

Approved 3/27/84
Date

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Rep. David J. Heinemann at
Chairperson

3:30 ~~xx~~/p.m. on February 23, 1984 in room 313-S of the Capitol.

All members were present ~~except~~

Committee staff present:

Ramon Powers, Legislative Research
Theresa Kiernan, Revisor of Statutes' Office
Pam Somerville, Committee Secretary

Conferees appearing before the committee:

Arthur Doyle, Kansas City Power and Light
Allen L. Shulman, United Refrigerated Services, Inc., Atlanta, GA
Representative Bob VanCrum, Kansas House of Representatives
Jeff Morrow, Lawrence, Kansas
Richard Caliendo, A.L.E.R.T.
Sylvia Hougland, Kansas Department of Aging
Lee Rowe, Kansas State Advisory Council on Aging
Mari Peterson, Kansas Natural Resource Council
Stevi Stephens, Nuclear Awareness Network
Richard Basore, Bentley, Kansas
Linda Weir, A.L.E.R.T.
Dick Loffswold, City Attorney, Girard
Charlie Mulliken, Sr.
Lance Burr, Lawrence, Kansas

Hearings continued in the Old Supreme Court Chambers on HB 2810 - Public Utilities; excess capacity; HB 2927 - Valuation of property of public utilities for ratemaking purposes; and HB 2964 - excess electric generating capacity.

The first conferee, Mr. Arthur Doyle, President of Kansas City Power and Light Company, spoke to the committee in opposition to HB 2810. Mr. Doyle said that KCPL's corporate goal was to continue to provide adequate, reliable and efficient electric utility service at the lowest reasonable rates. He said that as of January 1, 1984, KCPL's residential rates were about 15% and KG&E's about 20% below the average of 51 metropolitan areas have a population of 250,000 or more. In terms of Wolf Creek, Mr. Doyle stated without it, KCPL's reserve margin in 1985 would be less than 13% and less than 2% in 1990. KCPL requires a minimum 22% reserve margin to achieve a design goal of loss of load probability of 0.1 per year. (See Attachment 1).

Mr. Allen L. Shulman, General Counsel and Director of Operations, United Refrigerated Services, Inc., addressed the committee in support of the proposed legislation. Mr. Shulman said an increase such as is proposed with Wolf Creek coming on line (40%) would virtually put his company out of business. (See Attachment 2).

Representative Bob VanCrum spoke in favor of HB 2927 stating that he was not an expert on nuclear electric generating facilities, but was concerned about the well being of consumers and business people in the service area of Kansas City Power and Light. Rep. VanCrum said that rate increases could be over 100% in the next five years if the utilities are permitted to phase in the rates without interest relief, and in effect, charge the full cost of phase in to the ratepayers. (See attachment 3).

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources,
room 313-S, Statehouse, at 3:30 ~~xxx~~ a.m./p.m. on February 23, 1984

Mr. Jeff Morrow, a resident of Lawrence, Kansas, appeared in support of HB 2927 and 2964. Mr. Morrow said the legislature should implement laws to allow the KCC to determine excess capacity (See attachment 4).

Richard Caliendo, A.L.E.R.T. (Alliance for Liveable Electric Rates) appeared in support of the proposed legislation. Mr. Caliendo stated if Wolf Creek is completed the rate shock could be as high as 50 to 80%. He urged the committee to give favorable consideration to the bills. (Attachment 5).

Sylvia Houglund, Secretary, Kansas Department of Aging, appeared in support of the bills. She stated that the elderly simply could not afford any more increases in utilities and certainly not the increases that were being anticipated (See attachment 6).

Lee Rowe, Chairperson of the Kansas State Advisory Council on Aging appeared and spoke in support of HB 2810, HB 2927, and HB 2964. He said that older persons value their independence and that the rate increases proposed would make them dependent on government agencies to assist in providing service that is essential (See Attachment 7).

Mari Peterson, Executive Director, Kansas Natural Resource Council, appeared in support of the proposed legislation. Ms. Peterson stated HB 2927 defines explicit state policy on excess capacity while maintaining flexibility for the KCC in ratemaking. She urged the committee to consider passage. (Attachment 8).

Richard Basore, a resident of Bentley, Kansas, appeared in support of the bills. Mr. Basore said that he was a farmer and irrigator and that fortunately his operation is powered by diesel fuel or he could face possible destruction due to the increase in utility rates. He said he felt that the stockholders should bear some of the brunt of the rate shock rather than solely ratepayers. (See Attachment 9).

Stevi Stephens, Nuclear Awareness Network, Lawrence, Kansas, appeared in support of the proposed legislation. Ms. Stephens addressed the issue of imprudent management practices at Wolf Creek and the subsequent increases in management costs. Ms. Stephens said she has had numerous workers indicate Wolf Creek was not a well run construction operation. (See Attachment 10).


Linda Weir, A.L.E.R.T., appeared in support of the legislation and reiterated remarks made by earlier conferees.

Dick Loffswold, City Attorney, Girard, appeared in support of the legislation and stated he felt something of a concrete nature needed to be implemented so that the KCC would have regulatory authority over excess capacity and subsequent rate shocks.

Charlie Mulliken, Sr., appeared in support of the legislation and reiterated earlier remarks on proposed rate increases by Wolf Creek coming on line.

The final conferee, Mr. Lance Burr, appeared before the committee and addressed the issue of nuclear power and the adverse effects of storing the high level radioactive wastes.

Hearings concluded on HB's 2927, 2964 and 2810. There being no further business before the committee, the meeting was adjourned at 6:00 pm



David J. Heinemann, Chairman

Date 2-23-84

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
ML Jenkins	Topeka	Speaker's Office
Deb Miller	Topeka	Gov's office
Dynn [unclear]	Topeka	Dir of [unclear]
Neil Wassman	Topeka	Atty. Gen. Office
Becky Dimit	Lawrence	Sen. Angell
Marsha Marshall	Osato	KNRC
David W Mickel	Topeka	KCC

STATEMENT
of
ARTHUR J. DOYLE
KANSAS CITY POWER & LIGHT COMPANY
Re: House Bills No. 2810 and No. 2927

ATTACHMENT 1
2-23-84 3:30

STATEMENT

of

ARTHUR J. DOYLE

KANSAS CITY POWER & LIGHT COMPANY

Re: House Bills No. 2810 and No. 2927

BACKGROUND:

1. KCPL's Corporate Goal and Mission:

To continue to provide adequate, reliable and efficient electric utility service at the lowest reasonable rates.

2. We Have a Common Objective:

To minimize the rate increase impact of Wolf Creek on KCPL's Kansas customers.

3. To Set In Perspective:

(i) During the past 15 years, KCPL's residential rates have increased at about the same rate as the Consumer Price Index and at a rate significantly less than increases in Social Security and wages and substantially less than increases in other fuels.

