** | | | | |
| 1) NRC minimum decommissioning estimate pursuant to 10 CFR 50.75( b ) and ( c ) Dollars in Millions. | \$244.97 | \$244.97 | \$31.28 | \$521.22 |
| 2) The amount of accumulated funds at the end of the calendar year preceding the date of the report for items included in 10 CFR 50.75 ( b ) and ( c ). Dollars in Millions. | \$150.75 | \$154.73 | \$14.90 | \$320.39 |
| 3) A schedule of the annual amounts to be collected; for items in 10 CFR 50.75 ( b ) and ( c ). | See Attached | See Attached | See Attached | |
| 4) The assumptions used regarding: | | | | |
| (a) Rates of escalation in decommissioning costs; | 2.85% | 2.85% | 2.85% | |
| (b) Rates of earning on decommissioning funds; | Variable. See attached | Variable. See attached | Variable. See attached | |
| (c) Rates of other factors used in funding projections; and | 0.00% | 0.00% | 0.00% | |
| (d) Real rate of return (2012 - 2025) rate reduces in subsequent years | 3.34% | 2.61% | 3.15% | |
| 5) Any contracts upon which the licensee is relying pursuant to 10 CFR 50.75(e)(1)(v)? | None | None | None | |
| 6) Any modifications to a licensee's current method of providing financial assurance occurring since the last submitted report? | None | None | None | |
| 7) Any material changes to trust agreements? | None | None | None | |
| Other information; estimated corporate tax rate | 20.00% | 20.00% | Non-taxable | |

Enclosure I to CO 13-0002

Wolf Creek Nuclear Operating Corporation
Decommissioning Funding Status Report as of 3/31/13
(1 page)

Enclosure II to CO 13-0002

Wolf Creek Nuclear Operating Corporation Minimum Decommissioning Funds Estimate
Pursuant to 10 CFR 50.75 (b) and (c) with Owner Specific Details
(10 pages)

**WOLF CREEK NUCLEAR OPERATING CORPORATION**
**Minimum Decommissioning Funds Estimate pursuant to 10 CFR 50.75 (b) and (c)**

MINIMUM ESTIMATE

| | |
|---|---|
| Table (c)(1) - Jan86 dollars in Millions<br>[Wolf Creek is a PWR licensed for 3,565 MWt] | $ 105 |
| Escalation Factor (see calculation below) | 4.964 |
| **Minimum estimate - Dec12 dollars in Millions** | **$ 521.22** |

Escalation per paragraph (c)(2)

Escalation Factor = 0.65 Labor + 0.13 Energy + 0.22 Waste Burial

| | Share | 4Q '12 | Report |
|---|---|---|---|
| Labor | 65% | 2.410 | 1.567 |
| Energy | 13% | 2.632 | 0.342 |
| Waste Burial | 22% | 13.885 | 3.055 |
| TOTAL ESCALATION FACTOR | | | 4.964 |

NOTE: 4Q '12 factors per McDermott, Will & Emery memo dated February 8, 2013.

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SITE SPECIFIC STUDY (August 2011)

| | |
|---|---|
| Decommissioning Alternative | DECON |
| Cost escallation rate<br>Obtained from KCC Order Docket No. 12-WCNE-136-GIE | 2.85% |

| DECON Period | (2011 $s) Millions | (2012 $s) Millions | (2045 $s) Millions | % Total |
|---|---|---|---|---|
| Radioactive Systems/Structures and License Termination | $ 536.5 | $ 557.3 | $ 1,356.2 | 85% |
| Preparation for Decommissioning/Spent Fuel Mgmt | $ 39.9 | $ 41.4 | $ 100.9 | 6% |
| Other Systems/Structures and Site Restoration | $ 53.7 | $ 55.8 | $ 135.7 | 9% |
| Subtotal - Not Applicable to NRC Minimum | $ 93.6 | $ 97.2 | $ 236.6 | 15% |
| TOTAL COST ESTIMATE | $ 630.1 | $ 654.5 | $ 1,592.8 | 100% |

**WOLF CREEK DECOMMISSIONING COSTS (KG&E)**
**EXTERNAL TRUST FUND**
**Review of 2011 Cost Estimate**

| | in 2011 $ | | in 2045 $s |
|---|---|---|---|
| TOTAL COST DECON method | 630,135,000 | | 1,592,851,804 |
| KGE'S SHARE OF TOTAL COST | 296,163,450 | | 748,640,348 |
| CURRENT VALUE OF TRUST (12/31/11) | 130,270,074 | | |

EQUIVALENT BEFORE TAX RETURN: THE EXPECTED INVESTMENT RETURNS ARE SHOWN ON PAGE 2 OF 2

| | | | |
|---|---|---|---|
| PAYMENT GROWTH AMOUNT | 0 | 644,005,794 | |
| GROWTH RATE FOR COSTS (INFLATION) | 2.85% | | (0.00) |
| # OF PERIODS FOR ANALYSIS | 33 | | |
| # OF PERIODS - 1 | 32 | | |
| PERIOD OF PAYMENTS | MID YEAR | | |
| DECOMMISSIONING PERIOD IN YEARS | 9 | | |
| FUND MANAGER FEES | 0.005889401 | | |

| LINE | YEAR | BEGIN YR. BALANCE | DECOM EXPENSE | ANNUAL CONTRIB. | ANNUAL EARNINGS | END YR. BALANCE Less Fees |
|---|---|---|---|---|---|---|
| | 2009 | | | | | |
| | 2010 | | | | | |
| | 2011 | | | | | |
| 1 | 2012 | 130,270,074 | | 3,150,070 | 11,494,864 | 144,147,796 |
| 2 | 2013 | 144,147,796 | | 2,762,483 | 9,008,247 | 155,069,582 |
| 3 | 2014 | 155,069,582 | | 2,762,483 | 9,684,306 | 166,603,104 |
| 4 | 2015 | 166,603,104 | | 2,762,483 | 10,398,231 | 178,782,625 |
| 5 | 2016 | 178,782,625 | | 2,762,483 | 11,152,143 | 191,644,329 |
| 6 | 2017 | 191,644,329 | | 2,762,483 | 11,948,283 | 205,226,424 |
| 7 | 2018 | 205,226,424 | | 2,762,483 | 12,789,014 | 219,569,261 |
| 8 | 2019 | 219,569,261 | | 2,762,483 | 13,676,836 | 234,715,448 |
| 9 | 2020 | 234,715,448 | | 2,762,483 | 14,614,385 | 250,709,983 |
| 10 | 2021 | 250,709,983 | | 2,762,483 | 15,604,447 | 267,600,381 |
| 11 | 2022 | 267,600,381 | | 2,762,483 | 16,649,962 | 285,436,820 |
| 12 | 2023 | 285,436,820 | | 2,762,483 | 17,754,038 | 304,272,289 |
| 13 | 2024 | 304,272,289 | | 2,762,483 | 18,919,954 | 324,162,744 |
| 14 | 2025 | 324,162,744 | | 2,762,483 | 20,151,173 | 345,167,276 |
| 15 | 2026 | 345,167,276 | | 2,762,483 | 16,772,948 | 362,669,878 |
| 16 | 2027 | 362,669,878 | | 2,762,483 | 17,620,074 | 380,916,527 |
| 17 | 2028 | 380,916,527 | | 2,762,483 | 18,503,212 | 399,938,852 |
| 18 | 2029 | 399,938,852 | | 2,762,483 | 19,423,893 | 419,769,827 |
| 19 | 2030 | 419,769,827 | | 2,762,483 | 20,383,712 | 440,443,829 |
| 20 | 2031 | 440,443,829 | | 2,762,483 | 21,384,333 | 461,996,694 |
| 21 | 2032 | 461,996,694 | | 2,762,483 | 22,427,492 | 484,465,786 |
| 22 | 2033 | 484,465,786 | | 2,762,483 | 23,514,996 | 507,890,051 |
| 23 | 2034 | 507,890,051 | | 2,762,483 | 24,648,731 | 532,310,097 |
| 24 | 2035 | 532,310,097 | | 2,762,483 | 25,830,661 | 557,768,253 |
| 25 | 2036 | 557,768,253 | | 2,762,483 | 21,079,936 | 578,325,751 |
| 26 | 2037 | 578,325,751 | | 2,762,483 | 21,854,954 | 599,537,195 |
| 27 | 2038 | 599,537,195 | | 2,762,483 | 22,654,625 | 621,423,388 |
| 28 | 2039 | 621,423,388 | | 2,762,483 | 23,479,735 | 644,005,794 |
| 29 | 2040 | 644,005,794 | | 2,762,483 | 24,331,091 | 667,306,560 |
| 30 | 2041 | 667,306,560 | | 2,762,483 | 25,209,530 | 691,348,537 |
| 31 | 2042 | 691,348,537 | | 2,762,483 | 26,115,913 | 716,155,304 |
| 32 | 2043 | 716,155,304 | | 2,762,483 | 27,051,128 | 741,751,188 |
| 33 | 2044 | 741,751,188 | | 2,762,483 | 28,016,093 | 768,161,294 |
| 34 | 2045 | 768,161,294 | 61,066,460 | 690,621 | 17,416,172 | 720,677,616 |
| 35 | 2046 | 720,677,616 | 142,374,830 | | 15,327,969 | 589,386,396 |
| 36 | 2047 | 589,386,396 | 169,652,189 | | 11,907,623 | 428,170,697 |
| 37 | 2048 | 428,170,697 | 119,345,145 | | 8,696,556 | 315,000,438 |
| 38 | 2049 | 315,000,438 | 100,369,963 | | 6,249,645 | 219,024,957 |
| 39 | 2050 | 219,024,957 | 93,440,700 | | 4,066,389 | 128,360,720 |
| 40 | 2051 | 128,360,720 | 55,405,210 | | 2,375,532 | 74,575,074 |
| 41 | 2052 | 74,575,074 | 46,123,708 | | 1,215,712 | 29,227,875 |
| 42 | 2053 | 29,227,875 | 29,398,615 | | 342,874 | (0) |

**KANSAS GAS & ELECTRIC CO.**
**WOLF CREEK DECOMMISSIONING COSTS**
**EXTERNAL TRUST FUNDING METHOD**
**INVESTMENT ASSUMPTIONS**

**FOR THE YEARS 2012 THROUGH 2025**

| Line | Investment mix | EXPECTED RETURNS | Ratio | WEIGHTED RETURN | AFTER TAX |
|---|---|---|---|---|---|
| 1 | Large Cap | 9.41% | 36% | 3.39% | 2.71% |
| 2 | Small Cap | 8.87% | 8% | 0.71% | 0.57% |
| 3 | International | 8.78% | 18% | 1.58% | 1.26% |
| 4 | Core Bonds | 4.67% | 23% | 1.07% | 0.86% |
| 5 | High Yield Bonds | 7.65% | 10% | 0.76% | 0.61% |
| 6 | Other | 4.32% | 5% | 0.22% | 0.18% |
| 7 | Cash and equiv | 1.00% | 0% | 0.00% | 0.00% |
| | | | 100% | 7.73% | 6.19% |

Note: Ratios above are ~based on 12/31/11 NDT balances
Dynamic Fund was split 50 / 50 between large cap and core bonds

**FOR THE YEARS 2026 THROUGH 2035**

| Line | Investment mix | EXPECTED RETURNS | Ratio | WEIGHTED RETURN | AFTER TAX |
|---|---|---|---|---|---|
| 8 | Large Cap | 9.41% | 20% | 1.88% | 1.50% |
| 9 | Small Cap | 8.87% | 6% | 0.53% | 0.42% |
| 10 | International | 8.78% | 10% | 0.88% | 0.70% |
| 11 | Core Bonds | 4.67% | 45% | 2.10% | 1.68% |
| 12 | High Yield Bonds | 7.65% | 5% | 0.38% | 0.30% |
| 13 | Other | 4.32% | 4% | 0.17% | 0.14% |
| 14 | Cash and equiv | 1.00% | 10% | 0.10% | 0.10% |
| | | | 100% | 6.04% | 4.84% |

**FOR THE YEARS 2036 THROUGH 2044**

| Line | Investment mix | EXPECTED RETURNS | Ratio | WEIGHTED RETURN | AFTER TAX |
|---|---|---|---|---|---|
| 15 | Large Cap | 9.41% | 10% | 0.94% | 0.75% |
| 16 | Small Cap | 8.87% | 2% | 0.18% | 0.14% |
| 17 | International | 8.78% | 3% | 0.26% | 0.21% |
| 18 | Core Bonds | 4.67% | 63% | 2.94% | 2.35% |
| 19 | High Yield Bonds | 7.65% | 2% | 0.15% | 0.12% |
| 20 | Other | 4.32% | 0% | 0.00% | 0.00% |
| 21 | Cash and equiv | 1.00% | 20% | 0.20% | 0.20% |
| | | | 100% | 4.67% | 3.77% |

**FOR THE YEARS 2045 THROUGH COMPLETION OF DECOMMISSIONING**

| Line | Investment mix | EXPECTED RETURNS | Ratio | WEIGHTED RETURN | AFTER TAX |
|---|---|---|---|---|---|
| 22 | Large Cap | 9.41% | 0% | 0.00% | 0.00% |
| 23 | Small Cap | 8.87% | 0% | 0.00% | 0.00% |
| 24 | International | 8.78% | 0% | 0.00% | 0.00% |
| 25 | Core Bonds | 4.67% | 50% | 2.33% | 1.86% |
| 26 | High Yield Bonds | 7.65% | 0% | 0.00% | 0.00% |
| 27 | Other | 4.32% | 0% | 0.00% | 0.00% |
| 28 | Cash and equiv | 1.00% | 50% | 0.50% | 0.50% |
| | | | 100% | 2.83% | 2.36% |

29 Federal tax rate is 20%

Corporate Trust Services
P.O. Box 419692
Kansas City, MO 64141-7014

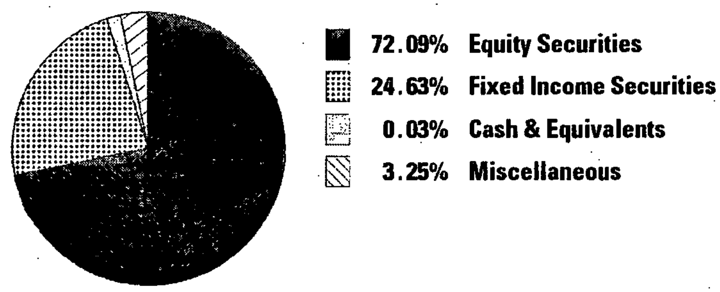
| | | |
|---|---|---|
| Account Title | KANSAS GAS & ELECTRIC WOLF CREEK GENERATING STATION DECOM TRUST **Composite Statement** | 1 |
| Account Number | **116889** | |
| Statement Period | **12/01/2012 - 12/31/2012** | |
| Administrator: | Anthony Hawkins<br>816.860.3014<br>Anthony.Hawkins@umb.com | |
| Associate Administrator: | Faith Johnson<br>FAITH.JOHNSON@UMB.COM | |
| Senior Officer: | Douglas Hare<br>816.860.3006<br>Douglas.Hare@umb.com | |

KANSAS GAS AND ELECTRIC COMPANY
ATTN: SUSAN NORTH
% WESTAR ENERGY
P O BOX 889
TOPEKA KS US 66601-0889

# Investment Summary

| | Cost Basis | Market Value |
|---|---|---|
| **Equity Securities** | | |
| Equity Funds | 101,518,204.79 | 108,685,628.77 |
| **Total Equity Securities** | **101,518,204.79** | **108,685,628.77** |
| **Fixed Income Securities** | | |
| Fixed Income Funds | 35,331,148.14 | 37,131,387.75 |
| **Total Fixed Income Securities** | **35,331,148.14** | **37,131,387.75** |
| **Cash & Equivalents** | | |
| Money Market Funds | 37,750.89 | 37,750.89 |
| Cash | 70.07 | 70.07 |
| **Total Cash & Equivalents** | **37,820.96** | **37,820.96** |
| **Miscellaneous** | | |
| Limited Partnership | 4,463,175.00 | 4,898,920.00 |
| **Total Miscellaneous** | **4,463,175.00** | **4,898,920.00** |
| **Total Assets** | **141,350,348.89** | **150,753,757.48** |
| **Account Total** | **141,350,348.89** | **150,753,757.48** |

| Total Invested Value | **$150,753,757.48** |
|---|---|




Please review this statement carefully and notify us in writing within 30 days if you have any questions or concerns about the information it contains. Unless we receive written notice within 30 days, we will assume that you have approved the statement.