(ii) At January 1, 1984, KCPL's residential rates were about 15%, and KG&E's about 20%, below the average of 51 metropolitan areas having a population of 250,000 or more.

4. Without Wolf Creek, KCPL's reserve margin in 1985 would be less than 13% and would shrink to less than 2% by 1990. With Wolf Creek, KCPL's reserve margin in 1985 would be 37.2% and shrink to 24% by 1990.

KCPL "EXCESS" CAPACITY:

5. As in the case of other old units prior to their retirement, in calculating those reserve margins KCPL excludes its Hawthorn Units 1-4 (250 MW on coal and 300 MW on gas) which are on Inactive Status because these units are 29 to 33 years old and can be used only for short-term peaking or emergency conditions. They are not reliable and are expensive to operate and maintain. If the capacity of Hawthorn Units 1-4 were included in Accredited Capacity, KCPL's reserve margin would be nearly 50% in 1985.
6. KCPL requires a minimum 22% reserve margin to achieve a design goal of Loss of Load Probability of 0.1 per year.
7. Pool requirements are minimum contractual obligations among participants based generally on the lowest participant requirement. The Pool's contractual requirement does not establish the minimum requirement for reliability of any participating system.
8. Historically, KCPL has planned generating capacity additions to provide reserves of 30% to 40% upon completion. Prudent planning requires that capacity additions provide total accredited capacity equal to (i) the following summer's peak load, plus (ii) required reserves, plus (iii) projected load growth and related reserves for a reasonable number of years thereafter; otherwise, KCPL (a) would be required to add a small increment of generating capacity each year and (b) its customers would thus lose the benefit of economies of scale.
9. Economies of scale are significant. For example, based on completion of coal-fired units in 1985, there would be nearly \$1 billion of customer savings in constructing a single 700 MW unit, as compared to two 350 MW units, over the 30-year estimated life of the units.

10. KCPL endeavored to sell 200 MW of Wolf Creek to NPPD in 1978. A Kansas legislative hearing was called to investigate whether Kansas should permit Wolf Creek power to be sold out-of-state. Thereafter, NPPD withdrew from the negotiations.
11. KCPL believes that its projected 37.2% reserve margin upon completion of Wolf Creek in 1985 includes no "excess" capacity and is reasonable and prudent because within five years (a shorter period of time than the construction period of any base load unit) that reserve margin will reduce nearly to its 22% minimum reserve margin requirement.
12. If after hearing the KCC determines that KCPL's 250 to 300 MW capacity in Hawthorn Units 1-4 should be included in Accredited Capacity and that it constitutes "excess" capacity, KCPL's proposed phase-in of the Wolf Creek rate increase over the following four-year period will fairly well match the growth in KCPL's Capacity Responsibility and thus eliminate that "excess" capacity during the phase-in period.

HOUSE BILLS 2810 AND 2927:

13. With respect to HB No. 2810, No. 2927 and No. 2964, KCPL adopts the statement of Mr. James Haines, attorney for KG&E, which has previously been presented to the Committee.
14. KCPL urges that any legislation amending K.S.A. 66-128 give the KCC power and authority to effect the revenue reduction contemplated by the "phase-in" without dictating to the Commission how that shall be done.
15. KCPL will propose to the KCC that in order to effect a reduction of its one-time revenue requirement increase in 1985, the KCC disallow KCPL's common equity return portion of the fixed charges on Wolf Creek. We estimate that will reduce the one-time revenue requirement increase from about 50 to 25% and that the deferred common equity return portion of the

fixed charges on Wolf Creek be phased-in automatically in three annual increments, together with carrying charges on the deferred portion of the revenue requirement.

16. From the standpoint of both ratepayers and the public, this method is preferable to exclusion of portions of the property from the rate base, which under generally accepted accounting practices might require a reduction in the book plant account which would trigger a reduction in the ad valorem taxes paid and an increase in income taxes paid through the loss of a portion of the related depreciated expense. The ratepayers would have to pay higher rates to pay the increased income taxes. This is but one example to indicate that it is important not only what the Commission does but how it does it.
17. The legislation should not dictate to the KCC how the revenue requirement should be effected. Leave that to the discretion of the KCC. However, to protect utility credit ratings, the legislation should require the KCC to phase-in any deferred revenue requirement over a limited period. Additionally, KCPL agrees that the Commission should have the power and authority to disallow any expenditure imprudently incurred in the construction or acquisition of utility plant.
18. We believe our suggested amendments to HB 2810 are proper and appropriate to accomplish these intended objectives while at the same time assuring our customers the lowest reasonable rates in the future.

KCPL'S ELECTRIC SERVICE GOAL

KCPL's Board of Directors by resolution adopted November 6, 1979, established KCPL's electric service goal as follows:

Continue to provide adequate and reliable service to meet all reasonable utility requirements in service areas at the lowest reasonable rates to public.

KCPL'S CORPORATE MISSION STATEMENT

In the belief that electric energy will be called on to supply an increasing share of the total energy requirements of this nation, KANSAS CITY POWER & LIGHT COMPANY, an investor-owned electric utility, is committed to supply to its customers and make available to the general public's satisfaction, adequate, reliable, and efficient electric utility service at the lowest reasonable rates. Such commitment will continue to recognize and strive at all times to balance the separate interests and rights of the Company's present and future customers, investors and employees. In so doing, the Company, as a corporate citizen, will continue to promote the economic, community and civic well-being of the residents in its Missouri and Kansas service territory.

KCPL Residential Rate Increase Comparisons

KCPL's residential rates continue to be a relative bargain for consumers, according to the latest figures available on key economic indicators for the Kansas City metro area and the nation. The table below compares the Company's average residential price for a kilo-

watt-hour (KWH) of electricity to five other measures: the Kansas City Consumer Price Index, the Gas Service Company's Missouri average residential price for 1,000 cubic feet (MCF) of natural gas, the U.S. motor gasoline price index, the increase in general So-

cial Security benefits authorized by Congress and the average hourly manufacturing earnings in the Kansas City area. The chart is based on increases since 1969 because that is the year KCPL's rates reached their lowest level.

Year	Inflation	Electricity	Natural Gas	Gasoline	Social Security	Wages
	Kansas City Area Consumer Price Index ⁽¹⁾ Base Year 1967 = 100	KCPL Average Residential \$/KWH	Gas Service Company Missouri Avg. Residential \$/MCF	United States Gasoline Index ⁽¹⁾ Base Year 1967 = 100	General Benefits Increases ⁽²⁾ Compounded 1967 = 100	Kansas City Area Average ⁽³⁾ Hourly Pay— Production Workers
1969	109.6	.0262	.69	104.7	113.0	3.20
1970	116.8	.0263	.78	105.6	130.0	3.28
1971	120.5	.0266	.77	106.3	142.9	3.50
1972	124.0	.0263	.82	107.6	171.5	4.20*
1973	130.3	.0276	.85	118.1	171.5	4.48
1974	144.2	.0301	.95	159.9	190.4	4.90
1975	157.9	.0346	1.09	170.8	205.6	5.38
1976	166.5	.0384	1.31	177.9	218.8	5.84
1977	178.3	.0409	1.68	188.2	231.7	6.40
1978	191.8	.0454	1.69	196.3	246.8	6.95
1979	219.2	.0533	1.93	265.6	271.2	7.62
1980	248.1	.0601	2.67	369.1	310.0	8.16
1981	268.6	.0657	3.42	410.9	344.7	8.94
1982	282.0	.0674	4.71	389.3	370.2	9.56
1983	298.4	.0732	5.34	376.3	370.2	9.93 ⁽⁵⁾
Percent Increase 1969-1983	172.3%	179.4%	673.9%	259.4%	227.6%	210.3%
Current Month⁽⁴⁾	303.0	.0717	4.67/MCF	375.2	370.2	10.29
Percent Increase 1969-Current Month	176.5%	173.7%	576.8%	258.4%	227.6%	221.6%

⁽¹⁾ Source: Bureau of Labor Statistics

⁽²⁾ Source: Social Security Administration

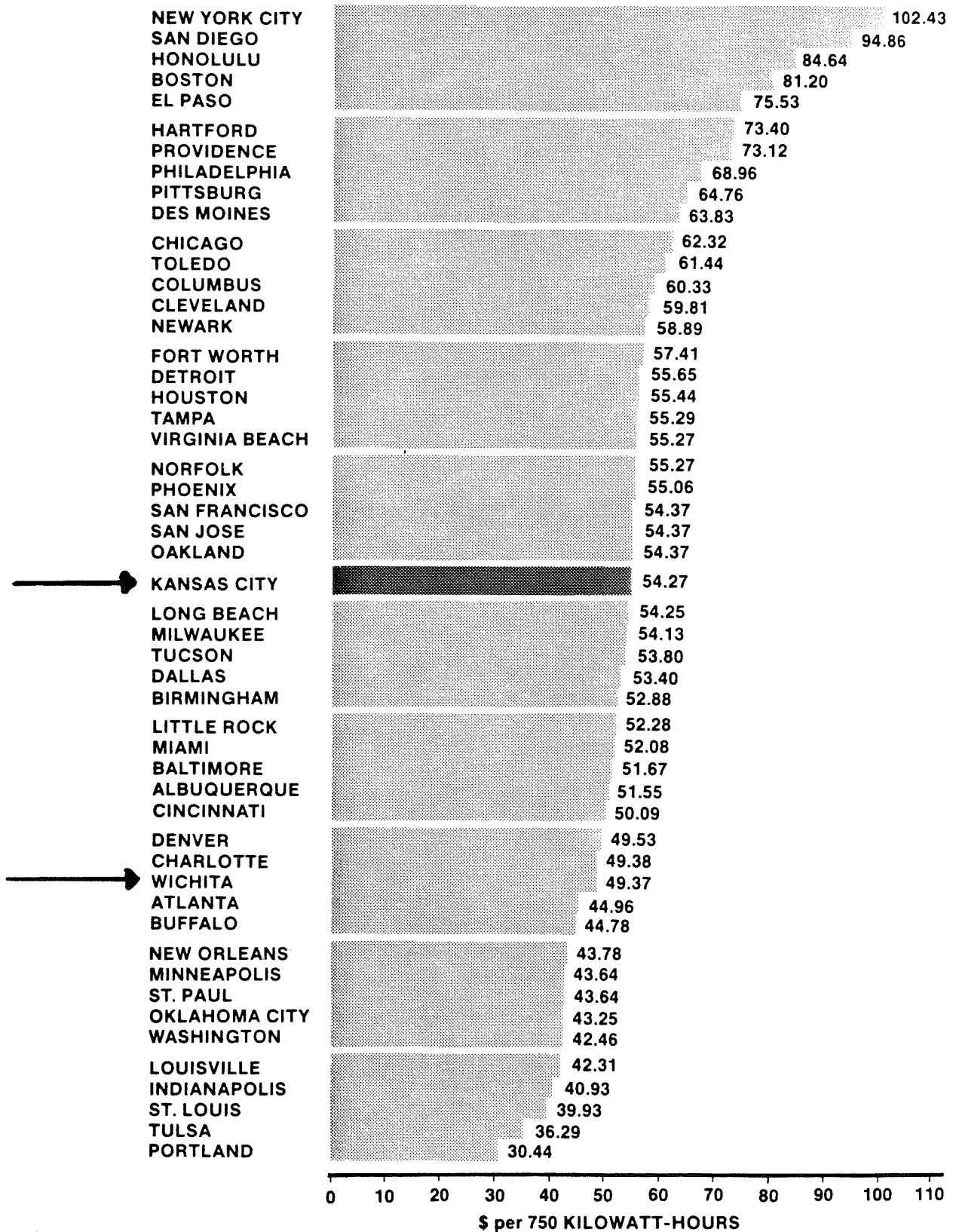
⁽³⁾ Source: Missouri Dept. of Labor, Division of Employment Security, Average Hourly Earnings of Workers in Manufacturing

⁽⁴⁾ December, 1983

⁽⁵⁾ Preliminary

* SIC Classification weighting change

Residential Electric Service Costs, excluding state and local taxes, for customers using 750 KWHs as of January 1, 1984.



KCPL "EXCESS" CAPACITY 1985-1990

Without Wolf Creek

<u>Year</u>	<u>Peak Load</u>	<u>Cap. Resp. (Ld +22%)</u>	<u>Capacity Availability</u>	<u>Capacity Balance</u>	<u>Reserve (%)</u>
1985	2227	2717	2515	(202)	12.9
1986	2272	2772	2515	(257)	10.7
1987	2316	2826	2515	(311)	8.6
1988	2357	2876	2515	(361)	6.7
1989	2397	2924	2515	(409)	4.9
1990	2433	2968	2475	(493)	1.7

With Wolf Creek

<u>Year</u>	<u>Peak Load</u>	<u>Cap. Resp. (Ld +22%)</u>	<u>Capacity Availability</u>	<u>Capacity Balance</u>	<u>Reserves (%)</u>
1985	2227	2717	3056	339	37.2
1986	2272	2772	3056	284	34.5
1987	2316	2826	3056	230	32.0
1988	2357	2876	3056	180	29.7
1989	2397	2924	3056	132	27.5
1990	2433	2968	3016	48	24.0

NOTES:

- A. Actual 1983 Peak Load was 2324 Mw.
- B. Capacity Responsibility based on tentative 22% reserve margin requirement.
- C. Capacity Availability excludes Hawthorn #1-4 (250 Mw on coal and 300 Mw on gas) which are on Inactive Status.