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# Schedule A

Kansas

## KANSAS CITY POWER & LIGHT COMPANY
### WOLF CREEK DECOMMISSIONING TRUST ANALYSIS
### KANSAS JURISDICTION - QUALIFIED TAXABLE TRUST

**DECOMMISSIONING COST ASSUMPTIONS**

| | |
|---|---|
| 2008 Decom Cost Est | $ 630,135,000 |
| Cost Escalation Rate | 2.85% |
| KCPL Share | 47.00% |
| Future Juris Allocation Factor | 45.64% |
| Wtd Historical/Future Alloc Factor | 43.19% |

**DECOMMISSIONING TRUST FUND EARNINGS ASSUMPTIONS**

| TRUST FUND MANAGEMENT FEE | |
|---|---|
| Kansas Avg Fund Bal | 174,586,005 |
| Kansas Ann Fixed Fee | 22,818 |
| Fixed Fee % | 0.01% |
| FI Fee and Fixed Fee% | 0.22% |
| Equity Fee and Fixed Fee | 0.11% |

**DECOMMISSIONING TRUST FUND CASH FLOWS**

| NET AFTER-TAX MARKET VALUE | | |
|---|---|---|
| December 31, 2012 Market Value | 57,566,356 | |
| Q4 2012 Outstanding Deposit | 509,058 | |
| Market Value Incl OS Deposit | | 58,075,414 |
| Unrealized Net Gain | 8,662,174 | |
| Effective Tax Rate | 20.00% | |
| Tax on Unrealized Net Gain | | 1,732,435 |
| Net After-Tax Market Value | | 56,342,979 |

| | |
|---|---|
| Annual Accrual Escalation | 0.00% |

| Year | 2011 Wolf Creek Decom Cost | Escalated Wolf Creek Decom Cost | KCPL Kansas Decom Cost |
|---|---|---|---|
| 2011 | - | - | - |
| 2012 | - | - | - |
| 2013 | - | - | - |
| 2014 | - | - | - |
| 2015 | - | - | - |
| 2016 | - | - | - |
| 2017 | - | - | - |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020 | - | - | - |
| 2021 | - | - | - |
| 2022 | - | - | - |
| 2023 | - | - | - |
| 2024 | - | - | - |
| 2025 | - | - | - |
| 2026 | - | - | - |
| 2027 | - | - | - |
| 2028 | - | - | - |
| 2029 | - | - | - |
| 2030 | - | - | - |
| 2031 | - | - | - |
| 2032 | - | - | - |
| 2033 | - | - | - |
| 2034 | - | - | - |
| 2035 | - | - | - |
| 2036 | - | - | - |
| 2037 | - | - | - |
| 2038 | - | - | - |
| 2039 | - | - | - |
| 2040 | - | - | - |
| 2041 | - | - | - |
| 2042 | - | - | - |
| 2043 | - | - | - |
| 2044 | - | - | - |
| 2045 | 51,401,000 | 133,634,205 | 27,125,320 |
| 2046 | 116,518,000 | 311,555,863 | 63,240,191 |
| 2047 | 134,993,000 | 371,249,524 | 75,356,922 |
| 2048 | 92,331,000 | 261,159,899 | 53,010,724 |
| 2049 | 75,500,000 | 219,639,376 | 44,582,811 |
| 2050 | 68,339,000 | 204,473,092 | 41,504,330 |
| 2051 | 39,401,000 | 121,249,257 | 24,611,401 |
| 2052 | 31,890,000 | 100,932,413 | 20,487,450 |
| 2053 | 19,764,000 | 64,336,181 | 13,059,078 |
| | 630,135,000 | 1,788,229,810 | 362,978,225 |

| | US T-Bills | Fixed Income | International | Small Stocks | Lrg Corp Stocks | |
|---|---|---|---|---|---|---|
| Pre-tax Returns | 1.17% | 3.45% | 8.78% | 9.50% | 8.73% | |
| Effective Tax Rate | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | |
| Earnings After Fees & Taxes | 0.76% | 2.58% | 6.93% | 7.52% | 6.89% | Weighted |
| Year | Investment Mix | | | | | After-Tax Earnings |
| 2011 | | | | | | |
| 2012 | | | | | | |
| 2013 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2014 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2015 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2016 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2017 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2018 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2019 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2020 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2021 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2022 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2023 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2024 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2025 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.45% |
| 2026 | 2.5% | 35.8% | 14.3% | 8.6% | 39.0% | 5.26% |
| 2027 | 5.0% | 36.5% | 13.5% | 8.1% | 36.9% | 5.07% |
| 2028 | 7.5% | 37.3% | 12.8% | 7.7% | 34.9% | 4.88% |
| 2029 | 10.0% | 38.0% | 12.0% | 7.2% | 32.8% | 4.69% |
| 2030 | 12.5% | 38.8% | 11.3% | 6.8% | 30.8% | 4.50% |
| 2031 | 15.0% | 39.5% | 10.5% | 6.3% | 28.7% | 4.31% |
| 2032 | 17.5% | 40.3% | 9.7% | 5.9% | 26.7% | 4.13% |
| 2033 | 20.0% | 41.0% | 9.0% | 5.4% | 24.6% | 3.94% |
| 2034 | 22.5% | 41.8% | 8.2% | 5.0% | 22.6% | 3.75% |
| 2035 | 25.0% | 42.5% | 7.5% | 4.5% | 20.5% | 3.56% |
| 2036 | 27.5% | 43.3% | 6.7% | 4.1% | 18.5% | 3.37% |
| 2037 | 30.0% | 44.0% | 6.0% | 3.6% | 16.4% | 3.18% |
| 2038 | 32.5% | 44.8% | 5.2% | 3.2% | 14.4% | 2.99% |
| 2039 | 35.0% | 45.5% | 4.5% | 2.7% | 12.3% | 2.80% |
| 2040 | 37.5% | 46.3% | 3.7% | 2.3% | 10.3% | 2.62% |
| 2041 | 40.0% | 47.0% | 3.0% | 1.8% | 8.2% | 2.43% |
| 2042 | 42.5% | 47.8% | 2.2% | 1.4% | 6.1% | 2.24% |
| 2043 | 45.0% | 48.5% | 1.5% | 0.9% | 4.1% | 2.05% |
| 2044 | 47.5% | 49.3% | 0.7% | 0.4% | 2.0% | 1.86% |
| 2045 | 50.0% | 50.0% | 0.0% | 0.0% | 0 0% | 1.67% |
| 2046 | 56.3% | 43.8% | 0.0% | 0.0% | 0.0% | 1.56% |
| 2047 | 62.5% | 37.5% | 0.0% | 0.0% | 0.0% | 1.44% |
| 2048 | 68.8% | 31.3% | 0.0% | 0.0% | 0.0% | 1.33% |
| 2049 | 75.0% | 25.0% | 0.0% | 0.0% | 0.0% | 1.22% |
| 2050 | 81.3% | 18.8% | 0.0% | 0.0% | 0.0% | 1.10% |
| 2051 | 87.5% | 12.5% | 0.0% | 0.0% | 0.0% | 0.99% |
| 2052 | 93.8% | 6.3% | 0.0% | 0.0% | 0.0% | 0.87% |
| 2053 | 100.0% | 0 0% | 0.0% | 0.0% | 0.0% | 0.76% |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2025 | 0.0% | 35.0% | 15 0% | 9.0% | 41.0% | 100% |
| | -2.50% | -0.75% | 0.75% | 0.45% | 2.05% | |
| 2045 | 50.00% | 50.00% | 0.00% | 0.00% | 0.00% | 100% |
| | -6.25% | 6.25% | 0.00% | 0.00% | 0.00% | |
| 2053 | 100.00% | 0.00% | 0.00% | 0.00% | 0.00% | 100% |

| Year | Trust Fund Accrual | Trust Fund Expenditure | Earnings After Fees & Taxes | Trust Fund Balance |
|---|---|---|---|---|
| 9/30/11 | | | | |
| 2011 | | | | |
| 2012 | | | | 56,342,979 |
| 2013 | 2,036,230 | 0 | 3,110,856 | 61,490,065 |
| 2014 | 2,036,230 | 0 | 3,391,241 | 66,917,536 |
| 2015 | 2,036,230 | 0 | 3,686,900 | 72,640,666 |
| 2016 | 2,036,230 | 0 | 3,998,665 | 78,675,561 |
| 2017 | 2,036,230 | 0 | 4,327,414 | 85,039,205 |
| 2018 | 2,036,230 | 0 | 4,674,070 | 91,749,506 |
| 2019 | 2,036,230 | 0 | 5,039,611 | 98,825,347 |
| 2020 | 2,036,230 | 0 | 5,425,065 | 106,286,641 |
| 2021 | 2,036,230 | 0 | 5,831,516 | 114,154,387 |
| 2022 | 2,036,230 | 0 | 6,260,108 | 122,450,724 |
| 2023 | 2,036,230 | 0 | 6,712,047 | 131,199,001 |
| 2024 | 2,036,230 | 0 | 7,188,606 | 140,423,837 |
| 2025 | 2,036,230 | 0 | 7,691,125 | 150,151,192 |
| 2026 | 2,036,230 | 0 | 7,936,154 | 160,123,576 |
| 2027 | 2,036,230 | 0 | 8,156,885 | 170,316,690 |
| 2028 | 2,036,230 | 0 | 8,350,742 | 180,703,662 |
| 2029 | 2,036,230 | 0 | 8,515,215 | 191,255,107 |
| 2030 | 2,036,230 | 0 | 8,647,883 | 201,939,219 |
| 2031 | 2,036,230 | 0 | 8,746,442 | 212,721,891 |
| 2032 | 2,036,230 | 0 | 8,808,733 | 223,566,854 |
| 2033 | 2,036,230 | 0 | 8,832,771 | 234,435,855 |
| 2034 | 2,036,230 | 0 | 8,816,768 | 245,288,853 |
| 2035 | 2,036,230 | 0 | 8,759,164 | 256,084,247 |
| 2036 | 2,036,230 | 0 | 8,658,645 | 266,779,122 |
| 2037 | 2,036,230 | 0 | 8,514,174 | 277,329,526 |
| 2038 | 2,036,230 | 0 | 8,325,003 | 287,690,759 |
| 2039 | 2,036,230 | 0 | 8,090,696 | 297,817,685 |
| 2040 | 2,036,230 | 0 | 7,811,144 | 307,665,060 |
| 2041 | 2,036,230 | 0 | 7,486,576 | 317,187,866 |
| 2042 | 2,036,230 | 0 | 7,117,567 | 326,341,664 |
| 2043 | 2,036,230 | 0 | 6,705,044 | 335,082,938 |
| 2044 | 2,036,230 | 0 | 6,250,286 | 343,369,454 |
| 2045 | 509,058 | (27,125,320) | 5,575,241 | 322,328,432 |
| 2046 | 0 | (63,240,191) | 4,653,392 | 263,741,633 |
| 2047 | 0 | (75,356,922) | 3,401,244 | 191,785,955 |
| 2048 | 0 | (53,010,724) | 2,287,063 | 141,062,294 |
| 2049 | 0 | (44,582,811) | 1,512,573 | 97,992,056 |
| 2050 | 0 | (41,504,330) | 908,753 | 57,396,479 |
| 2051 | 0 | (24,611,401) | 476,142 | 33,261,220 |
| 2052 | 0 | (20,487,450) | 223,698 | 12,997,468 |
| 2053 | 0 | (13,059,078) | 61,610 | 0 |

THE BANK OF NEW YORK MELLON.

TRDB58 B58FPLN00102 MONTHLY FINAL 094051 2012-12-31 CYCLE 2 09:40:52 RUN DATE: 04-JAN-13

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

31 DECEMBER 2012

PAGE: 1

NA100

B58 FPLN001

KANSAS CITY POWER&LIGHT COMPAN

| | | | | |
|---|---|---|---|---|
| ASSETS | | | | |
| INVESTMENTS: | | | | |
| COST | $ | 48,904,182.57 | | |
| UNREALIZED APPRECIATION-INVEST | | 8,662,173.71 | | |
| | | | $ | 57,566,356.28 |
| TOTAL ASSETS | | | | 57,566,356.28 |
| LIABILITIES | | | | |
| TOTAL LIABILITIES | | | | 0.00 |
| NET ASSETS | | | $ | 57,566,356.28 |

# Schedule A
Missouri

## KANSAS CITY POWER & LIGHT COMPANY
### WOLF CREEK DECOMMISSIONING TRUST ANALYSIS
### MISSOURI JURISDICTION - QUALIFIED TAXABLE TRUST

**DECOMMISSIONING COST ASSUMPTIONS**

| | |
|---|---|
| 2011 Decom Cost Est | $ 630,135,000 |
| Cost Escalation Rate | 2.85% |
| KCPL Share | 47.00% |
| Future Juris Allocation Factor | 53.69% |
| Wtd Historical/Future Alloc Factor | 56.06% |

**DECOMMISSIONING TRUST FUND EARNINGS ASSUMPTIONS**

| TRUST FUND MANAGEMENT FEE | |
|---|---|
| Missouri Avg Fund Bal | 237,689,578 |
| Missouri Ann Fixed Fee | 26,846 |
| Fixed Fee % | 0.01% |
| FI Fee and Fixed Fee% | 0.22% |
| Equity Fee and Fixed Fee | 0.11% |

**DECOMMISSIONING TRUST FUND CASH FLOWS**

| NET AFTER-TAX MARKET VALUE | | |
|---|---|---|
| December 31, 2012 Market Value | 97,165,347 | |
| Q4 2012 Outstanding Deposit | 320,316 | |
| Market Value incl OS Deposit | | 97,485,663 |
| Unrealized Net Gain | 15,675,478 | |
| Effective Tax Rate | 20.00% | |
| Tax on Unrealized Net Gain | | 3,135,096 |
| Net After-Tax Market Value | | 94,350,567 |

| | |
|---|---|
| Annual Accrual Escalation | 0.00% |

| Year | 2011 Wolf Creek Decom Cost | Escalated Wolf Creek Decom Cost | KCPL Missouri Decom Cost |
|---|---|---|---|
| 2011 | - | - | - |
| 2012 | - | - | - |
| 2013 | - | - | - |
| 2014 | - | - | - |
| 2015 | - | - | - |
| 2016 | - | - | - |
| 2017 | - | - | - |
| 2018 | - | - | - |
| 2019 | - | - | - |
| 2020 | - | - | - |
| 2021 | - | - | - |
| 2022 | - | - | - |
| 2023 | - | - | - |
| 2024 | - | - | - |
| 2025 | - | - | - |
| 2026 | - | - | - |
| 2027 | - | - | - |
| 2028 | - | - | - |
| 2029 | - | - | - |
| 2030 | - | - | - |
| 2031 | - | - | - |
| 2032 | - | - | - |
| 2033 | - | - | - |
| 2034 | - | - | - |
| 2035 | - | - | - |
| 2036 | - | - | - |
| 2037 | - | - | - |
| 2038 | - | - | - |
| 2039 | - | - | - |
| 2040 | - | - | - |
| 2041 | - | - | - |
| 2042 | - | - | - |
| 2043 | - | - | - |
| 2044 | - | - | - |
| 2045 | 51,401,000 | 133,634,205 | 35,210,806 |
| 2046 | 116,516,000 | 311,555,863 | 82,090,757 |
| 2047 | 134,993,000 | 371,249,524 | 97,819,229 |
| 2048 | 92,331,000 | 261,159,899 | 68,812,102 |
| 2049 | 75,500,000 | 219,639,376 | 57,872,005 |
| 2050 | 68,339,000 | 204,473,092 | 53,875,895 |
| 2051 | 39,401,000 | 121,249,257 | 31,947,540 |
| 2052 | 31,890,000 | 100,932,413 | 26,594,326 |
| 2053 | 19,764,000 | 64,336,181 | 16,951,714 |
| | 630,135,000 | 1,788,229,810 | 471,174,373 |

| | US T-Bills | Fixed Income | International | Small Stocks | Lrg Corp Stocks | |
|---|---|---|---|---|---|---|
| Pre-tax Returns | 1.2% | 3.5% | 8.8% | 9.6% | 8.8% | |
| Effective Tax Rate | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | |
| Earnings After Fees & Taxes | 0.76% | 2.58% | 6.97% | 7.55% | 6.93% | Weighted |
| Year | Investment Mix | | | | | After-Tax Earnings |
| 2011 | | | | | | |
| 2012 | | | | | | |
| 2013 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2014 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2015 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2016 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2017 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2018 | 0 0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2019 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2020 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2021 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2022 | 0.0% | 35.0% | 15.0% | 9 0% | 41.0% | 5.47% |
| 2023 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2024 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2025 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 5.47% |
| 2026 | 2.5% | 35.8% | 14.3% | 8.6% | 39.0% | 5.28% |
| 2027 | 5.0% | 36.5% | 13.5% | 8.1% | 36.9% | 5.09% |
| 2028 | 7.5% | 37.3% | 12.8% | 7.7% | 34.9% | 4.90% |
| 2029 | 10.0% | 38.0% | 12.0% | 7.2% | 32.8% | 4.71% |
| 2030 | 12.5% | 38.8% | 11.3% | 6.8% | 30.8% | 4.52% |
| 2031 | 15.0% | 39.5% | 10.5% | 6.3% | 28.7% | 4.33% |
| 2032 | 17.5% | 40.3% | 9.7% | 5.9% | 26.7% | 4.14% |
| 2033 | 20.0% | 41.0% | 9.0% | 5.4% | 24.6% | 3.95% |
| 2034 | 22.5% | 41.8% | 8.2% | 5.0% | 22.6% | 3.76% |
| 2035 | 25.0% | 42.5% | 7.5% | 4.5% | 20.5% | 3.57% |
| 2036 | 27.5% | 43.3% | 6.7% | 4.1% | 18.5% | 3.38% |
| 2037 | 30.0% | 44.0% | 6.0% | 3.6% | 16.4% | 3.19% |
| 2038 | 32.5% | 44.8% | 5.2% | 3.2% | 14.4% | 3.00% |
| 2039 | 35.0% | 45.5% | 4.5% | 2.7% | 12.3% | 2.81% |
| 2040 | 37.5% | 46.3% | 3.7% | 2.3% | 10.3% | 2.62% |
| 2041 | 40.0% | 47.0% | 3.0% | 1.8% | 8.2% | 2.43% |
| 2042 | 42.5% | 47.8% | 2.2% | 1.4% | 6.1% | 2.24% |
| 2043 | 45.0% | 48.5% | 1.5% | 0.9% | 4.1% | 2.05% |
| 2044 | 47.5% | 49.3% | 0.7% | 0.4% | 2.0% | 1.86% |
| 2045 | 50.0% | 50.0% | 0.0% | 0.0% | 0.0% | 1.67% |
| 2046 | 56.3% | 43.8% | 0.0% | 0.0% | 0.0% | 1.56% |
| 2047 | 62.5% | 37.5% | 0.0% | 0.0% | 0.0% | 1.44% |
| 2048 | 68.8% | 31.3% | 0.0% | 0.0% | 0.0% | 1.33% |
| 2049 | 75.0% | 25.0% | 0.0% | 0.0% | 0.0% | 1.22% |
| 2050 | 81.3% | 18.8% | 0.0% | 0.0% | 0.0% | 1.10% |
| 2051 | 87.5% | 12.5% | 0.0% | 0.0% | 0.0% | 0.99% |
| 2052 | 93.8% | 6.3% | 0.0% | 0.0% | 0.0% | 0.87% |
| 2053 | 100.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.76% |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2025 | 0.0% | 35.0% | 15.0% | 9.0% | 41.0% | 100% |
| | -2.50% | -0.75% | 0.75% | 0.45% | 2.05% | |
| 2045 | 50.00% | 50.00% | 0.00% | 0.00% | 0.00% | 100% |
| | -6.25% | 6.25% | 0.00% | 0.00% | 0.00% | |
| 2053 | 100.00% | 0.00% | 0.00% | 0.00% | 0.00% | 100% |