KCPL
22% MINIMUM RESERVE MARGIN

1. Extreme summer 1983 conditions resulted in a peak load of 2324 MW, 114 MW or 5.2% over the forecast peak of 2210 MW. KCPL's previous peak of 2198 MW was exceeded on 11 different days, yielding an abundance of data to evaluate weather related forecast uncertainty.
2. The Rate Department evaluation of forecast uncertainty was presented at the October 6, 1983 SEAC meeting. Results indicate that peak load can vary from forecast at 100°F as follows:
 - a) $\pm 3\%$ due to humidity, cloud cover, wind speed and direction, heat build-up etc;
 - b) $\pm 5\%$ due to temperature between 96°F and 106°F; and,
 - c) the effects are additive.

In addition, in the long-term, there is an additional $\pm 5\%$ variation due to the accuracy and uncertainty associated with statistical modeling.

As a result of this analysis, Ebasco Services Inc. was directed to include forecast uncertainty in its reliability study for KCPL.

3. By letter dated November 17, 1983, Ebasco presented its preliminary findings including only the weather related uncertainty (copy attached). The analysis indicated the need for minimum installed reserves of 22% to provide a design goal Loss Of Load Probability of 0.1 day per year.
4. The 22% minimum reserve margin was adopted on a preliminary basis for planning purposes pending further analysis and the final Ebasco report due in April 1984.
5. By letter dated February 3, 1984, Ebasco submitted a Second Interim Report (transmittal letter and summary page attached) which seems to confirm the November findings. Note that weather related and random load uncertainty increases reserve requirements to the range of 22% to 23.3%. KCPL is presently reviewing the interim report and the results have not been accepted as yet.

November 17, 1983

Mr J Michael Evans
Vice President, System Power Operations
Kansas City Power & Light Co.
1330 Baltimore Avenue
Kansas City, MO, 64105

NOV 21 1983
RETURN

Dear Mr Evans:

This is to report on the current status of the Reliability Evaluation Study conducted by Ebasco Services Incorporated.

We have been evaluating the 1985 capacity reserve requirements of KCP&L by two approaches:

1. The requirements of the total "large pool" representing a 60,000-MW system ranging from Oklahoma to the Canadian border,
2. A two-area model representing MOKAN as one area, and the balance of the 60,000-MW pool as the other.

In both of these calculations we have included a probabilistic representation of load variability due to weather-related factors, based on KCP&L's experience with load variability during the summer high-load periods.

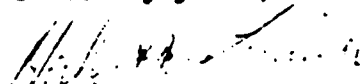
We have also included a load diversity of 3.6% between the non-coincident peaks (sum of individual utilities' peaks) and the coincident peak for the large pool. We have not included an increase in reserve level for non-weather-related load forecast uncertainty as it applies to long-range system planning considerations.

The results of our analysis so far indicate that a minimum installed reserve level of 22% is required to provide a design goal Loss of Load Probability (LOLP) of 0.1 day per year for each utility in the MOKAN Pool, including KCP&L. This is based on studies of 1985 conditions. We have no reason to believe that the later years would present any lower percent capacity reserve requirements.

Further studies focusing on 1990 conditions are being pursued; however, the results are not available at this time. It is anticipated that the 1990 studies will also result in a minimum capacity level of no less than 22%.

As previously indicated, our final report will be available in March 1984.

Sincerely yours,



Herbert D Limmer
Senior Consulting Engineer

HDL:ce

February 3, 1984

Mr Floyd Pendleton
Kansas City Power & Light Company
1330 Baltimore Avenue
Kansas City, MO 64105

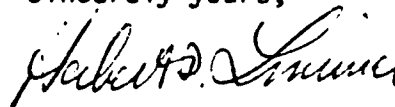
Dear Mr Pendleton:

I enclose 10 copies of the Second Interim Report of the Generation Plant Assessment Study. This report was produced at your request in order to establish the effect of load forecast uncertainty on Kansas City Power & Light Company's reserve requirements. We presented that information verbally at our meeting of November 15th, 1983 and the material in this report confirms those answers.

At the same time we took advantage of the issuance of this Second Interim Report to include updated material which we intend to include in the final report. This includes the result of reliability studies using updated data, as well as considerable explanatory material. Inclusion of this material at this time will give you more time to examine it and to comment on it, preferably before the draft report is issued.

I look forward to receiving your comments and those of the rest of the KCP&L team.

Sincerely yours,



Herbert D Limmer

HDL:ce
Enclosure

SUMMARY

The reserve requirements of KCPL have been evaluated based on

- Single-area studies of KCPL, MOKAN, and a very large pool representing the effective pool from which KCPL and MOKAN can expect to import power if available during emergencies
- Two-area studies representing MOKAN and the large pool

The difficulty of defining transmission capabilities in the context of shared transmission lines, in which available capacity depends not only on the details of where emergency generation is generated but also on the sequence of import transactions and commitments, makes it necessary to judge KCPL's reserve requirements in terms of the requirements of large aggregations, such as the MOKAN pool or the large pool.

The effect of load forecast uncertainty is to increase the reserve requirements. Weather-related load uncertainty alone causes an increase in reserve requirements of the order of 2 percent. The inclusion of additional uncertainty related to long term growth trends and business cycles would add further to this difference.

Based on both its status as a member of MOKAN and on its responsibility as a member of the effective pool, considering transmission limitations determined so far and considering only weather-related and random load uncertainty, the reserve requirements for KCPL for the 1985 period would seem to be in the range of 22% to 23.3%, in order to attain a LOLP no greater than one day in 10 years.

This requirement may grow slightly when greater load forecast uncertainty associated with more distant planning horizons is considered or if more restrictive transmission limitations are found to exist.

KCPL RESERVE MARGINS AFTER COMPLETION
 OF LAST FOUR GENERATING UNITS
 (Exclusive of Off-System Sales)

<u>Actual Data</u>					
<u>Year</u>	<u>Unit</u>	<u>Peak Responsibility</u>	<u>Accredited Capacity</u>	<u>Reserve Margins</u>	
				<u>MW</u>	<u>%</u>
1969	Hawthorn #5	1409	1849	440	31.2
1973	LaCygne #1	1780	2372	592	33.3
1977	LaCygne #2	1980	2774	794	40.1
1980	Iatan #1	2198	2838	640	29.1
<u>Forecasted Data</u>					
1985	Wolf Creek	2227	3056	829	37.2

KCPL ECONOMY OF SCALE COMPARISON
(700 MW vs. 2-350 MW)
(\$x1000)

FIXED COSTS:

	<u>700 MW</u>	<u>2x350 MW</u>
Installed Costs/KW (1985\$)	\$1120/kw	\$1360/kw
Levelized Fixed Charge (@12.31% discount)	.169	.169
Fixed Cost/Year	\$132,496	\$160,888
Difference/Year		\$28,392
30-Year Differential		\$851,760

ESTIMATED LABOR COST:

	<u>700 MW</u>	<u>2x350 MW</u>
Annual Labor Cost (1984\$)	\$5,270	\$7,905
Difference/Year		\$2,635
30-Year Differential		\$79,050

NOTES:

- A. Estimates based on coal-fired units completed for commercial operation in 1985.
- B. Manning ratio assumed to be 1 to 1.5.

KANSAS CITY POWER & LIGHT COMPANY
Communications Division
P. O. Box 679
Kansas City, MO 64141

News Release 2382
(REACTION ONLY)
February 17, 1984

Contact: Joe Kramer
(816) 556-2925

CRITIQUE OF WICHITA EAGLE-BEACON "WOLF CREEK" ARTICLES, 2/12/84

1. It is erroneously stated that fuel costs for coal-fired plants have remained "fairly constant," thus allowing nuclear fuel to lose its economic advantage over coal as the cost of nuclear plants has risen.

*KCPL's delivered cost of coal per one-million BTUs has escalated sharply from \$0.42 in 1975 to \$1.45 in 1983. That amounts to a 245 percent increase. Current KCPL forecasts less severe than the actual trend line indicate a delivered cost of coal per one-million BUTs of \$1.95 by 1990 (up 367 percent from 1975), \$3.04 by 1995 (up 624 percent) and \$4.63 by 2000 (up 1,002 percent).

*The cost of nuclear fuel, on the other hand, has remained "fairly constant" and is expected to continue in that mode. As a result, the two cost lines will cross. Wolf Creek, even including its capital cost, will be generating the cheapest electricity in the KCPL system shortly after its first decade in operation and for the remainder of its economic lifetime.

2. It is alleged that Wolf Creek's generating capacity won't be needed for another decade.

*KCPL forecasts that it will need 40 percent of its share of Wolf Creek in 1986 (the first full year of commercial operation) to meet its peak demand plus the minimum 22 percent reserve margin required to maintain an adequate and reliable supply of electricity during generator outages, whether scheduled or unscheduled. That is illustrated by the following forecast:

<u>1986</u>	<u>MEGAWATTS</u>
Peak Demand	2272
Peak + 22% Reserve Margin	2772
Capacity (including 540 megawatt share of Wolf Creek capacity)3056
Capacity without Wolf Creek	2516
Shortfall without Wolf Creek	256 (40% of KCPL's share of Wolf Creek)

The above forecast is subscribed to by KCPL's Citizens Advisory Planning Group. In its recently revised KCPLAN for the Company, the CAPG continues to agree with KCPL policy that consumer peak demand must be met. It agrees that the economic impact of periods of temporary over-capacity would be less costly and less damaging than the economic, social, and personal well-being consequences that would result from future shortages of electrical generating capacity.

*KCPL's excess capacity resulting from Wolf Creek is overstated. KCPL forecasts that its initial temporary excess capacity when Wolf Creek becomes operational will be 35 percent. That is right in line with reserve capacities when its three newest generating stations began operating, as illustrated by the following table:

<u>UNIT</u>	<u>YEAR</u>	<u>EXCESS CAPACITY</u>
Wolf Creek	198535%
Iatan	1980	29%
LaCygne #2	1977	40%
LaCygne #1	197333%

In the case of Iatan, LaCygne No. 2 and LaCygne No. 1, experience proved that the excess capacities were only temporary.

3. It is alleged that Wolf Creek is one of the most costly nuclear plants being built.

*The basis for this claim (cost per customer) is an invalid method of judging Wolf Creek's cost. The most logical method is to look at the actual installed cost per kilowatt. Wolf Creek's cost of approximately \$2300 per kilowatt is about nine percent (9%) less than the average for all nuclear power plants under construction, according to the Salomon Brothers, Inc. December 1983 stock research report on electric utilities building nuclear plants.

4. It is alleged that Wolf Creek's currently estimated completion cost of \$2.67-billion is fourteen (14) times more than a cost estimate of \$200-million made in 1968.

*The cost estimate for Wolf Creek has increased by a factor of 2½, not fourteen (14). Here's why: The actual partnership agreement between KCPL and KGE was entered into in June 1973. Any 1968 cost estimate for Wolf Creek was at a very early exploratory stage and cannot be taken seriously. At the time of the 1973 partnership agreement, the project cost was estimated at "over \$500-million," which assumed an 850-megawatt plant with the John Redmond Reservoir as its cooling lake instead of the current 1150-megawatt plant with its own cooling lake.

*The first definitive cost estimate, made when the Wolf Creek Limited Work Authorization was issued in January 1977, was \$1.04-billion. That was before unanticipated new federal regulatory requirements and design changes would double the time required for construction of nuclear plants during a period of unprecedented inflation.

5. The effects of the denial of CWIP (the rate-basing of the financing costs for Construction Work in Progress) were not adequately explained in the articles.

*CWIP was denied to utilities by statute in Kansas and by initiative referendum in Missouri. CWIP includes in rates the amount of financing on borrowed funds used during construction to enable payment of that interest. A number of other states do allow CWIP in a utility's rate base with the result that the cost of borrowing to finance new construction is paid as it is incurred, and "rate shock" upon completion is minimized. The use of CWIP thereby eliminates the extremely costly compounding of those financing charges over the construction period.

*KCPL has been denied the ability to recover any of Wolf Creek's financing cost from its customers until the plant is in commercial operation. The consequences of the denial of CWIP have been these:

- 1) As of now, \$854-million has been added to the cost of Wolf Creek by the compounding effect of accruing the financing costs of borrowed funds to build the plant. The utilities have been forced to carry the brick and mortar construction costs and financing costs until the plant is in commercial operation.
- 2) This is a major reason why KCPL's credit rating has dropped from double-A (AA) at the beginning of its Wolf Creek construction experience to current ratings of Baa2 by Moody's and BBB by Standard and Poor's. This loss of standing with the investment community has increased the cost of all money borrowed by KCPL to finance its share of Wolf Creek.
- 3) The compounding of unpaid interest costs because of the denial of CWIP is a prime factor in the "rate shock" resulting from Wolf Creek.

6. The newspaper quotes the Cresap, McCormick & Paget consultant report's criticism of "inappropriate project management concept" at Wolf Creek without quoting positive statements in the same report to the Kansas Corporation Commission.

*The Cresap report says, "...Wolf Creek is one of the sounder nuclear projects underway in this country."