| Year | Trust Fund Accrual | Trust Fund Expenditure | Earnings After Fees & Taxes | Trust Fund Balance |
|---|---|---|---|---|
| 9/30/11 | | | | |
| 2011 | | | | |
| 2012 | | | | 94,350,567 |
| 2013 | 1,281,264 | 0 | 5,188,442 | 100,820,273 |
| 2014 | 1,281,264 | 0 | 5,542,415 | 107,643,952 |
| 2015 | 1,281,264 | 0 | 5,915,756 | 114,840,972 |
| 2016 | 1,281,264 | 0 | 6,309,523 | 122,431,759 |
| 2017 | 1,281,264 | 0 | 6,724,833 | 130,437,856 |
| 2018 | 1,281,264 | 0 | 7,162,867 | 138,881,987 |
| 2019 | 1,281,264 | 0 | 7,624,866 | 147,788,117 |
| 2020 | 1,281,264 | 0 | 8,112,143 | 157,181,524 |
| 2021 | 1,281,264 | 0 | 8,626,079 | 167,088,867 |
| 2022 | 1,281,264 | 0 | 9,168,135 | 177,538,266 |
| 2023 | 1,281,264 | 0 | 9,739,847 | 188,559,377 |
| 2024 | 1,281,264 | 0 | 10,342,839 | 200,183,480 |
| 2025 | 1,281,264 | 0 | 10,978,823 | 212,443,567 |
| 2026 | 1,281,264 | 0 | 11,245,159 | 224,969,990 |
| 2027 | 1,281,264 | 0 | 11,478,479 | 237,729,733 |
| 2028 | 1,281,264 | 0 | 11,675,648 | 250,686,645 |
| 2029 | 1,281,264 | 0 | 11,833,633 | 263,801,542 |
| 2030 | 1,281,264 | 0 | 11,949,538 | 277,032,344 |
| 2031 | 1,281,264 | 0 | 12,020,642 | 290,334,250 |
| 2032 | 1,281,264 | 0 | 12,044,426 | 303,659,940 |
| 2033 | 1,281,264 | 0 | 12,018,618 | 316,959,822 |
| 2034 | 1,281,264 | 0 | 11,941,215 | 330,182,301 |
| 2035 | 1,281,264 | 0 | 11,810,521 | 343,274,086 |
| 2036 | 1,281,264 | 0 | 11,625,176 | 356,180,526 |
| 2037 | 1,281,264 | 0 | 11,384,181 | 368,845,971 |
| 2038 | 1,281,264 | 0 | 11,086,919 | 381,214,155 |
| 2039 | 1,281,264 | 0 | 10,733,184 | 393,228,602 |
| 2040 | 1,281,264 | 0 | 10,323,187 | 404,833,053 |
| 2041 | 1,281,264 | 0 | 9,857,576 | 415,971,894 |
| 2042 | 1,281,264 | 0 | 9,337,441 | 426,590,599 |
| 2043 | 1,281,264 | 0 | 8,764,316 | 436,636,179 |
| 2044 | 1,281,264 | 0 | 8,140,178 | 446,057,621 |
| 2045 | 320,316 | (35,210,806) | 7,240,603 | 418,407,734 |
| 2046 | 0 | (82,090,757) | 6,040,469 | 342,357,447 |
| 2047 | 0 | (97,819,229) | 4,415,083 | 248,953,300 |
| 2048 | 0 | (68,812,102) | 2,968,788 | 183,109,986 |
| 2049 | 0 | (57,872,005) | 1,963,438 | 127,201,419 |
| 2050 | 0 | (53,875,895) | 1,179,633 | 74,505,157 |
| 2051 | 0 | (31,947,540) | 618,070 | 43,175,687 |
| 2052 | 0 | (26,594,326) | 290,377 | 16,871,739 |
| 2053 | 0 | (16,951,714) | 79,975 | 0 |

THE BANK OF NEW YORK MELLON.



STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
31 DECEMBER 2012

| | | |
|---|---|---|
| ASSETS | | |
| INVESTMENTS: | | |
| COST | $ 81,489,869.15 | |
| UNREALIZED APPRECIATION-INVEST | 15,675,477.76 | |
| | | $ 97,165,346.91 |
| TOTAL ASSETS | | 97,165,346.91 |
| LIABILITIES | | |
| TOTAL LIABILITIES | | 0.00 |
| NET ASSETS | | $ 97,165,346.91 |

# KANSAS ELECTRIC POWER COOPERATIVE, INC.

## Estimate for Decommissioning Fund Contributions

### Escalation 1.5%/yr & 6.0% Return

| KCC Stipulated and Fixed Amounts | |
|---|---|
| Total Cost DECON Method in 2011 $s | **$630,135,000** |
| Estimated KEPCo Cost in 2011 $s | **$37,808,100** |
| Forecasted Rate of Inflation | **2.85%** |
| Remaining Years in Service | **33** |
| Total KEPCo Cost of Decommissioning in 2045 $s | **$104,320,635** |
| Market Value of Portfolio @12/31/11 | **$12,935,122** |
| Remaining $s To Be Collected | **$91,385,513** |
| KEPCo Variables | |
| Forecasted Return on Portfolio | **Table Below** |
| Escalation Rate for Contributions | **1.50%** |
| Amount of Initial Payment | **$386,355** |
| Amount of Excess/Shortfall | 0 |

| Year | Beginning Year Balance | Annual Contribution | Annual Earnings | End of Year Balance Less Fees | KEPCo's Decom Cost | Rate of Return | Total Wolf Creek Decom |
|---|---|---|---|---|---|---|---|
| 2011 | | | | 12,935,122 | | **6.00%** | |
| 2012 | 12,935,122 | 386,355 | 776,107 | 14,044,812 | | **6.00%** | |
| 2013 | 14,044,812 | 392,151 | 842,689 | 15,222,994 | | **6.00%** | |
| 2014 | 15,222,994 | 398,033 | 913,380 | 16,473,626 | | **6.00%** | |
| 2015 | 16,473,626 | 404,003 | 988,418 | 17,800,889 | | **6.00%** | |
| 2016 | 17,800,889 | 410,063 | 1,068,053 | 19,209,203 | | **6.00%** | |
| 2017 | 19,209,203 | 416,214 | 1,152,552 | 20,703,237 | | **6.00%** | |
| 2018 | 20,703,237 | 422,458 | 1,242,194 | 22,287,928 | | **6.00%** | |
| 2019 | 22,287,928 | 428,794 | 1,337,276 | 23,968,490 | | **6.00%** | |
| 2020 | 23,968,490 | 435,226 | 1,438,109 | 25,750,436 | | **6.00%** | |
| 2021 | 25,750,436 | 441,755 | 1,545,026 | 27,639,591 | | **6.00%** | |
| 2022 | 27,639,591 | 448,381 | 1,658,375 | 29,642,109 | | **6.00%** | |
| 2023 | 29,642,109 | 455,107 | 1,778,527 | 31,764,494 | | **6.00%** | |
| 2024 | 31,764,494 | 461,933 | 1,905,870 | 34,013,622 | | **6.00%** | |
| 2025 | 34,013,622 | 468,862 | 2,040,817 | 36,396,754 | | **6.00%** | |
| 2026 | 36,396,754 | 475,895 | 1,819,838 | 38,557,598 | | **5.00%** | |
| 2027 | 38,557,598 | 483,034 | 1,927,880 | 40,826,060 | | **5.00%** | |
| 2028 | 40,826,060 | 490,279 | 2,041,303 | 43,207,251 | | **5.00%** | |
| 2029 | 43,207,251 | 497,633 | 2,160,363 | 45,706,522 | | **5.00%** | |
| 2030 | 45,706,522 | 505,098 | 2,285,326 | 48,329,473 | | **5.00%** | |
| 2031 | 48,329,473 | 512,674 | 2,416,474 | 51,081,968 | | **5.00%** | |
| 2032 | 51,081,968 | 520,365 | 2,554,098 | 53,970,144 | | **5.00%** | |
| 2033 | 53,970,144 | 528,170 | 2,698,507 | 57,000,426 | | **5.00%** | |
| 2034 | 57,000,426 | 536,093 | 2,850,021 | 60,179,538 | | **5.00%** | |
| 2035 | 60,179,538 | 544,134 | 3,008,977 | 63,514,521 | | **5.00%** | |
| 2036 | 63,514,521 | 552,296 | 2,540,581 | 66,377,597 | | **4.00%** | |
| 2037 | 66,377,597 | 560,580 | 2,655,104 | 69,353,459 | | **4.00%** | |
| 2038 | 69,353,459 | 568,989 | 2,774,138 | 72,446,350 | | **4.00%** | |
| 2039 | 72,446,350 | 577,524 | 2,897,854 | 75,660,665 | | **4.00%** | |
| 2040 | 75,660,665 | 586,187 | 3,026,427 | 79,000,966 | | **4.00%** | |
| 2041 | 79,000,966 | 594,980 | 3,160,039 | 82,471,981 | | **4.00%** | |
| 2042 | 82,471,981 | 603,904 | 3,298,879 | 86,078,613 | | **4.00%** | |
| 2043 | 86,078,613 | 612,963 | 3,443,145 | 89,825,945 | | **4.00%** | |
| 2044 | 89,825,945 | 622,157 | 3,593,038 | 93,719,249 | | **4.00%** | |
| 2045 | 93,719,249 | -7,795,718 | 2,811,577 | 88,399,591 | 7,795,718 | **3.00%** | 129,928,639 |
| 2046 | 88,399,591 | -18,175,510 | 2,651,988 | 72,559,170 | 18,175,510 | **3.00%** | 302,925,169 |
| 2047 | 72,559,170 | -21,657,726 | 2,176,775 | 52,816,762 | 21,657,726 | **3.00%** | 360,962,104 |
| 2048 | 52,816,762 | -15,235,550 | 1,584,503 | 38,973,356 | 15,235,550 | **3.00%** | 253,925,841 |
| 2049 | 38,973,356 | -12,813,187 | 1,169,201 | 27,185,463 | 12,813,187 | **3.00%** | 213,553,112 |
| 2050 | 27,185,463 | -11,928,600 | 815,564 | 15,969,778 | 11,928,600 | **3.00%** | 198,809,999 |
| 2051 | 15,969,778 | -7,073,005 | 479,093 | 9,312,471 | 7,073,005 | **3.00%** | 117,883,425 |
| 2052 | 9,312,471 | -5,888,133 | 279,374 | 3,663,619 | 5,888,133 | **3.00%** | 98,135,550 |
| 2053 | 3,663,619 | -3,753,205 | 109,909 | 0 | 3,753,205 | **3.00%** | 62,553,409 |
| | | | | | 104,320,635 | | 1,738,677,249 |

Year-End 2012
# Mutual Fund Statement

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1109350 02 MB 0.401 **AUTO T4 0 2503 66604-087777 C01-M3 P09359

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Wolf Cr Decom Tr U/A Dtd 12/26/89
Kansas Electric Power Coop Inc
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Topeka KS 66604-0877

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**Portfolio Value: $14,902,016.92**

## Activity Summary

| | This Month | Year-to-Date[1] |
|---|---|---|
| **Beginning Value** | **$14,648,549.24** | **$12,935,121.95** |
| Additions | 117,960.00 | 1,251,840.00 |
| Deductions | 0.00 | 836,233.43 |
| Income | 226,206.18 | 414,546.84 |
| Market Fluctuation[2] | -90,698.50 | 1,136,741.56 |
| **Ending Value** | **$14,902,016.92** | **$14,902,016.92** |
| Net Change | $253,467.68 | $1,966,894.97 |

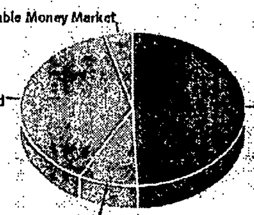
## Income Summary

| | This Month | Year-to-Date[1] |
|---|---|---|
| Taxable | $226,206.18 | $414,546.84 |

[1] Year-to-date income may include closed accounts no longer shown on this statement.

[2] The term "Market Fluctuation" reflects any increase or decrease in fund share prices since your last statement. It does not reflect a fund's payment of dividends and interest or any reinvestment of dividends and interest into your account. If all of your holdings are money market funds, there should be no change in account value or principal due to market fluctuation. For other terms, please see "About Your Account and Statement."

## Asset Allocation




| | |
|---|---|
| **57.8% Stock Funds** | **$8,616,456.50** |
| 49.2% Domestic | 7,340,618.01 |
| 8.6% International/Global | 1,275,838.49 |
| **38.1% Bond Funds** | **$5,670,261.88** |
| 38.1% Domestic Taxable | 5,670,261.88 |
| **4.1% Money Market Funds** | **$615,298.54** |
| 4.1% Taxable | 615,298.54 |

## Portfolio Overview

| **Nonretirement** | 11/30/12 Value | 12/31/12 Value | Change in Value | % of Assets |
|---|---|---|---|---|
| *T. Rowe Price Mutual Funds* | | | | |
| Equity Income | $1,935,521.09 | $1,971,152.68 | $35,631.59 | 13.2% |
| Equity Index 500 | 1,395,950.13 | 1,408,390.46 | 12,440.33 | 9.5 |
| Global Stock | 150,127.17 | 154,819.23 | 4,692.06 | 1.0 |
| Growth Stock | 2,026,863.31 | 2,032,835.75 | 5,972.44 | 13.6 |
| International Growth & Income | 389,016.57 | 404,263.28 | 15,246.71 | 2.7 |

continues...

Enclosure III to CO 13-0002

Generic Updated Wolf Creek Decommissioning Cost Study, Phase I
(22 pages)

## Generic Updated Wolf Creek Decommissioning Cost Study, Phase I
**Kansas Corporation Commission**
**Docket No. 12-WCNE-136-GIE, filed August 31, 2011**

On August 31, 2011, Wolf Creek Nuclear Operating Corporation (WCNOC) filed with the Kansas Corporation Commission, on behalf of Kansas Gas and Electric Company (KGE), Kansas City Power & Light Company (KCPL) and Kansas Electric Power Cooperative, Inc. (KEPCo), the three owners of Wolf Creek Generating Station, an updated Wolf Creek decommissioning cost study prepared by TLG Services, Inc.* This filing is required every three years by September 1. The new study projected a decommissioning cost of $630,135,000 in 2011 dollars. In April 2012, the parties entered into a Stipulation and Agreement to recommend that the commission approve the new cost estimate and a 2.85% per year cost escalation rate. On May 16, 2012, the commission issued an Order approving the Stipulation and Agreement. A copy of that order is attached. The matter then proceeded to Phase II in which the three Owner companies subsequently filed their separate proposals related to accruing for the new cost estimate. KCPL, instead of filing a Phase II proposal devoted to that single issue, included its proposal in a general rate increase request that already was pending before the commission.

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* A copy of this updated Wolf Creek decommissioning cost study may be found on the Kansas Corporation Commission's web page, http://www.kcc.state.ks.us/, as follows: Click on the link "Docket Filings;" in the "Search for Docket" area of that page, insert in the blank for "Docket Number" the number "12-WCNE-136-GIE" and click "Search"; on the "Dockets" page, click on the docket number "12-WCNE-136-GIE"; on the next page select "Documents" and click on the PDF symbol labeled "Application for Wolf Creek Nuclear Operating Corporation."

2012.05.16 14:49:50
Kansas Corporation Commission
/S/ Patrice Petersen-Klein

# THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

Before Commissioners: Mark Sievers, Chairman
Ward Loyd
Thomas E. Wright

In the Matter of the 2011 Wolf Creek Decommissioning Cost Study as Provided by Wolf Creek Nuclear Operating Corporation on August 31, 2011 in Accordance with the Commission's Order in Docket Number 163,561-U on December 9, 1992. ) Docket No: 12-WCNE-136-GIE

## ORDER APPROVING STIPULATION AND AGREEMENT



The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the files and records, and being duly advised in the premises, the Commission makes the following findings and conclusions:

## I. Background Information

1. On August 31, 2011, Wolf Creek Nuclear Operating Corporation (WCNOC) filed its 2011 Decommissioning Cost Analysis (Decommissioning Report) with the Commission in accordance with the Commission's December 9, 1992 Order in Docket No. 163,561-U, which directed the filing of Wolf Creek decommissioning cost study updates every three years after September 1, 1993. WCNOC stated that the filing was made on behalf of Kansas Gas and Electric Company (Westar), Kansas City Power & Light Company (KCP&L), and Kansas

Electric Power Cooperative, Inc. (KEPCo). WCNOC noted that there are emerging issues concerning whether the federal government will be able to remove all spent fuel from the Wolf Creek site before the plant is decommissioned.[1] The estimated final shutdown date of the Wolf Creek facility, which is established by the expiration of Wolf Creek's license, is March 2045.[2]

2. The Commission granted intervention to the following parties: the Citizens' Utility Ratepayer Board (CURB), Westar, KCP&L, and KEPCo.

3. The Commission has jurisdiction over any licensee operating a nuclear power generating facility located in the state.[3]

## II. Standard of Review

4. The Commission has evaluated the evidence in the record as a whole regarding the proposed Stipulation and Agreement (S&A) in light of the following standard of review. The Commission has previously recognized its authority to approve settlements containing final terms that have been agreed to by the parties, but that do not reveal how these terms were reached.[4]

5. The law generally favors compromise and settlement of disputes between parties when they enter into an agreement knowingly and in good faith that settles the dispute.[5] When adopting a settlement, the Commission must make an independent finding that the settlement is supported by substantial competent evidence in the record as a whole, that the settlement will establish just and reasonable rates, and that the settlement is in the public interest.[6] The

[1] Application, August 31, 2011 (Application).
[2] Application, Decommissioning Cost Analysis, August 31, 2011, Section 1, page 1.
[3] K.S.A. 66-128*l* et seq.
[4] Order Approving Contested Settlement Agreement, Docket No. 08-ATMG-280-RTS, May 12, 2008, paragraphs 9-10 (08-280 Order, ¶¶ 9-10).
[5] *Krantz v. University of Kansas*, 271 Kan. 234, 241-42, 21 P.3d 561, 567 (2001).
[6] *Citizens' Utility Ratepayer Board v. State Corp. Comm'n*, 28 Kan.App.2d 313, 316, 16 P.3d 319, 323 (2000), *rev. denied* March 20, 2001.

Commission has historically reviewed stipulations and agreements under a previously-established five-factor test that parties routinely utilize when presenting a settlement for consideration. The five-factor test does not relieve the Commission of its duty to make a determination that rates are "just and reasonable" and that the results of a stipulation and agreement are in the public interest, which requires the Commission to carefully analyze the issues. The factors considered in deciding whether a stipulation and agreement should be approved are:

1. Was there an opportunity for the opposing party to be heard on the reasons for opposition to the stipulation and agreement?
2. Is the stipulation and agreement supported by substantial competent evidence in the record as a whole?
3. Does the stipulation and agreement conform with applicable law?
4. Does the stipulation and agreement result in just and reasonable rates?
5. Are the results of the stipulation and agreement in the public interest, including the interest of the customers represented by the parties not consenting to the agreement?[7]

## III. Stipulation and Agreement

### *A. Background*

6. The parties discussed settlement of this docket, and following negotiations, entered into a S&A for the purpose of determining a reasonable estimate of the Wolf Creek Generating Station decommissioning costs to be used in addressing accrual levels of the respective owner utilities' decommissioning trust accounts and the appropriate escalation rate.[8] WCNOC, Westar, KCP&L, KEPCo, and Commission Staff (Joint Movants) joined the S&A. Although CURB is not a signatory to the S&A, CURB advised the Joint Movants it did not

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[7] 08-280 Order, ¶ 11.
[8] Stipulation and Agreement, April 2, 2012, paragraph 4 (S&A, ¶ 4).

oppose the S&A.[9] CURB did not file an objection to the S&A, as set forth in K.A.R. 82-1-230a(c).