*The Cresap report also says new regulatory and licensing requirements doubled construction time for nuclear power projects begun in the 1970s; project duration determines cost; and delays in the construction of Wolf Creek were generally beyond the control of the owners.

7. The utilities are criticized for going ahead with Wolf Creek when the nuclear power industry was faltering.

*The companies are building Wolf Creek to supply power to customers in their respective service areas, not to "support the industry" as the criticism implies. The plant is being built because of needs for power here and because it can supply that needed power effectively, efficiently, and in an environmentally sound way.

*Ironically, the Wichita Eagle is on record as being strongly in favor of Wolf Creek. On February 6, 1976, the newspaper said editorially, ".....let's not close our minds to nuclear power and the Wolf Creek project. We may need it. Suppose our grandfathers had all decided back before the turn of the century that the new-fangled stuff called electricity was too hazardous to fool with and you were reading this editorial by the light of a kerosene lamp?" On June 22, 1976, a Wichita Eagle editorial declared, "Kansas has yet to face its first brownout. But that experience is not many years ahead of us if we don't act quickly to provide more power... Let's get on with building Wolf Creek." Copies of those editorials are attached.

8. Arthur J. Doyle, KCPL chairman and president, is misrepresented as responding to a question about a 50 to 80 percent rate increase.

*The 50 to 80 percent estimate was not released by the Kansas Corporation Commission until twelve (12) days after Mr. Doyle's interview with the Wichita Eagle-Beacon. Neither that figure nor any other was included in the question. At no time, did Mr. Doyle indicate that rate increases as high as 80 percent might be in store for KCPL customers.

Kansas City Power & Light Company
News Release No. 2382 (REACTION ONLY)
Page Six
February 17, 1984

*KCPL is on record as saying that a rate increase of "around 50 percent" would not be an unreasonable reflection of its investment in Wolf Creek. KCPL has proposed, however, that the rate increase (whatever it is finally determined to be) be phased in in four annual installments to cushion the impact.

Editorials/Comments

2c

Wichita Eagle and Beacon Sunday February 8, 1975

We May Need It

Abilene was one of the first Kansas towns to take the big step and electric lights were turned on there for the first time on March 22, 1886. But the local paper, the Reflector, wasn't totally convinced they'd work. "Time will tell," it remarked (or so the Annals of Kansas records) "whether it will be to the interest of the city to use the same to any extent."

Now, of course, electricity is a big part of the way of life of almost all Americans. It runs TVs, household appliances, farm equipment, some tools in the basement workshop and the machinery which makes possible almost everybody's jobs.

BUT IT MAY not be indefinitely because the supply of fossil fuels that up until recently kept most of the nation's generating plants running is now getting dangerously short.

And the kind of apprehension that was stirred up by the first development of any kind of electrical service is now running at high tide against the proposed construction of Kansas' first nuclear generating plant.

Nuclear power is, of course, only one of several options possible, but it is a concept whose practicality has been proved. A number of nuclear generating plants are in operation and in the first half of 1975 they produced more than 76 billion kilowatt hours of electricity — 8.3 per cent of the nation's total power production for that period. Also, according to the Atomic Industrial Forum, an industry association, the cost averaged out at 11.41 mills (less than 1 ½ cents) per kwh, compared to 32.73 mills for the same amount of electricity produced with oil fuel and 14.71 mills for coal.

Economics is one of the issues that has been raised in reference to plans of KG&E, the Electric Co., and the Kansas City Power & Light Co., to build a nuclear power plant on Wolf Creek near Burlington, Kan.

Safety is another issue. But nuclear power plants have been operating since 1957 without the loss of a single life and within the last 10 years two insurance pools which underwrite private liability insurance for the nuclear industry have returned a total of \$8 million in premium money because not a single liability claim has been filed against it.

Safety is one of the issues being considered at Atomic Safety and Licensing Board hearings on the Wolf Creek project in Kansas City.

But a group of Kansas legislators who for various reasons oppose the Wolf Creek plant are trying to block it in their own way — by preventing the State of Kansas from signing a 50 year contract to sell water to the power companies for the proposed plant.

The water would come from the John Redmond Reservoir near Burlington, and the state already is paying the federal government, which built the reservoir, for the privilege of storing water there and it would like to realize some revenue from the sale of its excess water.

Of course if there are future brownouts or blackouts because alternative concepts of energy production weren't developed in time, the legislators who blocked the Wolf Creek project — if indeed they do — will be safe. Voters will have forgotten who the key opponents were. And, meanwhile, their opposition to the project makes them very popular with the growing number of Kansans who like to fear the worst because fearing the worst is very stylish these days.

But let's not close our minds to nuclear power and the Wolf Creek project. We may need it.

Suppose our grandfathers had all decided back before the turn of the century that the new-fangled stuff called electricity was too hazardous to fool with and you were reading this editorial right now by the light of a kerosene lamp. . . ?

Editorials/Comments

2c

Wichita Eagle

Tuesday, June 22, 1976

Get On With Wolf Creek

Atty. Gen. Curt Schneider doubtless is persuaded that he's acting in the best interests of Kansans by requesting a two-year delay by the Atomic Safety and Licensing Board in approval for construction of the Wolf Creek Nuclear generating station.

But, as Governor Bennett has pointed out, Schneider speaks only as one elected official. And there's plenty of evidence that a lot of Kansans disagree with him on this question.

Closest to home, Rep. Garner Shriver, in one of his periodic opinion polls of the Fourth District, to which some 3,500 residents responded, asked this question:

Should we continue to build nuclear energy plants as a means of meeting long-range energy needs? Sixty-three per cent of the respondents said yes. Only 21 per cent said no. The rest were undecided.

In Topeka, WIBW radio and TV commissioned a poll of residents of that area, and the Central Research Corp. reported these results to a question as to whether Kansas should permit the construction of nuclear plants:

Forty-nine per cent said yes, 34 per cent said no and 17 per cent had no opinion.

Rep. Joe Skubitz of the Kansas Fifth District reported the findings of Central Surveys, Inc. in his district in response to an even more direct question:

"If one of the Kansas power companies proposed to build a nuclear power plant to produce electricity from atomic energy on the John Redmond Reservoir, would you favor or oppose such a plant?"

Fifty-seven per cent responded that they'd

favor it. Eleven per cent said they would oppose it and 32 per cent had no opinion.

The same firm, reporting on a statewide survey, said 59% of all Kansans who responded would favor a nuclear power generating plant in their own counties. Asked their preference between a nuclear power plant or a coal-fired plant, 64% favored nuclear power. Only 9% favored coal.

Perhaps most significant of all, in Coffey County, where the proposed Wolf Creek plant would be built, 58% of the people polled said they had no objection to construction of the nuclear plant, 18% opposed it and 24 per cent had no opinion.

Polls aren't everything, but these seem to show conclusively that the opposition to Wolf Creek comes from a relatively small number of persons.

Actually, the safety record at nuclear power plants is excellent. Dr. Edward Teller, an authority if ever there was one, declares that none of the 50 nuclear plants in the country has caused a loss of life or injury to health.

Kansas has yet to face its first brownout. But that experience is not many years ahead of us if we don't act quickly to provide more power. And certainly atomic-powered plants are the cleanest way to do it.

We must join Governor Bennett in hoping the Atomic Safety and Licensing Board will reject the attorney general's request for a two-year delay. The investigations and testimony have been exhaustive. A lot of time already has been spent needlessly, long after all the salient facts were in.

Let's get on with building Wolf Creek.

EX C-1

HOUSE BILL No. 2810

By Committee on Energy and Natural Resources

1-31

0016 AN ACT concerning public utilities; relating to the
0017 valuation of property for rate making purposes; amending
0018 K.S.A. 66-128 and repealing the existing section.

0019 Be it enacted by the Legislature of the State of Kansas:
0020 Section 1. K.S.A. 66-128 is hereby amended to read as
0021 follows: 66-128. Said The state corporation commission
0022 shall have the power and it shall be its duty to ascertain
0023 determine the reasonable value of all or, subject to the
0024 provisions of Section 2 hereof, whatever fraction or percen-
0025 tage of the property of any common carrier or public utility
0026 governed by the provisions of this act which is used or
0027 required to be used in its services to the public within the
0028 state of Kansas, whenever it the commission deems the ascer-
0029 tainment of such value necessary in order to enable the com-
0030 mission to fix fair and reasonable rates, joint rates, tolls
0031 and charges; and. In making such valuations they the com-
0032 mission may avail themselves itself of any reports, records
0033 or other things available to them the commission in the
0034 office of any national, state or municipal officer or board.
0035 (For the purposes of this act, property of any public
0036 utility which has not been completed and dedicated to
0037 commercial service shall not be deemed to be used or
0038 required to be used in said the public utility's service to
0039 the public, except that, any property of a public utility,
0040 the construction of which will be completed in one (1) year
0041 or less, may be deemed to be completed and dedicated to com-
0042 mmercial service.)

0043 New Sec. 2 With respect to plant of an electric utility
0044 which becomes used or required to be used after the effec-
0045 tive date of this act, but excluding any plant for which the
0046 commission has issued a permit pursuant to K.S.A. 66-1159 or
0047 66-1178, the state corporation commission, in fixing fair
0048 and reasonable rates joint rates, tolls and charges, shall
0049 have the authority, in addition to disallowing any expendi-
0050 tures imprudently incurred in the construction or acquisition
0051 thereof, to adjust defer that portion of the revenue
0052 requirements of any common carrier or public such an electric
0053 utility if the commission determines the revenue requirement
0054 requested is which includes either a return of or a return
0055 on costs which result from:--(1)-Imprudent plant acquisition;

0056 ~~construction-or-operation;-(2)-inefficient-plant-operation;~~
0057 ~~or-(3) capacity unreasonably in excess of projected system~~
0058 ~~requirements within a reasonable period of time thereafter;~~
0059 ~~provided that in determining the reasonableness of public~~
0060 ~~utility such rates, the commission;-in-its-discretion;-may~~
0061 ~~shall adopt a plan or methodology for the orderly and auto-~~
0062 ~~matic incremental inclusion in the rates of the electric~~
0063 ~~utility of that portion of any acquisition or construction~~
0064 ~~costs previously excluded from the value of the property~~
0065 ~~used or required to be used because such acquisition or~~
0066 ~~construction was determined to result in capacity in excess~~
0067 ~~of system requirements; so deferred, including reasonable~~
0068 ~~carrying charges thereon, all within not more than four~~
0069 ~~years thereafter.~~

0070 Sec. 3. K.S.A. 66-128 is hereby repealed.

0071 Sec. 4. This act shall take effect and be in force from
0072 and after its publication in the statute book.



ALLEN L. SHULMAN
General Counsel &
Director of Operations

TO: The Honorable Members
House Committee on Energy
Kansas House of Representatives
Topeka, Kansas

TESTIMONY OF ALLEN L. SHULMAN
February 22, 1984

I am National Director of Operations of United Refrigerated Warehouses, Inc., a privately-held corporation of the State of Delaware headquartered in Atlanta, Georgia. We operate 31 public refrigerated warehouses across the country encompassing some fifty thousand cubic feet of space. We operate a plant in Wichita, Kansas which has an annual payroll of about a half-million dollars. We store cooler (38 degrees F.) and frozen (0 degrees F.) product, primarily for the beef and pork industry and also blast-freeze freshly-killed meat to make long-term storage possible. Our customers in Wichita include the leading packers of beef and pork in the country.

Our purpose for appearing before this Committee is to set forth certain facts which illustrate the dependence of our business on reasonable energy costs. We have, however, neither the expertise nor the desire to suggest specific legislative remedies for the problems faced by this committee and we appear, therefore, not as part of the solution, but as part of the problem.

We are a private corporation and our financial documents are, naturally, private. Nonetheless, in order to best illustrate to the Committee the severity of the impact of the proposed rate increase, we will be divulging confidential information; the discretion of the Committee will be appreciated.

In 1983 our Wichita facility had \$1,887,191.00 in sales. Of that \$291,364.00, or 15.44% went to pay our electric bill. We take pride in our continuing efforts to conserve energy. In 1982 our power bill was \$356,736 for an average of 406,733 kwh as opposed to 395,267 kwh in 1983. Our entire profit, however, for the year 1983 was \$130,796.

The impact of a 84% increase in our power bill is as clear as it is devastating; the proposed increase would entirely wipe out our profit for the year.

The alternative, passing our increased cost to our customers, is unavailable. We compete with warehouses in other states, notably

Attachment 2
2-23-84 *3:30pm*

Oklahoma, Texas and Missouri. Our own experience with our five midwest plants tells us the costs our competitors pay for energy. In 1983 our warehouses actually paid the following per kilowatt-hour of usage:

Ft. Smith, Arkansas.....	\$.038
Marshall, Missouri.....	\$.056
Oklahoma City, Oklahoma (2) ..	\$.043
Wichita, Kansas.....	\$.052

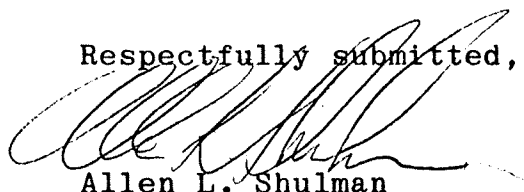
The proposed increase would result in a cost per kilowatt-hour of \$.096 which would be 71% higher than any other warehouse and would result in a power bill which would consume 28.4% of sales. If we were to attempt to recover this increased cost in our pricing, we would have to charge more than it would cost to transport the goods out of Kansas. We already lost business when Wichita packing plants closed; we should not provide reasons for further plant closings.