7. The Joint Movants requested the Commission waive the evidentiary hearing initially scheduled for April 18, 2012.[10] The Prehearing Officer modified the procedural schedule to cancel the evidentiary hearing.[11]

8. The Joint Movants requested the Commission admit into the record the 2011 Decommissioning Cost Analysis performed by TLG Services, Inc., and the prefiled testimony of: (1) Gregg N. Clizer (Clizer) for WCNOC, Westar, KCP&L, and KEPCo, filed December 21, 2011; (2) Adam H. Gatewood (Gatewood) for Staff, filed February 21, 2012; (3) Michael J. Wegner (Wegner) for Staff, filed February 21, 2012; and (4) William A. Cloutier, Jr. (Cloutier) for WCNOC, Westar, KCP&L, and KEPCo, filed March 21, 2012.[12] Based upon the parties' agreement, the Commission finds that all prefiled testimony, as listed above, and evidence, including the 2011 Decommissioning Cost Analysis, shall be admitted and incorporated into the record by this Order. The prefiled testimony will provide substantial competent evidence and a sufficient basis for the Commission to review the S&A.

### *B. Provisions of the S&A*

9. The S&A stated that the parties in the docket have agreed that a reasonable estimate of the decommissioning costs for Wolf Creek is $630,135,000 in 2011 dollars.[13] The S&A further provided that the escalation rate shall be set at 2.85%.[14] These figures will be used

[9] S&A, ¶ 3.
[10] Joint Motion to Approve Stipulation and Agreement and to Dismiss the Evidentiary Hearing in this Docket, April 2, 2012, paragraph 11 (Joint Motion, ¶ 11).
[11] Prehearing Officer Order Modifying Procedural Schedule, April 12, 2012.
[12] Joint Motion, ¶¶ 10-11.
[13] S&A, ¶ 5.
[14] S&A, ¶ 6.

in separate dockets to set an accrual level for each company's Decommissioning Trust Account.[15]

10. WCNOC, on behalf of Westar, KCP&L, and KEPCo, agreed in the S&A to file periodic reports with the Commission at least every six months, beginning six months from the date of the Commission's Order in this docket, to update the status of pending lawsuits as well as the status of the Nuclear Waste Fund resulting from the Nuclear Waste Policy Act of 1982 and administered by the U.S. Department of Energy.[16] The Joint Parties agreed that the 2014 review of Wolf Creek decommissioning costs will include a discussion of the nuclear waste storage issues raised by the Applicants in Appendix E to the 2011 Wolf Creek Decommissioning Cost Analysis in this docket.[17] The Joint Parties also agreed that development of costs for the ENTOMB alternative, as initially suggested by Staff in Direct Testimony, would not serve the public interest.[18] The S&A in its entirety is attached to this Order as Attachment 1.

### *C. Evaluation of the S&A*

11. The Commission evaluates the S&A by reviewing the five criteria previously identified in determining whether a specific settlement reached by the parties should be approved. Each criterion will be considered separately.

#### *1. Was there an opportunity for the opposing party to be heard on the reasons for opposition to the S&A?*

12. WCNOC, Westar, KCP&L, KEPCo, and Staff all support the S&A. While CURB did not sign the S&A, it does not oppose it.[19] The record shows that no parties oppose

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[15] S&A, ¶ 5.
[16] S&A, ¶ 7.
[17] S&A, ¶ 8.
[18] S&A, ¶ 9.
[19] S&A, ¶ 3.

the S&A. The Commission finds that there was an opportunity for all parties to be heard on the S&A, and no parties object to the S&A.

2. *Is the S&A supported by substantial competent evidence in the record as a whole?*

13. Substantial competent evidence is that which possesses something of substance and relevant consequence, and which furnishes a substantial basis of fact from which the issues tendered can reasonably be resolved.[20] The focus of the Commission's inquiry is on the S&A and evidence in support of the agreement.

14. This Order has listed names of witnesses submitting prefiled direct and rebuttal testimony that, as a whole, supported the parties' positions. Witness Clizer testified that the current decommissioning cost estimate of $630,135,000 is based on a study performed by TLG dated August 2011.[21] Clizer recommended the cost escalation rate of 2.85% per year, and provided a thorough description of the indices and formula he utilized as a basis for his recommendation.[22] Staff witness Gatewood testified that the escalation rate is a reasonable forecast, because it includes cost drivers of decommissioning that are specific to Wolf Creek and are taken from the decommissioning cost analyses prepared by TLG Services, Inc., which has performed all studies for Wolf Creek.[23] The five cost drivers are labor, equipment and materials, energy, burial costs, and other materials.[24] Staff witness Wegner testified in support of the cost estimate provided in the Application.[25] Witness Cloutier testified to support the decision of the

[20] *Kansas Gas and Electric v. State Corp. Comm'n*, 14 Kan.App.2d 527, 531-32 (quoting *Southwestern Bell Tel. Co. v. State Corp. Comm'n*, 4 Kan.App.2d 44, 46, 602 P.2d 131 (1979), *rev. denied* January 29, 1980).
[21] Direct Testimony of Gregg N. Clizer, December 21, 2011, page 3 (Clizer Direct, p. 3).
[22] Clizer Direct, pp. 4-6, and Schedule GNC-3.
[23] Direct Testimony Prepared by Adam H. Gatewood, February 21, 2012, page 2 (Gatewood Direct, p. 2).
[24] Application, Section 3, p. 18, Table 3.1; Clizer Direct, p. 4; Gatewood Direct, p. 2.
[25] Direct Testimony of Michael J. Wegner, February 21, 2012, page 4.

Joint Parties not to include a cost estimate for the ENTOMB alternative in the next decommissioning study.[26]

15. All prefiled testimony has been admitted as part of the record, and the Commission has reviewed and considered all such testimony, including materials referenced and incorporated in such testimony. The Commission finds that the S&A is supported by substantial competent evidence in the record as a whole.

*3. Does the S&A conform with applicable law?*

16. As set forth above, the law generally favors compromise and settlement of disputes between parties when they enter into an agreement knowingly and in good faith that settles the dispute.[27] The Commission has jurisdiction over any licensee operating a nuclear power generating facility located in the state, and clearly has authority to approve a S&A.[28]

17. The Commission has reviewed the decommissioning statutes, as set forth in K.S.A. 66-128*l* through K.S.A. 66-128*p*, and finds no provision of the S&A that is in violation of these laws. The Commission has carefully examined its authority and the legal standards that apply in this proceeding and its rules and regulations. After a review of the S&A made between the parties, the Commission concludes the S&A conforms to applicable law.

*4. Does the S&A result in just and reasonable rates?*

18. The Joint Movants stated that approval of the S&A in this docket will not have an immediate effect on rates charged to Kansas customers, and that rate impact will not occur until each owner company files its individual rate case where the new decommissioning accrual will be included in their revenue requirement.[29] Staff witness Gatewood noted that each of the Wolf

[26] Rebuttal Testimony of William A. Cloutier, Jr., March 21, 2012.
[27] *Krantz*, 271 Kan. at 241-42.
[28] K.S.A. 66-128*l* et seq.
[29] Joint Motion, ¶ 8.

Creek owners would calculate their respective annual payment to their decommissioning trust fund using the $630,135,000 estimate and the 2.85% annual cost escalation rate, and Staff will evaluate each of the proposed funding plans in Phase Two of the investigation.[30]

19. The Commission finds this factor is not applicable in this docket, because rate settlement is not at issue at this time, and will be examined in Phase Two.

> *5. Are the results of the S&A in the public interest, including the interest of customers represented by any party not consenting to the agreement?*

20. The Commission recognizes that this factor is a function of those factors preceding it, and therefore the findings and conclusions supporting those factors are relevant here. The S&A yields other results providing additional benefit to all parties' interests. For example, there is a benefit of stemming potentially protracted litigation thereby promoting administrative efficiency, a well-settled public policy goal.[31]

21. The Joint Movants stated that each party to the proceeding has a duty to protect the interests of the party it represents: the companies have a duty to their customers and shareholders; CURB represents the interests of residential and small commercial customers; and Staff weighs and balances the interests of the companies, utility customers, and the public interest generally. The Joint Movants represented to the Commission that the S&A represents an equitable balancing of the interests of all parties that is in the public interest.[32]

22. The Commission has reviewed the S&A and finds that approval of the S&A is in the public interest.

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[30] Gatewood Direct, pp. 4-5.
[31] *Bright v. LSI Corp.*, 254 Kan. 853, 858 (1994).
[32] Joint Motion, ¶ 9.

## IV. Further Examination of Pending Issues

23. The Commission finds there are issues surrounding spent fuel, the building of a federal repository, and the status of the Nuclear Waste Fund that remain unanswered at this time, due to pending lawsuits challenging the U.S. Department of Energy's action of continuing to charge a federal nuclear waste disposal fee. The Commission intends to open a docket setting forth questions directed to WCNOC and its owners about these and related issues, which will include, at a minimum, questions concerning the pending lawsuits and appeals, the status of the Nuclear Waste Fund, and issues surrounding the removal of spent fuel. The Commission directs WCNOC to file its periodic reports to the Commission, as agreed to by the parties and set forth above in paragraph 10, in the new docket when it is opened. In this new docket, Commission may require that Staff act in an advisory role to the Commission, rather than as a party to the proceeding.

## V. Findings and Conclusions

24. After a review and consideration of the evidence in the record, the Commission finds that the requirements of K.S.A. 66-128o have been met for purposes of this review of the decommissioning financing plan. Specifically, the Commission finds that the estimated date to close the Wolf Creek facility is March 2045. The Commission finds that the $630,135,000 in 2011 dollars is a reasonable estimate of the decommissioning costs. The Commission further finds that the escalation rate of 2.85% is reasonable. Commission Staff reviewed the decommissioning cost estimate and annual cost escalation rate and found the method selected for estimating the cost was reasonable, and the Commission adopts its Staff's finding. The Commission finds that the adequacy of plans for financing the decommissioning and any

shortfall resulting from a premature closing will be addressed in Phase Two of these proceedings.

25. The Commission directs the parties to file their separate dockets for Phase Two of these proceedings within 45 days of this Order and utilize the figures approved in this Order to set an accrual level for each company's Decommissioning Trust Account. The Commission acknowledges that KCP&L has a rate case pending before the Commission in Docket No. 12-KCPE-764-RTS (12-764 Docket). The Commission directs KCP&L to set its accrual level for its Decommissioning Trust Account in the pending 12-764 Docket, rather than in a separate docket as set forth above in this paragraph.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. The Commission approves of the Stipulation and Agreement. The Commission directs the parties to file their separate dockets within 45 days of this Order and utilize the figures approved in this Order to set an accrual level for each company's Decommissioning Trust Account. The Commission acknowledges that KCP&L has a rate case pending before the Commission in Docket No. 12-KCPE-764-RTS (12-764 Docket), and directs KCP&L to set its accrual level for its Decommissioning Trust Account in the pending 12-764 Docket, as set forth above.

B. The Commission intends to open a docket setting forth questions directed to WCNOC and its owners which will include, at a minimum, questions concerning pending lawsuits and appeals, the status of the Nuclear Waste Fund, and issues surrounding the removal of spent fuel. The Commission directs WCNOC to file its periodic reports to the Commission, as agreed to by the parties and set forth above in paragraph 10, in the new docket when it is opened.

C. The Commission orders service of this Order be made by electronic mail, with a note that no hard copy of this Order will follow. K.S.A. 77-607(b)(2). Parties have 15 days from the date of electronic service of this Order in which to petition the Commission for reconsideration. K.S.A. 66-118b; K.S.A. 2011 Supp. 77-529(a)(1).

D. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further order or orders as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Sievers, Chairman; Loyd, Commissioner; Wright, Commissioner

Dated: MAY 16 2012

ORDER MAILED MAY 16 2012

Patrice Petersen-Klein
Executive Director

mrd

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

| | | |
|---|---|---|
| In the Matter of the 2011 Wolf Creek Decommissioning Cost Study as Provided by Wolf Creek Nuclear Operating Corporation on August 31, 2011 in Accordance with the Commission's Order in Docket Number 163,561-U on December 9, 1992 | ) ) ) ) ) | Docket No. 12-WCNE-136-GIE |

## STIPULATION AND AGREEMENT

This Stipulation and Agreement ("Stipulation") is entered into by and between the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), Wolf Creek Nuclear Operating Corporation ("Wolf Creek"), 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") (collectively referred to as the "Parties").

1. On August 31, 2011, Wolf Creek filed its 2011 Decommissioning Cost Analysis for the Wolf Creek Generating Station, in accordance with the Commission's December 9, 1992 Order in Docket No. 163,561-U. The December 9, 1992 Order directed the filing of a decommissioning cost study every three years after September 1, 1993.

2. Westar, KCP&L, KEPCo, and CURB each filed petitions to intervene in the above-captioned proceeding, which were granted by the Commission.

3. On March 27, 2012, the Parties and the Citizens' Utility Ratepayer Board ("CURB") held a conference call to discuss settlement of the issues in this docket. The terms of the resulting Stipulation are set forth below. CURB has advised the Parties that it does not oppose the Stipulation; however, CURB is not a signatory to the Stipulation.

## I. TERMS OF THE STIPULATION

4. This Stipulation is entered into for the purpose of determining a reasonable estimate of the Wolf Creek Generating Station decommissioning costs to be used in addressing accrual levels of the respective owner utilities' Decommissioning Trust Accounts.

5. The cost for decommissioning funding is agreed to be $630,135,000 in 2011 dollars as set forth in the Decommissioning Cost Analysis for the Wolf Creek Generating Station filed in this docket on August 31, 2011, which is hereby incorporated by reference. This amount will be used by Westar, KCP&L, and KEPCo in their respective proposals for setting an accrual level for each company's Decommissioning Trust Account. This will be done in individual dockets, separate from the instant docket.

6. Westar, KCP&L, and KEPCo agree to use an escalation rate of 2.85% per year to escalate the 2011 decommissioning cost estimate of $630,135,000 from 2011 dollars to the appropriate dollar amount in the year that the decommissioning costs will occur.

7. Wolf Creek, on behalf of Westar, KCP&L, and KEPCo, agrees to file with the Commission periodic reports in this docket at least every six months, beginning six months from the date of the Commission's Order approving this Stipulation, updating the status of the pending lawsuits *National Association of Regulatory Utility Commissioners; Nuclear Energy Institute, et al. v. US. Department of Energy and United States of America, United States Court of Appeals for the District of Columbia Circuit, Case Nos. 11-1066 and 11-1068* as well as the status of the Nuclear Waste Fund resulting from the Nuclear Waste Policy Act of 1982 and administered by the Department of Energy.

8. The Parties agree that the next triennial report due in 2014 for review of Wolf Creek decommissioning costs will include a discussion of the status of the nuclear waste storage

issues raised by the applicants in Appendix E to the 2011 Wolf Creek Decommissioning Cost Analysis filed in this docket. Additionally, the Parties agree to include discussion of these storage issues in their semi-annual reporting noted in paragraph 7 above to the extent that decisions in the referenced lawsuits lead to more fully developed plans regarding such storage.

9. The Parties have further reviewed and discussed the development of costs for the ENTOMB alternative for the Wolf Creek nuclear generating plant. The Parties agree that development of the cost for this alternative would not serve the public interest. The next Wolf Creek Decommissioning Cost Analysis set to be filed by September 1, 2014 will only address cost development of the DECON and SAFSTOR alternatives.

10. The Parties have pre-filed the testimony and schedules of the following witnesses, which supports the terms of the Stipulation:

- Gregg Clizer for Wolf Creek, KCP&L, Westar, and KEPCo.
- Michael Wegner for Staff.
- Adam Gatewood for Staff.
- William A. Cloutier, Jr. for Wolf Creek, KCP&L, Westar, and KEPCo.

The Application also included the 2011 Decommissioning Cost Analysis performed by TLG Services, Inc., which cost study is the primary subject of this docket.

## II. RESERVATIONS

11. Except as specified in this Stipulation, none of the Parties to the agreement shall be deemed to have approved or acquiesced in any question of the Commission authority, decommissioning methodology, rate making principle, valuation methodology, cost of service methodology or determination, rate design methodology, or cost allocation that may underlie this Stipulation.

12. This Stipulation fully resolves issues specifically addressed in this proceeding [or docket] between the Parties. The terms of this Stipulation constitute a fair and reasonable resolution of the issues addressed herein.

13. The terms and provisions of this Stipulation have resulted from negotiations between the signatories and are interdependent. In the event the Commission does not approve and adopt the terms of the Stipulation in total, any party has the option to terminate this Stipulation and, if so terminated, none of the signatories hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof, unless otherwise provided herein.

14. If the Commission accepts this Stipulation in its entirety and incorporates the same into its final order in this docket, the Parties intend to be bound by its terms and the Commission's order incorporating its terms as to all issues addressed herein, and will not appeal the Commission's order on those issues.

15. If the Commission accepts this Stipulation in its entirety and incorporates the same into its final order in this docket, Parties agree to waive their rights to cross-examination of witnesses, right to present oral argument and written briefs pursuant to Commission rules, and right to judicial review pursuant to Kansas law. This waiver applies only to those matters explicitly addressed by this Stipulation.

16. This Stipulation may be executed in counterparts and all so executed shall constitute one and the same instrument binding on all parties, each of which shall be fully effective as an original.

17. The Stipulation shall be binding on all Parties upon signing.

IN WITNESS HERETO, the Parties have executed and approved this Stipulation effective by subscribing their signatures below.

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IN WITNESS HERETO, the Parties have executed and approved this Stipulation effective by subscribing their signatures below.

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Docket No. 12-WCNE-136-GIE

Chairman Sievers:

I write this separate opinion to express my views about stipulations generally and, in this matter in particular, the use of a stipulation and agreement to effectively preclude the Commission from making an informed decision about the matters brought before it.

At a high level, the Commission is not a court charged with resolving disputes between the parties. It is an inquisitional, fact-finding agency charged with gathering sufficient facts to satisfy its statutory obligations, which often boil down to determining what's just and reasonable and in the public interest. Agreements between litigants may be an appropriate means of settling traditional litigated disputes, but poorly suited to aid in fact-finding and a public interest determination.

The Commission is frequently presented with stipulations and agreements and encourages parties to reach consensus and resolve their disputes. Stipulations presented to the Commission are often "black box" agreements where the proposal is presented as a compromise and the parties represent it as something that mitigates their litigation risk if the matter had proceeded to hearing.

In this case, the stipulation is for the purpose of determining a reasonable estimate of Wolf Creek decommissioning costs to be used in addressing accrual levels of the respective owner utilities' decommissioning trust account and the appropriate escalation factor (inflation rate). It is between the owners of the Wolf Creek facility and the Commission's Staff, with CURB agreeing not to object to the stipulation. It is a "black box" stipulation with agreement on two numbers -- $630,135,000 in decommissioning costs and an escalation rate of 2.85%. The parties also agreed that any development of costs associated with the ENTOMB alternative would not be in the public interest.

The Commission is in the awkward position of being presented with an agreement that its own staff entered into independent of input or direction from the Commission and where the Staff must now support the agreement before the Commission. The Commission then has no insight, analysis or input into the trade-offs <u>its own staff made</u> in reaching the settlement. Essentially, the Commission's staff becomes just another party litigant appearing before the Commission. If the Commission is uncomfortable with a "black box" agreement proposed by its Staff, it is forced to disapprove the stipulation and ask marginally-informed questions on the fly from the bench.

Historically, the Commission uses a five-factor test to examine stipulations, which it developed in a 2008 Atmos rate case and discussed above in this Order. It is precedent that is, in my opinion, ill suited to the public policy issues presented in this case and the statutory review the Commission must undertake. Said differently, it inhibits the proper statutory focus and an efficient inquisitorial, fact-finding role of the Commission.

For example, in this matter, the Commission's basic statutory duty under K.S.A. 66-128o, is explicitly defined, below:

(a) [The Commission] shall, at least every five years until the facility's closing … review the [decommissioning] financing plan to assess its adequacy… The review shall include, but not be limited to, the following considerations: (1) The estimated date of closing the nuclear power generating facility; (2) the estimated cost of decommissioning; (3) the reasonableness of the method selected for cost estimate purposes; and (4) the adequacy of plans for financing the decommissioning and any shortfall resulting from premature closing.

(b) The commission, after conducting a review under subsection (a), may, after a hearing … order such changes in the decommissioning plan as it deems necessary to make the plan comply with the provisions of subsection (b) of K.S.A. 66-128n and amendments thereto.

The five-factor Atmos test is disconnected with this statutory standard. Shouldn't the Commission be making the specific evidentiary findings specified in 66-128o(a) rather than the Atmos five-factor test? That's one of the problems with using the precedential Atmos standard – the parties focus on the five factors and lose sight of the applicable statutory standard. The statutory standard also seems to envision a hearing if the Commission finds any deficiencies in the plan. But, contrary to the statutory intent, "black box" stipulations envision the elimination of a hearing because all the parties agree not to question one another.

I wish to emphasize three additional points:

First, simply because the parties agree does not relieve the Commission of its independent obligation to make a determination, based on the facts in the record, of whether the proposal comports with the law, the rates are just and reasonable[1] and the proposed settlement is in the public interest. Nor does a stipulation bind the Commission to the agreement of the parties. The Commission's rules state that a stipulation is simply another piece of evidence to be weighed by the Commission in making its determination. K.A.R. 82-1-228(e)(3).

Second, the Commission must make its decisions, including decisions about whether to accept or reject a proposed stipulation, based on the record evidence, which requires factual showings to support the conclusions that the resulting rates are "just and reasonable" and the proposal is in the public interest. There must be factual record evidence that supports the Commission's conclusion beyond the assertions of the witnesses who offer testimony in support of a stipulation. But, when all the parties agree, the reality is that no evidence is presented other than the unchallenged prefiled testimony and broad conclusions from witnesses that the terms of a stipulation are "in the public interest" or "just and reasonable." The party litigants simply repeat the rote of the Atmos test and when its Staff agrees with a stipulation, the Commission is left dangling with no one to consult with or advise it about the reasonableness of the stipulation or the trade-offs its own Staff made.

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[1] In this case, the future decommissioning costs are used to establish rates by the owners in later proceedings, so while the number we pick does not immediately affect retail prices, it will eventually be reflected in rates.

Third, in this matter in particular, this is a stipulation and agreement that deals with a very important public policy matter. This is a $630 million case that deals with the decommissioning costs of a nuclear power plant with a 60-year life span in an environment where the predictability of future institutions is volatile and the potential for public harm is great if the Commission gets it wrong. For example,

1. What are the foreseeable regulatory risks over 30+ years? The federal government has failed for 30 years to establish a nuclear waste repository and recently reversed its decision on the use of the Yucca Mountain facility as a waste repository. The federal government created a fund to create the repository and collected more than $31 billion in fees, but, in spite of court orders, has refused to release the money. Given that political history, it seems reasonable to assume that one possibility is that the federal government will not approve a waste repository in the next 30 years and decommissioning will require building a structure in Kansas to contain spent fuel for centuries. How would such a project be funded? Yet, the parties to the stipulation – including the Commission's Staff – concluded that inquiring into the ENTOMB alternative was not in the public interest and developed cost estimates using only the DECON and SAFSTOR cost alternatives.

2. What are the environmental regulatory risks? The EPA is aggressively pursuing standards and policies aimed at coal-fired plants and 67% of Kansas electric power is generated with coal-fired facilities. Could Wolf Creek be placed in a "must run" situation where it must operate to meet the needs of its owners who are forced to curtail coal-fired facilities and, thus, reduce ordinary maintenance now a routine part of Wolf Creek's annual operations? Will that affect longevity of the plant? How do the EPA's proposed 316(b) rules dealing with cooling waters used by power plants affect Wolf Creek? Do they affect the economics of the plant and its projected economic operating life?

3. What are the reasonably foreseeable financial risks? We live in a world of excessive and unsustainable government spending/debt. Historically, as a consequence of debt, governments with large debt levels have tended to devalue their currency (inflation), and the United States has experienced such episodes in my lifetime. The long term US inflation rate has been well above 3% (1911-2011). Looking back 30 years (1971-2011), the average inflation rate (as measured by CPI-U) was 4.4%, and in excess of 3.5% in 19 of those 30 years. Given that, why is the recommended 2.85% inflation rate a reasonable forecast for the next several decades? See K.S.A 66-128o(a)(2). In addition, if the federal government experiences financial distress in the decades to come and, in order to control spending, declines to adequately fund the Corps of Engineers and maintenance of Wolf Creek reservoir, does that have potential adverse implications for the economic life of the plant and what contingency plans have been developed to address such a possibility? See K.S.A. 66-128n(b)(4)

4. What are the operational risks over 30+ years? Wolf Creek was out of service during the first quarter of 2012 due to a loss of outside power. The incident was investigated and several items were noted by the investigators that could implicate the life and efficiency of the plant and, thus, the time horizon for decommissioning. Specifically,

a. How does the water hammer event and a 5 gpm leak inside containment noted by the investigators potentially affect the life of the plant? Does it indicate premature wear on essential systems in the plant?

b. Likewise, the investigators noted pipe wall-thickness issues. Does that indicate premature deterioration that affects the life of the plant?

c. What is the age and condition of the outside plant serving Wolf Creek? Does the fact that a single breaker failure on outside plant imply that the operation of Wolf Creek depends critically on outside plant and that as those outside plant facilities age and fail, the economic life of the plant is affected? Could the shut down in 2012 been avoided by additional transmission facilities connected to the plant?

d. In 2010, the Nuclear Regulatory Commission published a report that concluded that the risk of a core damaging earthquake at Wolf Creek is 1 in 55,556. Is that number correct? Is it a significant risk over a 30-year time frame? What is the margin of error around that figure? Does it affect the plant's life? How is it factored into the projected decommissioning costs?

5. What are the obsolescence risks? Deployment of small modular reactors are being considered in Missouri and Iowa as cost effective substitutes for large nuclear power plants. How do the economics of small modular reactors, and reasonable forecasts of the costs of such alternatives, compare with Wolf Creek's expected economics over the next several decades? For example, if, over the next decade, small modular reactors proved to be 30% less costly than operating Wolf Creek, would that shorten the expected economic life of the plant with implications for decommissioning costs?

For these reasons, I support opening a separate proceeding to allow the Commission to ask questions rather than be bound by the agreement the parties reached and restricted from meaningfully consulting with its own Staff. The parties who participated in this matter, including the Commission's staff, may be comfortable with the agreement they reached, but I believe the Commission has an obligation to do more than simply vote on a "black box" settlement with no personal inquiry. Further, I have asked that, in the new proceeding, Staff serve in a strictly advisory role rather than in a party litigant role in order to advise the Commission rather than just reach a settlement with the other parties. Unfortunately, while I would have preferred to address these issues in this proceeding, opening a new, separate proceeding seems to be the only option available to the Commission.

Mark Sievers, Chairman

Enclosure IV to CO 13-0002

Kansas Gas and Electric Company (KGE)
Updated Wolf Creek Decommissioning Cost Study, Phase II
(9 pages)

**Kansas Gas and Electric Company**
**Updated Wolf Creek Decommissioning Cost Study, Phase II**
**Kansas Corporation Commission**
**Docket No. 12-KG&E-922-MIS, Application filed June 29, 2012**

KGE's Phase II Application was filed in the referenced docket on June 29, 2012, and was accompanied by prepared testimony and an exhibit of Dick Rohlfs, Director Retail Rates for Westar Energy, Inc. The application proposed that the commission approve an annual decommissioning funding amount of $2,762,483 beginning in 2013 and continuing at that annual rate until decommissioning commences in 2045 (except for a reduced amount in that final year). KGE's then current annual funding rate was $3,150,070. On November 15, 2012, the KCC Staff filed with the commission its Report and Recommendation regarding KGE's proposed annual decommissioning funding rate and amount. The Staff agreed with KGE's proposal and recommended that the commission adopt it. On December 13, 2012, the KCC issued its Order on Application approving KGE's proposal as filed and ordering KGE to incorporate its proposed new annual decommissioning contribution amount into its future rate cases. Copies of the KCC Staff's Report and Recommendation and of the commission's Order are attached.

2012.11.15 14:57:00
Kansas Corporation Commission
/S/ Patrice Petersen-Klein

Received
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State Corporation Commission
of Kansas

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

In the Matter of the Application of Kansas Gas )
and Electric Company to Adjust the Funding of ) Docket No. 12-KG&E-922-MIS
Its Nuclear Decommissioning Trust Fund. )

## NOTICE OF FILING OF STAFF REPORT AND RECOMMENDATION

The Staff of the State Corporation Commission of the State of Kansas (Staff) files Notice of Filing of Staff Report and Recommendation and states as follows:

1. Staff hereby files the attached Report and Recommendation dated November 8, 2012, recommending that the Commission approve Kansas Gas & Electric Company's (Company) Application to adjust the funding of the Company's nuclear decommissioning trust fund.

WHEREFORE, Staff requests the Commission consider its Report and Recommendation, and grant approval of the Company's Application and provide any further relief as the Commission deems just and proper.

Respectfully submitted,

Judy Jenkins

Judy Jenkins, S. Ct. No. 23300
Litigation Counsel
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For Commission Staff

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**REPORT AND RECOMMENDATION**
**UTILITIES DIVISION**

**TO:** Chairman Mark Sievers
Commissioner Thomas E. Wright
Commissioner Shari Feist Albrecht

**FROM:** Adam H. Gatewood

**DATE:** November 8, 2012

**DATE SUBMITTED TO EXECUTIVE DIRECTOR:** 11/8/12

**DATE SUBMITTED TO LEGAL:** 11/9/12

**DATE SUBMITTED TO COMMISSIONERS:** 11-15-12

**SUBJECT:** In the Matter of the Application of Kansas Gas & Electric Company to Adjust the Funding of its Nuclear Decommissioning Trust Fund
Docket No. 12-KG&E-922-MIS



## EXECUTIVE SUMMARY:

The purpose of this Docket is to establish the annual payment that is necessary to fund Kansas Gas & Electric Company's (KG&E) share of the decommissioning cost for Wolf Creek Nuclear Generating Station (Wolf Creek). Staff's analysis of KG&E's proposal found that it should be adopted as it is a reasonable plan to collect KG&E's share of the total decommissioning cost.

## BACKGROUND:

This Docket was opened as a follow up to Docket 12-WCNE-136-GIE in which the Commission established the cost of decommissioning Wolf Creek and disposing of related low-level radioactive waste. The investigation of decommissioning Wolf Creek and funding the decommissioning process was set by K.S.A. §66-128n and Docket 142,100-U.[1]

[1] K.S.A. §66-128n requires the Commission to review decommissioning cost every five years. In Docket 142,100-U, the Commission established a schedule of at least every three years.

The Commission's Order in Docket 142,100-U requires the owners of Wolf Creek to file a Decommissioning Cost Estimate (Cost Estimate) with the Commission every three years. The Commission's Order in that Docket set the decommissioning cost at $630 million in 2011 dollars, a time line of decommissioning to begin in the year 2045, and a decommissioning expense inflation rate of 2.85%. The following table illustrates how the decommissioning costs are spread across the nine-year time period of the decommissioning process and how the future value of the decommissioning costs are spread among KG&E and KEPCo.

| | 2011 $'s ($ 000's) | Future Value ($ 000's) | KG&E 47% ($ 000's) | KEPCo 6% ($ 000's) |
|---|---|---|---|---|
| 2045 | $ 51,400 | $ 129,929 | $ 61,066 | $ 7,796 |
| 2046 | $ 116,517 | $ 302,925 | $ 142,375 | $ 18,176 |
| 2047 | $ 134,993 | $ 360,962 | $ 169,652 | $ 21,658 |
| 2048 | $ 92,332 | $ 253,926 | $ 119,345 | $ 15,236 |
| 2049 | $ 75,500 | $ 213,553 | $ 100,370 | $ 12,813 |
| 2050 | $ 68,340 | $ 198,810 | $ 93,441 | $ 11,929 |
| 2051 | $ 39,399 | $ 117,883 | $ 55,405 | $ 7,073 |
| 2052 | $ 31,890 | $ 98,136 | $ 46,124 | $ 5,888 |
| 2053 | $ 19,763 | $ 62,550 | $ 29,399 | $ 3,753 |
| | $ 630,134 | $ 1,738,674 | $ 817,177 | $ 104,320 |

On June 29, 2012, KG&E filed with the Commission a proposal to fund its share of decommissioning Wolf Creek, which is $817,177 million. KG&E's annual contribution is based upon the cost estimate adopted by the Commission in Docket 12-WCNE-136-GIE, its 47% ownership in Wolf Creek, the balance of KG&E's tax qualified decommissioning trust fund, and the forecasted returns expected to be earned on that trust.

**ANALYSIS:**

Staff verified that KG&E's proposal correctly incorporated the Commission's decision from 12-WCNE-136-GIE. The remaining components of the analysis include the current balance of KG&E's decommissioning trust and the forecasted return over the remaining life of the decommissioning trust.

KG&E's forecasted returns for the trust are derived from the real return earned by various asset classes and a forecasted rate of inflation. Over the life of the trust, the weighting of equity and fixed income investments change; currently the trust is composed of 62% equity assets and 38% fixed income. Toward the end of Wolf Creek's operating life, it is forecasted to be 50% cash and 50% fixed income instruments. The forecasted return is not constant over the life of the trust, because as the date of decommissioning nears, the asset mix is modified to reduce risk. As the risk is reduced using a greater percentage of fixed income instruments, KG&E reduces the forecasted return on the portfolio.

For the time period of 2012 through 2025, KG&E assumed an after tax annual return of 6.19%. That estimate is based on historic real returns from 1982 through 2011 and an expected inflation rate.[2] KG&E's methodology is sound. I found that KG&E's forecasted returns are comparable to the returns forecasted by J.P. Morgan Asset Management, 6.53%, and conservative in comparison to long-run nominal returns experienced over the last 85 years, which was 8.10%.[3]

Over the 26 year life of the trust fund, it has earned a return of about 4.80% after management fees and taxes. Removing management fees from the 6.19% forecasted return results in a 5.60% forecasted return measured on a comparable basis as the 4.80% actual return.

The outcome of KG&E's analysis is a reduction in the annual contribution from $3,150,070 to $2,762,483. The reduction is not surprising. Since the last review in 2010, the equity markets have appreciated 25% (capital gains plus dividends). That appreciation is reflected in this analysis.

The annual contribution of $2,762,483 will be included in rates at the next rate case.

**RECOMMENDATION:**

Staff recommends the Commission issue an Order adopting KG&E's proposed funding schedule as set out in Exhibit DFR-1.

cc: Patrice Petersen-Klein, Executive Director
Jeff McClanahan, Director of Utilities
Justin Grady, Chief of Accounting & Financial Analysis

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[2] The calculation incorporates annual expenses of 59 basis points for investment and trust management.

[3] See Staff's recent Cost of Capital Testimony for the J.P. Morgan Asset Management: Long-term Capital Markets Return Assumptions, 2012 Edition report and the 2012 Yearbook: Stocks, Bonds, Bills, & Inflation published by Morningstar, Inc. for historic returns.

STATE OF KANSAS )
) ss.
COUNTY OF SHAWNEE )

**VERIFICATION**

Judy Jenkins, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Notice of Filing of Staff Report and Recommendation* and attests that the statements therein are true to the best of her knowledge, information and belief.

Judy Jenkins, S.Ct.# 23300
Assistant Litigation Counsel
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 15th day of November, 2012.

PAMELA J. GRIFFETH
Notary Public - State of Kansas
My Appt. Expires 08-17-2015

Notary Public

My Appointment Expires: August 17, 2015

2012.12.13 14:37:54
Kansas Corporation Commission
/S/ Patrice Petersen-Klein

# THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

Before Commissioners: Mark Sievers, Chairman
Thomas E. Wright
Shari Feist Albrecht

In the Matter of the Application of Kansas Gas and Electric Company to Adjust the Funding of Its Nuclear Decommissioning Trust Fund. ) ) ) ) Docket No. 12-KG&E-922-MIS

## ORDER ON APPLICATION

This matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being duly advised in the premises the Commission finds as follows:

1. On June 29, 2012, Kansas Gas and Electric Company (Westar) filed its Application to adjust the funding of its Nuclear Decommission Trust Fund (Application). This filing was supported by exhibits and Direct Testimony of Dick F. Rohlfs, Westar's Director of Retail Rates.

2. The Application was filed in compliance with the Commission's Order in Docket No. 12-WCNE-136-GIE, (136 Docket) which required the co-owners of Wolf Creek Nuclear Operating Corporation to file separate dockets utilizing the figures approved in the 136 Docket to update the accrual level of each company's Decommissioning Trust Account.

3. On November 15, 2012, Staff filed its Report and Recommendation (Report) in support of Westar's Application. Staff's Report analyzed Westar's figures and calculations and agreed that Westar's proposed share of the decommissioning expense in the amount $817 million was correctly calculated in compliance with the Commission's Order in the 136 Docket. Staff also noted that Westar's calculation of its annual contribution in the amount of $2,762,483 (down

from $3,150,070) reflects a reduction in the company's annual contribution due to the recent appreciation in the equity markets. Furthermore, Staff recommended Westar's adjusted annual contribution be included in rates at the time of the company's next rate case.

4. The Commission finds that based on the evidence presented, Westar's Application is sufficient and meets the requirements of the Commission's Order filed in Docket 12-WCNE-136-GIE. Moreover, as recommended by Staff in its Report and Recommendation, the Commission approves Westar's Application and the level of funding contained in Westar's Exhibit DFR-1, which details Westar's schedule of annual contributions to the Decommissioning Fund over Wolf Creek's remaining life. The Commission acknowledges Westar's share of the Decommissioning Fund for the year 2013 is $2,762,483 and orders Westar to incorporate the annual contributions set out in Exhibit DFR-1 into future rate cases.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

(A) The Commission approves Westar's Application for approval to adjust the funding of its Nuclear Decommission Trust Fund as filed.

(B) The Commission orders service of this Order by electronic mail, with a note that no hard copy of this Order will follow. K.S.A. 77-607(b)(2). Parties have 15 days from the date of electronic service of this Order to petition the Commission for reconsideration. K.S.A. 66-118b; K.S.A. 2011 Supp. 77-529(a)(1).

(C) The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it deems necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Sievers, Chmn; Wright, Com.; Albrecht, Com.

Dated: DEC 13 2012

ORDER MAILED DEC 13 2012
ELECTRONIC

Patrice Petersen-Klein
Executive Director

BGF

Enclosure V to CO 13-0002

Kansas City Power & Light Company (KCPL)
Updated Wolf Creek Decommissioning Cost Study, Phase II
(14 pages)

## Kansas City Power & Light Company
### Updated Wolf Creek Decommissioning Cost Study, Phase II
### Kansas Corporation Commission
### Docket No. 12-KCPE-764-RTS, Application filed April 20, 2012

KCPL did not file a separate "Phase II case," electing instead to include its proposed new decommissioning cost accrual issue as part of its general rate increase application filed in the referenced docket on April 20, 2012. KCPL's decommissioning cost accrual proposal was explained in prepared testimony by Gregg Clizer who recommended that the annual Kansas jurisdictional funding level for the decommissioning trust remain the same as the then currently-approved annual funding level, $2,036,230, beginning when KCPL's new rates would become effective, in January 2013, and not to change in subsequent years unless the KCC so orders. None of the parties in the case took issue with that proposal. On September 28, 2012, some of the parties entered into a Partial Settlement Agreement as to some issues in the case, one of which was the Wolf Creek decommissioning cost accrual. On the same day, the parties filed a Motion for the KCC to approve the Partial Settlement Agreement. The KCC issued a Final Order on December 13, 2012, approving the Partial Settlement Agreement in its entirety including KCPL's proposed decommissioning cost accruals, its request that the commission affirm that these accruals are included in cost of service and are included in rates for ratemaking purposes, and its request that the commission affirm that the earnings rate assumed for the trust takes into consideration the tax rate change and the removal of investment restrictions resulting from the Energy Policy Act of 1992. Although KCPL and an intervenor subsequently sought reconsideration of certain portions of the Order, the decommissioning accrual part of the Order was not challenged. A copy of pertinent excerpts from the Order and the Partial Settlement Agreement is attached.

2012.12.13 14:38:33
Kansas Corporation Commission
/S/ Patrice Petersen-Klein

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

Excerpt

Before Commissioners: Mark Sievers, Chairman
Thomas E. Wright
Shari Feist Albrecht

| | | |
|---|---|---|
| In the Matter of the Application of Kansas City Power & Light Company to Make Certain Changes in Its Charges for Electric Service. | ) | Docket No. 12-KCPE-764-RTS |

**ORDER ON KCP&L'S APPLICATION FOR RATE CHANGE**

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having examined its files and records and being fully advised in the premises, the Commission makes the following findings:

1. On April 20, 2012, Kansas City Power & Light Company (KCP&L) filed its Application seeking Commission approval to make certain changes in its charges for electric service, pursuant to K.S.A. 66-117 and K.A.R. 82-1-231. In its Application, KCP&L sought a $63.55 million rate increase.[1]

2. The Commission has jurisdiction to supervise and control electric public utilities, as defined in K.S.A. 66-101a, doing business in Kansas.[2] The Commission has the power to require all electric utilities governed by the Electric Public Utilities Act to establish and maintain just and reasonable rates.[3]

3. Notice of the proposed rate increase, public hearings, and evidentiary hearing was provided by an insert with the monthly billing statement for each customer in KCP&L's service territory as well as by publishing notice in the major newspapers in the region. The Commission

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[1] Based upon KCP&L-filed normalized operating results for the 12 months ending December 31, 2011, and adjusted for known and measurable changes in the revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments through June 30, 2012.
[2] K.S.A. 66-101.
[3] K.S.A. 66-101b.

received comments from the public at the July 31, 2012 public hearing in Overland Park, where a record was made. The Commission also received 207 public comments through its Office of Public Affairs and Consumer Protection. The Commission issues this Order with due consideration of those comments.

4. The Citizens' Utility Ratepayer Board (CURB); Wal-Mart Stores, Inc. (Wal-Mart); DoubleTree by Hilton Kansas City – Overland Park (Doubletree); and Sprint Communications Company, LP, Sprint Nextel Corporation, Sprint United Management Company, and Sprint Corporation (Sprint) were granted intervention.

5. On August 22, 2012, the parties filed their direct testimony. In its direct testimony, Staff recommended a rate increase of approximately \$27.495 million; CURB recommended roughly \$4.9 million; Wal-Mart, Sprint, and Doubletree took no position on KCP&L's revenue requirement.

6. An evidentiary hearing was held from October 1 through October 4, 2012. All of the parties appeared by counsel and, with the exception of Sprint, each party submitted prefiled testimony.[4] The Commission heard live testimony from a total of 24 witnesses, including 14 on behalf of KCP&L, four on behalf of Staff, three on behalf of CURB, one on behalf of Wal-Mart, and two on behalf of Doubletree. At the September 25, 2012 prehearing conference, the parties agreed to waive cross-examination of several witnesses. The parties had the opportunity to cross-examine the rest of the witnesses at the evidentiary hearing as well as the opportunity to redirect their own witnesses. Following the evidentiary hearing, all of the parties submitted posthearing briefs.

[4] Both KCP&L and Staff submitted prefiled testimony for five witnesses who did not appear live at the evidentiary hearing. The Commission received and reviewed testimony from a total of 34 witnesses.

7. On September 28, 2012, the parties entered into a unanimous partial settlement agreement (Partial S&A). As a result of the Partial S&A, the parties revised their recommended revenue requirement as follows: KCP&L - $56.4 million; Staff - $29.3 million; and CURB - $14.3 million. The Partial S&A is attached as Attachment A and incorporated by reference. The following issues remained in dispute after the Partial S&A:

- Jurisdictional Allocation (KCP&L, Staff, and CURB)
- Return on Equity (KCP&L, Staff, and CURB)
- Pension Funding Status Adjustment (KCP&L, Staff, and CURB)
- Supplemental Executive Retirement Plan (SERP) Benefits (KCP&L and CURB)
- Incentive Compensation (KCP&L and CURB)
- Updating Test Year (KCP&L and CURB)
- Pension Tracker Amortization (KCP&L and CURB)
- Other Post-Employment Benefits (OPEB) Expense (KCP&L and CURB)
- Rate Case Expense Amortization (KCP&L and CURB)
- Class Cost of Service (KCP&L, Staff, CURB, Doubletree and Sprint)
- Rate Design (all parties)
- ECA Rider (KCP&L and Doubletree)

8. In determining rates, the Commission first establishes a revenue requirement and then designs a rate structure.[5] The revenue requirement includes rate base, operating expenses, and rate of return.[6] The rate of return is simply an opportunity to earn that rate, not a guarantee. Rate design includes allocating costs among and within the customer classes.

[5] *Kansas Gas and Electric Co. v. Kansas Corp. Comm'n*, 239 Kan. 483, 500, 720 P.2d 1063, 1078-79 (1986).
[6] *Id.* at 500-01, 1078-79

all parties involved.[205] The "zone of reasonableness" is an elusive range where rates are most fair to the utility and its customers; the Commission has broad discretion to determine this zone of reasonableness and should seek to set rates that are not so unreasonably low or unreasonably high as to be unlawful.

**B. Provisions of the Partial Settlement Agreement**

97. The Partial S&A resulted from confidential negotiations in this docket. While not resolving all of the issues, it resolved a substantial number of issues, allowing the Parties to litigate a limited number of major issues at hearing. The terms of the Partial S&A are summarized as follows:

- *Distribution Field Intelligence & Technical Support Group ("DFITS") - O&M/Rate Base*: KCP&L agrees not to dispute Staff's adjustments which remove KCP&L's revenue requirement adjustments for its DFITS group.[206]

- *Organizational Realignment and Voluntary Separation Program ("ORVS")*: Staff agrees to accept KCP&L's adjustment for ORVS.[207]

- *Oracle Maintenance*: The Parties agree to accept the position taken by KCP&L witness John Weisensee in his rebuttal testimony on pages 17 and 18 resulting in a net reduction to the Company's revenue requirement request of ($73,000) with no amortization.

- *OverTime, Temporarys, & FICA Taxes on Salary and Wages*: KCP&L accepts Staff's position regarding various payroll issues.

- *Officer Cash Incentive*: KCP&L agrees to accept Staff's corrected adjustment regarding officer Annual Incentive Plan.

- *Depreciation Rates*: Staff agrees to accept, for the purposes of settlement only, KCP&L's depreciation rates, including KCP&L's Account 344 - generators - life. (Interim Curve differences), with the following two exceptions: (1) removal of the La Cygne ash landfill adjustment discussed in the rebuttal testimony of KCP&L witness Chris Rogers, and (2) unit

[205] *Farmland Industries, Inc. v. State Corp. Comm'n*, 24 Kan.App.2d 172, 195, 943 P.2d 470, 489 (1997).
[206] Partial Settlement Agreement, p. 3, ¶ 10 (A).
[207] *Id.*

retirement net salvage. To be clear, KCP&L does not agree with Staff witness William Dunkel's positions on these two enumerated items nor does Staff agree with KCP&L's position on the life of generators in Account 344, but each party will accept them for purposes of settlement. The final depreciation rates were included as Appendix A to the Partial S&A.

- *Rate Case Expense*: The Parties agree that the rate case expense amount will be determined in accordance with the process discussed in the rebuttal testimony of KCP&L witness Weisensee, including KCP&L-only expenses to be determined from the Final Rate Case Expense Update submitted by KCP&L on or before November 16, 2012, with Staff and CURB expenses to be provided by Staff through the date of the order in this docket, provided that total rate case expense does not exceed the $2.5 million projected in the Application. The Parties reserve their claims related to the appropriate amortization period for rate case expense.

- *Miscellaneous Items*:
  KCP&L agrees to settle the eight (8) items listed below for a total revenue requirement adjustment to miscellaneous expense of ($310,284). In addition, the Parties agree to use a rate of 0.3975% for bad debt expense associated with any rate increase approved by the Commission.

  - Materials & Supplies;
  - Customer Advances;
  - Customer Deposits;
  - Bad Debt Expense - Uncollectible Rate;
  - Sale of Receivables Expense;
  - Credit Card Processing;
  - EEI Dues; and
  - Meals & Entertainment.

- *Amortization Items*: The Parties agree, again with such settlement providing no precedent for any party for future cases, the amortization periods for certain issues of the case as noted below:

| | |
|---|---|
| o 2010 Legal Fee Reimbursement | Three (3) year amortization period |
| o ORVS | Five (5) year amortization period |
| o 2011 Missouri River Flooding (Non-Fuel O&M) | Ten (10) year amortization period |
| o Iatan Unit 1/Common Vintage 2 | 44.9 year amortization period |

  Amortization amounts for each item above to be identified in the Commission's Order in this proceeding.

- *Ad Valorem Base Identification*: The base ad valorem tax expense assumed to be collected in base rates as a result of this proceeding will be identified in the Commission's Order.

- *Decommissioning Accruals for Wolf Creek*: The Parties request Commission approval of the schedule of decommissioning cost accruals included in Appendix B to the Partial S&A, Commission affirmation that the decommissioning cost accruals are included in cost of service and are included in rates for ratemaking purposes, and Commission affirmation that the earnings rate assumed for the trust takes into consideration the tax rate change and the removal of the investment restrictions resulting from the Energy Policy Act of 1992.

- *Uncontested Rate Design Items*: The Parties agree that the following tariff, rules and regulations, and rate design issues are uncontested and will be implemented as proposed by KCP&L:

  Tariff Consolidation:
  1. Consolidation of *Residential General Use* (RESA) and the *Residential General Use with Water Heating* (RESB) rates into a single *Residential General Use* (RESA) rate. RESB will no longer be used.
  2. Consolidation of *Residential General Use with Space Heat-Two Meter* (RESD) and *Residential General Use and Water Heat with Space Heat - Two Meter* (RESE) into a single *Residential General Use with Space Heat - Two Meter* (RESD) rate. RESE will no longer be used.
  3. Consolidation of *Large General Service* (LGS) class and the *Large Power Service* (LPS) class into a single *Large General Service* (LGS) class. LPS class will no longer be used.
     - Customers on the *Large Power Service -Primary* rate would be moved to the *Large General Service -Primary* rate.
     - Customers on the *Large Power Service- Substation* rate would remain on that rate but the rate would be moved to the Large General Service tariff as the *Large General Service - Substation* rate.
     - Customers on the *Large Power Service - Transmission* rate would remain on that rate but the rate would be moved to the Large General Service tariff as the *Large General Service - Transmission* rate.

- New Residential - Other Use Tariff: The new *Residential - Other Use* tariff proposed by KCP&L is accepted.

- Table of Contents: The new Table of Contents proposed by KCP&L is accepted.

- Addition of Adjustments and Surcharges Listing to Rate Tariffs: All KCP&L rate tariffs will include a listing of the applicable adjustment and surcharge riders.

energy rates.[222] Before coming to the Commission, Doubletree would be better served taking steps to promote conservation itself, such as posting signage in the hotel reminding guests to conserve energy or establishing incentives for different check-in times.

115. The Commission considered all of the evidence in the record and considered the positions and arguments of all the parties in making its findings and conclusions. The failure to specifically address a particular item, position, or argument offered into evidence does not indicate it was not considered by the Commission.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. The foregoing statements, discussion, and analysis are adopted as findings and conclusions of the Commission. These rulings are based on the specific facts of this case and on the record available. Unless otherwise specified, the findings made here should not necessarily be considered as precedent for other rate cases.

B. The Commission selects the 12-CP methodology for jurisdictional allocation of capacity-related costs to KCP&L's Kansas customers.

C. The Commission sets KCP&L's overall revenue requirement based on an operating income of $123,932,709, a rate base of $1,798,480,041, a return on equity of 9.5%, and an overall rate of return of 8.0054%. The Commission approves a revenue requirement increase of $33,156,017 from KCP&L's current revenue requirement.

D. The Commission approves KCP&L's proposed rate design.

E. The corresponding rate increases shall be set in accordance with the attached schedules.

[222] *Id.* at 2.

F. The Commission grants the Joint Motion and approves the Partial Settlement Agreement in its entirety, for reasons discussed in this Order. The terms of the attached Partial Settlement Agreement are incorporated into this Order.

G. Parties have 15 days from the date of electronic service of this Order to petition the Commission for reconsideration. K.S.A. 66-118b; K.S.A. 2010 Supp. 77-529(a)(1).

H. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders it deems necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Sievers, Chairman; Wright, Commissioner; Albrecht, Commissioner

Dated: DEC 13 2012

ORDER MAILED DEC 13 2012
ELECTRONIC

Patrice Petersen-Klein
Executive Director

BGF

Received
on
SEP 2 8 2012
by
State Corporation Commission
of Kansas

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

| | | |
|---|---|---|
| In the Matter of the Application of<br>Kansas City Power & Light Company<br>To Modify its Tariffs to Make Certain<br>Changes in Its Charges for Electric Rates. | )<br>)<br>)<br>) | Docket No. 12-KCPE-764-RTS |

## PARTIAL SETTLEMENT AGREEMENT

As a result of discussions between the Staff of the State Corporation Commission of the State of Kansas ("Commission") ("Staff"), Kansas City Power & Light Company ("KCP&L" or "Company"), and the Citizens' Utility Ratepayer Board ("CURB") (referred to collectively as the "Signatories" or the "Signatory Parties"), the Signatories hereby submit to the Commission for its consideration and approval the following Partial Settlement Agreement:

## I. KANSAS CITY POWER & LIGHT COMPANY'S APPLICATION

1. On April 20, 2012, KCP&L filed an Application with the Commission to make certain changes in its rates and charges for electric service, which was docketed as the above-captioned proceeding. Pursuant to a Commission Order, the effective date of this Application was suspended until December 17, 2012.[1]

2. The schedules filed with KCP&L's Application indicated a gross revenue deficiency of $63.55 million, based upon normalized operating results for the 12 months ending December 31, 2011, adjusted for known and measurable changes in revenues, operating and maintenance expenses, cost of capital and taxes, and other adjustments through June 30, 2012.

[1] Suspension Order, Docket No. 12-KCPE-764-RTS, issued May 8, 2012.

9. Subsequently, on September 17, 2012, the parties met collectively to discuss the possible settlement of the issues in this matter and continued discussions through September 25, 2012.

## III. TERMS OF THE PARTIAL SETTLEMENT

10. The Signatory Parties settle certain contested issues as outlined below, with such settlement provisions providing no precedent for future cases. This settlement is memorialized in this Partial Settlement Agreement between the Signatory Parties and filed with the Commission for approval.

**A. Items:** The Signatory Parties settle, with such settlement providing no precedent for future cases, the contested balances of the following items for the adjustment noted below to KCP&L's original filed position[2] for each item.

- **Distribution Field Intelligence & Technical Support group ("DFITS") – O&M/Rate Base**

  (Adjustments: Staff IS-2, RB-2 / CURB ACC-5, ACC-29 / KCP&L CS-49)

KCP&L agrees that it will not dispute Staff adjustments IS-2 and RB-2 in this rate proceeding. This addresses all issues for Staff, CURB and KCP&L related to the DFITS issue. Approximate revenue requirement adjustment is ($501,000).

- **Organizational Realignment and Voluntary Separation Program ("ORVS")**

  (Adjustments: Staff IS-3 / KCP&L CS-55)

Staff agrees to KCP&L's position regarding ORVS expense and amortization period. Staff's adjustment IS-3 is eliminated. This addresses all issues for Staff, CURB and KCP&L related to the ORVS issue. Approximate revenue requirement adjustment is $0.

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2 Such adjustments take into account all corrections of errors by any party associated with the issue.

- **Oracle Maintenance**

(Adjustments: Staff IS-5 / CURB ACC-34)

The Signatory Parties agree to accept the position taken by KCP&L witness John Weisensee in his rebuttal testimony on pages 17 and 18 resulting in a net reduction to the Company's revenue requirement request of ($73,000) with no amortization. This addresses all issues for Staff, CURB and KCP&L related to the Oracle maintenance issue.

- **OverTime, Temporarys, & FICA Taxes on salary and wages**

(Adjustments: Staff IS-7, IS-8, IS-13 / KCP&L CS-50, CS-52, CS-53)

KCP&L accepts Staff's position regarding various payroll issues as presented in Staff adjustments IS-7, IS-8 and IS-13. Approximate revenue requirement adjustment is ($909,000). This addresses all issues for Staff, CURB and KCP&L related to this issue. CURB reserves its claim regarding FICA taxes related to incentive compensation.

- **Officer Cash Incentive**

(Adjustments: Staff IS-17 / CURB ACC-18 / KCP&L CS-51)

KCP&L agrees to accept Staff's corrected adjustment IS-17 regarding officer Annual Incentive Plan. This addresses all issues for Staff, CURB and KCP&L related to this issue. Approximate revenue requirement adjustment is ($60,000). CURB reserves its claim related to other cash incentives and officer non-cash incentives.

- **Depreciation Rates**

Staff agrees to accept, for the purposes of settlement only, KCP&L's depreciation rates, including KCP&L's Account 344 – generators – life. (Interim Curve differences), with the following two exceptions: (1) removal of the La Cygne ash landfill adjustment discussed in the rebuttal testimony of KCP&L witness Chris Rogers, and (2) unit retirement net salvage. To be clear, KCP&L does not agree with Staff witness William Dunkel's positions on these two numerated items nor does Staff agree with KCP&L's position on the life of generators in Account 344, but each party will accept them for purposes of settlement. Such final depreciation rates will be calculated by Mr. Dunkel and provided to KCP&L for review and approval prior to final agreement. The final depreciation rates will be included as Appendix A to the Partial Settlement Agreement. This resolves all issues for Staff, CURB and KCP&L related to the depreciation issues in this rate proceeding, except for depreciation expense associated with related plant adjustments as proposed by CURB.

- **Rate Case Expense**

The Signatory Parties agree that the rate case expense amount will be determined in accordance with the process discussed in the rebuttal testimony of KCP&L witness John Weisensee, including KCP&L-only expenses to be determined from the Final Rate Case Expense Update submitted by KCP&L on or before November 16, 2012, with Staff and CURB expenses to be provided by Staff through the date of the order in this docket, provided that total rate case expense does not exceed the $2.5 million projected in the Application. The Signatory Parties reserve their claims related to the appropriate amortization period for rate case expense.

- **Miscellaneous Items:**

| | | |
|---|---|---|
| ➢ Materials & Supplies | (ACC-8) | (RB-72) |
| ➢ Customer Advances | (ACC-10) | (RB-71) |
| ➢ Customer Deposits | (ACC-11) | (RB-70) |
| ➢ Bad Debt Expense – Uncollectible Rate | (ACC-27) | (CS-20a) |
| ➢ Sale of Receivables Expense | (ACC-31) | (CS-78) |
| ➢ Credit Card Processing | (ACC-35) | (CS-77) |
| ➢ EEI Dues | (ACC-36) | |
| ➢ Meals & Entertainment | (ACC-37) | |

KCP&L agrees to settle the eight (8) items listed above for a total revenue requirement adjustment to miscellaneous expense of ($310,284). This addresses all issues for CURB, Staff and KCP&L regarding these issues. The Signatory parties agree to use a rate of 0.3975% for bad debt expense associated with any rate increase approved by the Commission.

**B.** **Amortization Items:** The Signatory Parties agree, again with such settlement providing no precedent for any party for future cases, the amortization periods for certain issues of the case as noted below:

| | |
|---|---|
| ▪ 2010 Legal Fee Reimbursement | Three (3) year amortization period |
| ▪ ORVS | Five (5) year amortization period |
| ▪ 2011 Missouri River Flooding Non-Fuel O&M | Ten (10) year amortization period |
| ▪ Iatan Unit 1/Common Vintage 2 | 44.9 year amortization period |

Amortization amounts for each item above to be identified in the Commission's Order in this proceeding.

**C.** **Ad Valorem Base Identification:** The base ad valorem tax expense assumed to be collected in base rates as a result of this proceeding will be identified in the Commission's Order.

**D.** **Decommissioning Accruals for Wolf Creek:** The Signatory Parties request Commission approval of the schedule of decommissioning cost accruals included in Appendix B, Commission affirmation that the decommissioning cost accruals are included in cost of service and are included in rates for ratemaking purposes, and Commission affirmation that the earnings rate assumed for the trust takes into consideration the tax rate change and the removal of the investment restrictions resulting from the Energy Policy Act of 1992.

**E.** **Uncontested Rate Design Items:** The Signatory Parties agree that the following tariff, rules and regulations, and rate design issues are uncontested and will be implemented as proposed by KCP&L:

Enclosure VI to CO 13-0002

Kansas Electric Power Cooperative, Inc. (KEPCo.)
Updated Wolf Creek Decommissioning Cost Study, Phase II
(7 pages)

## Kansas Electric Power Cooperative, Inc.
### Updated Wolf Creek Decommissioning Cost Study, Phase II
### Kansas Corporation Commission
### Docket No. 12-KEPE-921-MIS, Application filed June 28, 2012

KEPCo's Phase II Application was filed in the referenced docket on June 28, 2012. The application proposes that the commission approve an annual decommissioning funding amount of $386,355 for 2012 (an $85,476 decrease from the 2012 contribution amount resulting from the previously approved computation factors) with a 1.5% annual increase thereafter as set out in a schedule attached to the application. On November 15, 2012, the KCC Staff filed with the commission its Report and Recommendation regarding KEPCo's proposed annual decommissioning funding rate and amount. The Staff agreed with KEPCo's proposal and recommended that the commission adopt it. On December 5, 2012, the KCC issued its Order on Application approving KEPCo's proposal as filed and ordering KEPCo to incorporate its proposed new annual decommissioning contribution amount into its future rate cases. Copies of the KCC Staff's Report and Recommendation and of the commission's Order are attached.

1500 SW Arrowhead Road
Topeka, KS 66604-4027

Kansas
Corporation Commission

Phone: 785-271-3100
Fax: 785-271-3354
http://kcc.ks.gov/

Mark Sievers, Chairman
Thomas E. Wright, Commissioner
Shari Feist Albrecht, Commissioner

Sam Brownback, Governor

# REPORT AND RECOMMENDATION
## UTILITIES DIVISION

**TO:** Chairman Mark Sievers
Commissioner Thomas E. Wright
Commissioner Shari Feist Albrecht

**FROM:** Adam H. Gatewood

**DATE:** November 8, 2012

**DATE SUBMITTED TO EXECUTIVE DIRECTOR:** 11/8/12

**DATE SUBMITTED TO LEGAL:** 11/9/12

**DATE SUBMITTED TO COMMISSIONERS:** 11-15-12

**SUBJECT:** In the Matter of the Application of Kansas Electric Power Cooperative, Inc. (KEPCo) for approval of changes in the accrual and funding of Wolf Creek Generating Station Decommissioning costs
Docket No. 12-KEPE-921-MIS

## EXECUTIVE SUMMARY:

The purpose of this Docket is to establish the annual payment necessary to fund Kansas Electric Power Cooperative's (KEPCo) share of the decommissioning cost for Wolf Creek Nuclear Generating Station (Wolf Creek). KEPCo's funding plan contained in Exhibit A of its Application should be adopted; it is a reasonable plan to collect its share of the total decommissioning cost.

## BACKGROUND:

This Docket was opened as a follow up to Docket 12-WCNE-136-GIE in which the Commission established the cost of decommissioning Wolf Creek and disposing of all related low-level radio-active waste. The investigation of decommissioning Wolf Creek and funding the decommissioning process are governed by K.S.A. §66-128n and the Dockets that first established electric rates with Wolf Creek as part of KEPCo's rate base.[1]

As required by the Commission's Order in Docket 142,100-U, the owners of Wolf Creek file a Decommissioning Cost Estimate (Cost Estimate) with the Commission every three years. In Docket 12-WCNE-136-GIE, the Commission set the decommissioning cost at $630 million in 2011 dollars, a time-line of decommissioning to begin in the year 2045, and a decommissioning expense inflation rate of 2.85%. The following table illustrates how the decommissioning costs are spread across the nine-year time period of the decommissioning process and how the future value of the decommissioning costs are spread among KG&E and KEPCo.

| | 2011 $'s ($ 000's) | Future Value ($ 000's) | KG&E 47% ($ 000's) | KEPCo 6% ($ 000's) |
|---|---|---|---|---|
| 2045 | $ 51,400 | $ 129,929 | $ 61,066 | $ 7,796 |
| 2046 | $ 116,517 | $ 302,925 | $ 142,375 | $ 18,176 |
| 2047 | $ 134,993 | $ 360,962 | $ 169,652 | $ 21,658 |
| 2048 | $ 92,332 | $ 253,926 | $ 119,345 | $ 15,236 |
| 2049 | $ 75,500 | $ 213,553 | $ 100,370 | $ 12,813 |
| 2050 | $ 68,340 | $ 198,810 | $ 93,441 | $ 11,929 |
| 2051 | $ 39,399 | $ 117,883 | $ 55,405 | $ 7,073 |
| 2052 | $ 31,890 | $ 98,136 | $ 46,124 | $ 5,888 |
| 2053 | $ 19,763 | $ 62,550 | $ 29,399 | $ 3,753 |
| | $ 630,134 | $ 1,738,674 | $ 817,177 | $ 104,320 |

On June 28, 2012, KEPCo filed with the Commission a proposal to fund its share of decommissioning Wolf Creek, which is $104,320 million. KEPCo's annual contribution is based upon the cost estimate adopted by the Commission in Docket 12-WCNE-136-GIE, its 6% ownership in Wolf Creek, the balance of KEPCo's decommissioning trust fund, and the forecasted returns expected to be earned on that trust.

## ANALYSIS:

Staff verified that KEPCo's proposal correctly incorporated the Commission's decision from 12-WCNE-136-GIE. Specifically, the Cost Estimate in 2011 dollars and the future value of those dollars inflated to the appropriate year at the 2.85% inflation rate. The remaining components of the analysis include the current balance of KEPCo's decommissioning trust and the forecasted return over the remaining life of the decommissioning trust.

Over the life of the trust, the weighting of the asset classes change. Currently the trust is composed of 58% equity assets and 42% fixed income. Toward the end of Wolf Creek's operating life, it is forecasted to be 45% cash and 55% fixed income. As the risk is reduced

[1] K.S.A. §66-128n requires the Commission to review decommissioning cost every five years. In Docket 142,100-U, the Commission established a schedule of at least every three years.

using a greater percentage of fixed income instruments, KEPCo reduces the forecasted return on the portfolio.

As a check of KEPCo's proposal, Staff reviewed its expected returns in light of forecasts of long-run returns issued by a professional asset management firm as well as the return earned by the decommissioning trust over thr past 27 years.

KEPCo does not explain precisely how it arrived at the forecasted returns on its trust. For the time period of 2012 through 2025, KEPCo assumed an annual return of 6.00%.[2] KEPCo's forecasted return is reasonable particularly in light of fact that its trust will not be subject to the 20% income tax that applies to KCP&L's and KG&E's portion. I found that KEPCo's forecasted returns are conservative compared to the returns forecasted by J.P. Morgan Asset Management, 6.53%, and long-run nominal returns experienced over the last 85 years, 8.10%.[3] Over the 26 year life of the trust fund it has earned a return of about 5.11% net of management fees.

KEPCo's proposal is a reduction in the annual contribution to $386,355 from the $465,000 contribution made in 2011. The last review was performed at the end of the 2010 and, since that time, equity market investments have appreciated 25% (capital gains plus dividends). Thus a reduction in the annual contribution is not surprising given the appreciation in the assets in just three years. KEPCo's proposal also includes an annual increase in its contribution of 1.50%. KEPCo has incorporated this into its past funding proposals stating that the annual increase of 1.50% increases the trust contribution in line with its annual increase in sales.

## RECOMMENDATION:

Staff recommends the Commission issue an Order adopting KEPCo's proposed funding schedule as set out in Attachment A of its June 28, 2012 Application.

cc: Patrice Petersen-Klein, Executive Director
Jeff McClanahan, Director of Utilities
Justin Grady, Chief of Accounting & Financial Analysis

[2] The expected returns incorporate annual expenses of 50 basis points on the first $5,000,000 and 35 basis points on the remaining balance through the life of the trust.

[3] See Staff's recent Cost of Capital Testimony for the J.P. Morgan Asset Management: Long-term Capital Markets Return Assumptions, 2012 Edition report.

STATE OF KANSAS )
) ss.
COUNTY OF SHAWNEE )

## VERIFICATION

Judy Jenkins, being duly sworn upon her oath deposes and states that she is Litigation Counsel for the State Corporation Commission of the State of Kansas; that she has read and is familiar with the foregoing *Notice of Filing of Staff Report and Recommendation* and attests that the statements therein are true to the best of her knowledge, information and belief.

Judy Jenkins

Judy Jenkins, S.Ct.# 23300
Assistant Litigation Counsel
Kansas Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 15th day of November, 2012.

PAMELA J. GRIFFETH
Notary Public - State of Kansas
My Appt. Expires 08-17-2015

Pamela J. Griffeth
Notary Public

My Appointment Expires: August 17, 2015

2012.12.05 16:35:51
Kansas Corporation Commission
/S/ Patrice Petersen-Klein

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

Before Commissioners: Mark Sievers, Chairman
Thomas E. Wright
Shari Feist Albrecht

| | |
|---|---|
| In the Matter of the Application of Kansas Electric Power Cooperative, Inc. for Approval of Changes in the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs. ) | Docket No. 12-KEPE-921-MIS |

## ORDER APPROVING APPLICATION

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and records and being fully advised in the premises, the Commission finds and concludes as follows:

1. On June 28, 2012, Kansas Electric Power Cooperative, Inc. (KEPCo) filed its Application requesting Commission approval of its schedule for funding decommissioning costs of Wolf Creek Generating Station (Wolf Creek).[1]

2. On November 15, 2012, Commission Staff filed its Report and Recommendation stating KEPCo's proposal correctly incorporated the Commission's decision from the previous decommissioning docket, Docket No. 12-WCNE-136-GIE.[2] Therefore, Staff recommended the Commission issue an Order adopting KEPCo's proposed funding schedule.[3]

3. On November 21, 2012, KEPCo filed a response to Staff's R&R notifying the Commission that it concurs with Staff in all respects.[4]

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[1] Application, June 28, 2012 (Application).
[2] Report and Recommendation, November 15, 2012, page 2. (R&R, p. 2)
[3] R&R, p. 3.
[4] Applicant's Response to Staff Report and Recommendation, November 21, 2012.

4. The Commission finds the Application, filed herein as Attachment A, to be just and reasonable and hereby adopts and incorporates the Application by reference.

**IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. KEPCo's Application is hereby approved.

B. Parties have 15 days, plus three days if service of this Order is by mail, from the date of service of this Order to petition the Commission for reconsideration. K.S.A. 66-118b; K.S.A. 2011 Supp. 77-529(a)(1).

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it may deem necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Sievers, Chairman; Wright, Commissioner; Albrecht, Commissioner

Dated: DEC 0 5 2012

ORDER MAILED DEC 0 6 2012

Patrice Petersen-Klein
Executive Director

BGF/mch

Enclosure VII to CO 13-0002

Kansas City Power & Light Company (KCPL) Missouri Public Service Commission
Updated Wolf Creek Decommissioning Cost Study
(17 pages)

**Kansas City Power & Light Company**
**Missouri Public Service Commission**
**File No. EO-2012-0068, filed August 31, 2011**

On August 31, 2011, Kansas City Power & Light Company (KCPL) filed with the Missouri Public Service Commission (MPSC) the updated Wolf Creek decommissioning cost study prepared by TLG Services, Inc. This filing is required every three years by September 1. The study projected a decommissioning cost of $630,135,000 in 2011 dollars. As part of its filing, KCPL asked the MPSC to keep its annual jurisdictional decommissioning cost accrual amount at its then current level ($1,281,264). KCPL and the MPSC Staff subsequently entered into a Non-Unanimous Stipulation and Agreement regarding the matter, recommending that the commission approve the Stipulation and Agreement. On May 1, 2012, the MPSC issued an Order approving the Stipulation and Agreement. The May 1 Order concluded, among other things, that the 2011 TLG cost study satisfied the requirements of Missouri regulations dealing with decommissioning cost estimates, that KCPL's Missouri retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264, and that the current decommissioning cost is included in KCPL's cost of service and retail rates. Copies of the Stipulation and Agreement and the MPSC's Order are attached.

**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF MISSOURI**

| | | |
|---|---|---|
| In the Matter of the Application of Kansas City Power & Light Company for Approval of the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs at Current Levels | ) ) ) ) | File No. EO-2012-0068 |

## NON-UNANIMOUS STIPULATION AND AGREEMENT

Kansas City Power & Light Company ("KCP&L") and the Staff of the Missouri Public Service Commission ("Staff") (collectively, the "Parties," and individually "Party") hereby submit this Non-Unanimous Stipulation and Agreement ("Agreement") to the Missouri Public Service Commission ("Commission") in resolution of Case No. EO-2012-0068. The Office of the Public Counsel ("Public Counsel") has advised the Parties that it will not oppose this Agreement.

## INTRODUCTION

The Legislature provided, in Section 393.292 RSMo 2000,[1] that the Commission may authorize changes to the rates and charges of an electrical corporation as a result of a change in the level or annual accrual of funding necessary for its nuclear power plant decommissioning trust fund. This statute creates a narrow exception to the general requirement that the Commission must consider "all relevant factors," prior to changing any rate charged by a utility under its jurisdiction. See _State ex. rel. Utility Consumers Council of Missouri, Inc. v. Public Serv. Comm'n._, 585 S.W.2d 41 (Mo. banc 1979). Under Section 393.292, the Commission may limit its review in nuclear decommissioning trust fund cases to only those factors relevant to the

1 All statutory references are to Revised Statutes of Missouri 2000, unless otherwise noted. Section 393.292 was enacted by the Missouri Legislature in Laws 1989 and has not been amended.

funding level or accrual rate of the trust fund when deciding matters related to the rates and charges associated with that fund. Further, Section 393.292 gives the Commission authority to adopt rules and regulations governing the procedures associated with these tariff changes as well as to ensure that the amounts contained in the trust funds will be neither "greater nor lesser than the amounts necessary to carry out the purposes of the trust." In Case No. EX-90-110, the Commission adopted the original decommissioning rule, 4 CSR 240-20.070.

Rule 4 CSR 240-3.185(3) states, in part: "On or before September 1, 1990 and every three (3) years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities' latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs."

KCP&L established an external nuclear decommissioning trust fund as a result of its ownership interest in the Wolf Creek Generating Station ("Wolf Creek") and the Commission's Report and Order in the rate case authorizing KCP&L to commence recovery of the costs of Wolf Creek. Kansas City Power & Light Co., Case Nos. EO-85-185 and EO-85-224, 28 Mo.P.S.C. (N.S.) 228 (1986). KCP&L owns 47% of Wolf Creek and approximately 56% of KCP&L's 47% ownership share is currently allocated to KCP&L's Missouri retail operations.

On August 30, 2005, KCP&L filed an Application (Case No. EO-2006-0094) with the Commission for approval of its then-current decommissioning cost estimate and continuation of the then-current authorized funding level for its nuclear decommissioning trust fund for Wolf Creek. A Unanimous Stipulation and Agreement, settling all issues pertaining to Case No. EO-2006-0094 was filed on December 20, 2005. Among other things, said Unanimous Stipulation and Agreement maintained the annual decommissioning expense accrual and trust fund payment at $2,303,856 (Missouri jurisdictional amount). The parties to that agreement further agreed that KCP&L's authorized annual funding level would be addressed in the Company's Rate Filing #1, as contemplated pursuant to the terms of the Stipulation and Agreement approved by the Commission in Case No. EO-2005-0329 ("Regulatory Plan Agreement"). In Rate Filing #1 (Case No. ER-2006-0314), the Commission reduced KCP&L's authorized annual decommissioning expense accrual and trust fund payment to $1,281,264 (Missouri jurisdictional amount). That reduction was primarily caused by recognizing the 20-year life extension of Wolf Creek.

On August 29, 2008, KCP&L filed an Application (Case No. EO-2009-0072) with the Commission for approval of its then-current decommissioning cost estimate and continuation of the then-current authorized funding level for its nuclear decommissioning trust fund for Wolf Creek. A Unanimous Stipulation and Agreement, settling all issues pertaining to Case No. EO-2009-0072 was filed on April 7, 2009. Among other things, said Unanimous Stipulation And Agreement maintained the annual decommissioning expense accrual and trust fund payment at $1,281,264 (Missouri jurisdictional amount), with the understanding that any proposed change in the annual Wolf Creek decommissioning cost accrual would be addressed in the context of the then upcoming rate case (now known as File No. ER-2010-0355).

On June 4, 2010, KCP&L filed to generally increase its rates in File No. ER-2010-0355. As part of the overall rate increase request, KCP&L proposed to decrease the Missouri jurisdictional annual Wolf Creek decommissioning expense accrual and trust fund payment to $1,158,417 from $1,281,264.[2] In Staff's Cost of Service Report filed on November 10, 2010 in File No. ER-2010-0355 Staff recommended no change in the decommissioning expense accrual

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2 Gregg N. Clizer's June 4, 2010 Direct Testimony, p. 2, File No. ER-2010-0355.

and trust fund payment because Great Plains Energy, Inc. had recently reduced its return expectations for its pension plan assets. Ultimately the annual contribution amount remained at $1,281,264 (Missouri jurisdictional amount) at the conclusion of the rate case.

**THE 2011 COST STUDY**

Pursuant to 4 CSR 240-3.185(3), on August 31, 2011, KCP&L filed its Application for Approval of the Accrual and Funding of Wolf Creek Decommissioning Costs at Current Levels (the "Application"). Attached to KCP&L's Application is the required cost study detailing the latest estimate for the cost to decommission Wolf Creek (the "2011 Study"). The 2011 Study was prepared for the Wolf Creek Nuclear Operating Corporation by TLG Services, Inc. ("TLG"), a consulting engineering firm based in Bridgewater, Connecticut.[3]

In its Application, KCP&L requests the Commission: (i) find that the 2011 Study satisfies the requirements of 4 CSR 240-3.185(3); (ii) approve the 2011 decommissioning cost estimate of $630.135 million; (iii) approve the continuation of the annual accrual at the current level of $1,281,264 (Missouri jurisdictional amount); and (iv) find that the Wolf Creek decommissioning costs are included in KCP&L's current cost of service and are properly reflected in current rates for ratemaking purposes.

In the 2011 Study, TLG examined two decommissioning options: (a) DECON,[4] and (b) SAFSTOR.[5] Both alternatives are acceptable to the Nuclear Regulatory Commission

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[3] Since 1982, TLG has provided engineering and field services for contaminated facilities including estimates of decommissioning costs for nuclear generating units. TLG also prepared the decommissioning cost estimate for Wolf Creek that was filed with and approved by the Commission in 2008.

[4] DECON assumes decontaminating and decommissioning immediately following conclusion of power operations in 2045. Work is anticipated to be completed by 2053. DECON consists of removal of fuel assemblies, source material, radioactive fission and corrosion products, and other radioactive materials immediately after cessation of power operations. Total estimated cost to decommission in 2011 Dollars is $630,135,000.

[5] SAFSTOR places the facility in protective storage for deferred decontamination to levels that permit release for unrestricted use. Delayed decontamination and dismantling activities are initiated once spent fuel and source

*(Footnote continued on the next page.)*

("NRC"). For the purposes of the 2011 Study, the final shutdown date of Wolf Creek is projected to occur in 2045.[6] The calculations set forth in the 2011 Study were performed in a manner consistent with previous filings.

KCP&L analysis confirms the adequacy of the current annual funding level of $1,281,264 (Missouri jurisdictional amount), given the current prediction of decommissioning costs from the 2011 Study of $630.135 million. Based on this analysis, KCP&L has concluded that its current funding level should result in a final decommissioning trust amount which is sufficient to cover the costs estimated in the 2011 Study under what KCP&L believes are a reasonable set of economic, financial, and investment assumptions. Consequently, KCP&L does not seek any changes to its funding level, and asks the Commission to approve the current funding level amount. Because KCP&L is not proposing a change in the funding level, KCP&L has not filed new tariff sheets regarding its funding of decommissioning, is not requesting a hearing, and does not believe that a hearing is required respecting its decommissioning cost study filing.

## STIPULATIONS AND AGREEMENTS

The parties to this case have reached certain understandings so that the Staff and KCP&L stipulate and agree as follows:

1. KCP&L's Missouri retail jurisdictional operations annual decommissioning expense accrual and trust fund payment was initially set by the Commission at $2,303,856, first in Case No. EO-91-84, Kansas City Power & Light Co., 1 Mo.P.S.C.3d 353 (1992), again in

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material are removed, such that license termination is accomplished within the 60-year time period set by the NRC. This process is anticipated to be completed by 2106. Total estimated cost to decommission in 2011 Dollars is $884,677,000.

[6] If decommissioning financial assurance is provided by an external sinking fund, 10 CFR 50.75(e)(1)(ii) requires that "the total amount of funds would be sufficient to pay decommissioning costs at the time termination of operation is expected." Because KCP&L does not contemplate shutting down Wolf Creek prior to the end of its license life, the shutdown date used in the 2011 Study is 2045, the year in which Wolf Creek's NRC Operating license expires.

Case No. EO-94-80, Kansas City Power & Light Co., 3 Mo.P.S.C.3d 60 (1994), again in Case No. EO-97-84, Kansas City Power & Light Co., 7 Mo.P.S.C.3d 124 (1998), again in Case No. EO-2000-210, Kansas City Power & Light Co., 8 Mo.P.S.C.3d 516 (2000), again in Case No. EO-2003-0081, and again in Case No. EO-2006-0094. As part of Rate Filing #1 of the KCPL Experimental Regulatory Plan the Commission approved in Case No. EO-2005-0329 (Case No. ER-2006-0314), KCP&L's Missouri retail jurisdictional authorized annual decommissioning expense accrual and trust fund payment was reduced to $1,281,264. The authorized Missouri retail jurisdictional annual decommissioning expense accrual and trust fund payment has remained the same in each subsequent triennial decommissioning filing and rate case filed subsequent to Rate Filing # 1.[7]

2. On August 31, 2011, KCP&L filed its Application along with the 2011 Study. The Parties request that the Commission recognize in its Report and Order for this case that KCP&L's Application and the 2011 Cost Study meet the requirements of 4 CSR 240-3.185(3).

3. The 2011 Study estimates the decommissioning cost for the DECON alternative to be $630,135,000 in 2011 dollars, which is 6.17% higher than the 2008 estimate of $593,542,000, which represents approximately a 2.01% annualized escalation rate over the 3-year period.

4. The current annual contribution of $1,281,264 (Missouri jurisdictional amount) to KCP&L's nuclear decommissioning trust fund is reasonable given the uncertainties in the numerous forecasted assumptions used to determine the contribution level. The forecasted assumptions include, but are not limited to, capital market expectations, projected decommissioning inflation rates and the costs to decommission Wolf Creek. Although the

[7] Case/File Nos. ER-2007-0291, ER-2009-0089, EO-2009-0072 and ER-2010-0355.

Parties agree on the annual contribution level, they recognize the disparity between the expected capital market returns Great Plains Energy, Inc.'s pension plan consultants, currently Towers Watson, provided for purposes of Great Plains Energy, Inc.'s development of an assumed rate of return for its pension fund and the capital market returns KCP&L has used to estimate required annual contributions for its nuclear decommissioning trust fund.

5. The Parties agree that it is reasonable to use capital market return expectation information provided by Great Plains Energy's pension plan consultant for purposes of developing expected portfolio returns for KCP&L's nuclear decommissioning trust fund. The Parties agree that any proposed changes to the annual contribution to KCP&L's nuclear decommissioning trust fund shall be based on capital market return expectation information provided by Great Plains Energy's pension plan consultant, unless the Parties agree to use a different source and/or methodology for capital market return expectations or the Commission finds in a contested case that different source and/or methodology for capital market return expectation are more appropriate.

6. KCP&L shall continue its Missouri retail jurisdiction expense accruals and trust fund payments at current levels without any change in its Missouri retail jurisdictional rates, unless and until the Commission subsequently approves such a change.

7. Annual Missouri retail jurisdictional decommissioning costs in the amount of $1,281,264 are, and should continue to be, included in KCP&L's cost of service and reflected in its current rates for ratemaking purposes. The Parties request that this finding be specifically recognized in the Commission's Report and Order and note that this finding is required in order for the decommissioning fund to retain its qualified tax status.

8. The Parties agree and acknowledge that this Agreement does not prevent any party from proposing changes to the annual contribution amount to the nuclear decommissioning trust fund in any subsequent rate proceeding, including the rate case recently filed in File No. ER-2012-0174.

9. The Parties agree that KCP&L shall continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed to by the Staff, Public Counsel, and KCP&L, and authorized by the Commission, in Case No. EU-2004-0294.

10. Except as explicitly agreed otherwise herein, none of the Parties to this Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence that may underlie this Agreement or for which provision is made in this Agreement.

11. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void thereon, neither this Agreement nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has to a hearing on the issues presented by the Agreement, regarding cross-examination or a decision in accordance with Section 536.080.1 RSMo or Art. V, Section 18 Mo. Const. The Parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any testimony or exhibits that may have been offered or received in support of or in opposition to this Agreement shall thereupon become privileged as reflecting the substantive

content of settlement discussions, and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

12. To assist the Commission in its review of this Agreement, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the Parties related to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

13. If requested by the Commission, the Staff shall submit to the Commission a memorandum responsive to the Commission's request. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all Parties. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Agreement, whether or not the Commission approves and adopts this Agreement.

14. The Staff also shall provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests. The Staff shall, to the extent reasonably practicable, provide the other Parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosures, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

15. Because this is an Agreement with the sole purpose of addressing the authority requested by the Application of KCP&L, except as specified herein, the Parties to the Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (i) in

any future proceeding; (ii) in any proceeding currently pending under a separate docket; and/or (iii) in this proceeding, should the Commission decide not to approve the Agreement or in any way condition its approval of the same, except as stated herein. Because this is an Agreement for the purpose of settling matters in this case, it shall not be cited as precedent or referred to in testimony as an assertion of the particular position of any Party in any subsequent or pending judicial or administrative proceeding, except that this shall not be construed to prohibit reference to its existence in future proceedings, including proceedings to enforce compliance with its terms.

16. The 2011 Study shall be received into evidence.

17. Pursuant to Section 393.290 RSMo, the Parties agree that the Commission may review and authorize changes to KCP&L's Missouri retail jurisdictional rates and charges as a result in a change in the annual accrual of funding for the Missouri jurisdictional sub-account of the Wolf Creek decommissioning trust after a full hearing, including but not limited to any general rate increase case or excess earnings complaint case, and after considering all facts relevant to such accrual rate.

18. The provisions of this Agreement have resulted from numerous discussions/negotiations among the signatory Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and no Party hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof unless otherwise provided herein.

19. In the event the Commission accepts the specific terms of this Agreement, the signatories waive their respective rights: (i) to cross-examine witnesses pursuant to Section 536.070(2) RSMo; (ii) to present oral argument and written briefs pursuant to Section 536.080.1

RSMo; (iii) to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo; and (iv) to judicial review pursuant to Section 386.510 RSMo. This waiver applies only to a Commission Report and Order respecting this Agreement issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

**WHEREFORE**, the signatories hereto request that the Commission issue an order:

1. Approving this Non-Unanimous Stipulation and Agreement;
2. Receiving into evidence this Non-Unanimous Stipulation and Agreement, and the 2011 Study;
3. Finding that KCP&L's 2011 Cost Study satisfies the requirements of 4 CSR 240-3.185(3);
4. Finding, pursuant to this Non-Unanimous Stipulation and Agreement, that KCP&L's Missouri retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264;
5. Finding, in order for the decommissioning fund to retain its qualified tax status, that the current decommissioning costs for Wolf Creek are included in KCP&L's current Missouri cost of service and are reflected in its current Missouri retail rates for ratemaking purposes; and
6. Authorizing KCP&L to continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed to by the Staff, Pubic Counsel and KCP&L, and authorized by the Commission, in Case No. EU-2004-0294.

Respectfully submitted,

/s/ Roger W. Steiner
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## Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 16th day of April 2012.

/s/ Roger W. Steiner
Roger W. Steiner

**STATE OF MISSOURI**
**PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 1st day of May, 2012.

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| In the Matter of Application of Kansas City Power & Light Company for Approval of the Accrual and Funding of Wolf Creek Generating Station Decommissioning Costs at Current Levels. | ) ) ) ) | **File No. EO-2012-0068** |

# ORDER APPROVING STIPULATION AND AGREEMENT

Issue Date: May 1, 2012 Effective Date: May 11, 2012

This order approves the stipulation and agreement between the Kansas City Power & Light Company (KCP&L) and the Staff of the Commission regarding KCP&L's funding for the decommissioning of its Wolf Creek Generating Station.

Commission rule 4 CSR 240-3.185 (3) states, in part:

> On or before September 1, 1990, and every three years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities' latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs. These studies shall be filed along with appropriate tariff(s) effectuating the change in rates necessary to accomplish the funding required.

On August 31, 2011, KCP&L filed an application pertaining to Wolf Creek asking the Commission to: (a) find that the 2011 cost study satisfies the requirements of 4 CSR 240-3.185(3); (b) approve the 2011 decommissioning cost estimate of $630,135,000; (c) approve the continuation of the annual accrual at the current level of $1,281,264; and (d) find that the Wolf Creek decommissioning costs are included in KCP&L's current cost of service and are reflected in current rates for ratemaking purposes.

Staff and KCP&L filed a non-unanimous stipulation and agreement on April 16, 2012. Commission rule 4 CSR 240-2.115 provides that if no party objects to a non-unanimous stipulation and agreement within seven days of its filing, the Commission will treat the stipulation and agreement as unanimous. The Office of the Public Counsel, the only other party, did not sign the stipulation and agreement, but has not opposed the agreement. Therefore, the Commission will treat the stipulation and agreement as unanimous.

The stipulation and agreement asks the Commission to:

- Approve the stipulation and agreement;
- Receive into evidence the stipulation and agreement and the 2011 cost study;
- Find that KCP&L's 2011 cost study satisfies the requirements of 4 CSR 240-3.185(3);
- Find that KCP&L's Missouri retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264;
- Find that the annual decommissioning costs are included in KCP&L's current Missouri cost of service and are reflected in its current Missouri retail rates for ratemaking purposes; and
- Authorize KCP&L to continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed to by the Staff, Public Counsel, and KCP&L, and authorized by the Commission in Case No. EU-2004-0294.

Having considered the August 2011 decommissioning cost study for the Wolf Creek Generating Station and the stipulation and agreement, both of which are received into evidence, the Commission determines that the stipulation and agreement should be approved. In doing so, the Commission finds that KCP&L's 2011 cost study satisfies the requirements of 4 CSR 240-3.185(3). In addition, the Commission finds that KCP&L's Missouri retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264. The Commission also finds that the current decommissioning costs for Wolf Creek are included in KCP&L's current Missouri cost of service and are reflected in its current Missouri retail rates for ratemaking purposes.

**THE COMMISSION ORDERS THAT:**

1. The stipulation and agreement filed by the Kansas City Power & Light Company and the Staff of the Missouri Public Service Commission on April 16, 2012, is approved.

2. The signatories shall comply with the terms of the stipulation and agreement.

3. Kansas City Power & Light Company's retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $1,281,264.

4. The current decommissioning costs for Wolf Creek are included in Kansas City Power & Light Company's current Missouri cost of service and are reflected in its current Missouri retail rates for ratemaking purposes.

5. Kansas City Power & Light Company is authorized to continue to record and preserve Wolf Creek asset retirement obligation costs, as agreed by the Commission Staff, the Office of the Public Counsel, and KCP&L and authorized by the Commission in Case No. EU-2004-0294.

6. This order shall become effective on May 11, 2012.

7. This file shall be closed on May 12, 2012.

**BY THE COMMISSION**

( S E A L )

Steven C. Reed
Secretary

Gunn, Chm., Jarrett and Kenney, CC., concur.

Woodruff, Chief Regulatory Law Judge