Whether we are forced out of business by the inability to make a profit or by our customers shipping and perhaps relocating elsewhere, the result is the same--the closing of our plant. Our Wichita facility directly contributes more than one million dollars annually to the economy of this state, but the indirect contribution of having a viable public warehousing industry is much more. Our customers pay personal property taxes on goods we store, and the truckers who move more than a million pounds of goods per day to Wichita public warehouses further add to the economy. Wichita and Kansas have a reputation of being central distribution points in the middle of the continent, reputations which would be tarnished, if not lost, should power costs drive refrigerated warehousing from the area. Most important, the packers we serve must have public warehousing available near their plants to freeze their excess production and to provide a means to wait out unfavorable market conditions. If this facility is not available locally, they will be forced to relocate where energy costs are more reasonable. Neither we nor Kansas can afford the loss of this valuable industry.

We hope that our appearance here has aided the Committee in recognizing some of the perhaps less obvious consequences of the rate increase we understand has been proposed. We recognize the need for progressive means of generating the electric power which is so essential to our industry and to the nation and we hope that this Committee and the body it represents can discover the means to provide that power at a cost that will enable both the citizens of Kansas and those who serve them to compete in the national marketplace.

We thank the Committee for the opportunity to state our views and would be pleased to supplement our remarks with whatever documents or additional facts the Committee may consider useful.

Respectfully submitted,



Allen L. Shulman



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE-CHAIRMAN: FEDERAL AND STATE AFFAIRS
MEMBER: ASSESSMENT AND TAXATION
JUDICIARY

BOB VANCURUM
REPRESENTATIVE, TWENTY-NINTH DISTRICT
OVERLAND PARK
9004 W. 104TH STREET
OVERLAND PARK, KANSAS 66212
(913) 341-2609
STATE CAPITOL, ROOM 115-S
TOPEKA, KANSAS 66612
(913) 296-7655

TESTIMONY OF REPRESENTATIVE ROBERT J. VANCURUM
ON HB 2927 - THE WOLF CREEK EXCESS COST - EXCESS CAPACITY BILL
THURSDAY, FEBRUARY 23, 1984

I. Overview.

I come before you today not as an expert on nuclear electric generating facilities or on utility rate regulation, but as a concerned representative of consumers and business people in the service area of the Kansas City Power and Light Company, who are faced with rate increases of over 80% if and when the Wolf Creek power plant becomes operational. In fact, rate increases could be over 100% over five years if the utilities (as they are insisting) are permitted to phase in the rates without interest relief, so as to charge the full cost of phase-in to ratepayers. I drafted HB 2927 to give the KCC more extensive fact-finding and rate setting powers with respect to electric generating facilities which were constructed without advance permits under the Electric Plant Siting Act (KSA 66-1,159). The intent is to address only the Wolf Creek situation and I believe it does so, since Wolf Creek is the only plant still under construction which was not subject to the siting act. However, I have no objection to amendments if the committee feels this is too broad or not broad enough.

Attachment 3 330
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2-28-83

Testimony
of Robert J. Vancrum
February 23, 1984
Page 2

The bill has four major thrusts: (1) Sections 4 and 5 are intended to allow the KCC to immediately initiate proceedings on its own motion to determine if costs of the facility were prudently or necessarily incurred or incurred in building excess capacity. They are also permitted to make an advance determination if other costs are to be excluded or phased in. (2) The KCC is given discretionary authority to either exclude or phase in excess costs which they deem to have been incurred due to imprudent management or construction supervision practices. As most of you are probably aware, the Wolf Creek plant was constructed under a cost-plus contract and costs have escalated to at least \$2.67 billion since the "final definitive estimate" of \$1.07 billion in 1977. (3) The KCC is also permitted to exclude or phase in costs associated with excess capacity. It appears that no one denies that both the investor-owned utilities which are building Wolf Creek are currently at least 25% in excess of peak summer demand needs without Wolf Creek. If the plant is completed on schedule they would be at about 45-55% in excess of peak summer demand needs. (4) Lastly, contrary to what the utility companies have suggested in their amendments, Section 7 of this bill requires the KCC, in the event that it determines to phase in certain costs, to permanently exclude that portion of the carrying or finance charges incurred

during the period of phase-in. If the KCC determines that certain costs were imprudently incurred or incurred to build excess capacity, it would seem obvious that ratepayers should not be required to pay the costs of carrying these costs during the period of phase-in. It seems outrageous to me on the one hand to admit that certain of the costs at the Wolf Creek plant have been incurred to build capacity that is not currently needed or that certain costs have been imprudently incurred and yet maintain, as the utilities have suggested, that ratepayers should pay the full cost of phase-in. I would urge you to leave Section 7 of the bill essentially intact even if you later decide to make changes in other sections. Any so-called phase-in of costs which were imprudently incurred, which does not relieve ratepayers of paying finance charges incurred because of the phase-in is a hoax, a sham, that actually increases the burden they will have to bear.

II. Review of Bill's Provisions.

A. Section 1 is existing law but is amended to allow the KCC to determine what percentage of utility property is to be included in the rate base. Although the KCC probably has the authority to make this allocation in determining "reasonable value" of "all" property "used or required to be used", it seems advisable to put this issue beyond question.

B. Section 2 allows the KCC to evaluate the prudence of construction practices and exclude any portion of costs incurred due to lack of prudence.

C. Section 3 allows the KCC to determine if a utility has excess generating capacity which is defined very simply as that amount necessary to provide adequate and reliable service in the opinion of the KCC. If determined to be excess, costs of building the excess may be excluded under Sections 1 or 2 or phased in under Section 6.

D. Section 4 allows the KCC to immediately initiate a fact-finding proceeding to determine if the facility is needed and if costs were prudently incurred, or if the plant represents excess capacity. This section adopts the expedited hearing and appeal provisions of the Power Plant Siting Law. Incidentally, the thirty days notice may be too short. I would have no objection to increasing this to sixty days, but I believe it is essential that the KCC start hearings on the necessity and prudence of constructing the plant immediately.

E. Section 5 would allow the KCC to bring an expedited proceeding to make an advance determination of what portion of the costs are excluded or phased in. It is intended to be discretionary authority and the KCC may well commence a hearing under Section 4 without getting involved at this time in the more extensive fact-finding requirements of Section 5.

F. Section 6 would allow the KCC to determine if certain costs should be deferred and phased into the rate base over time.

Testimony
of Rep. Robert J. Vancrum
February 23, 1984
Page 5

If phase-in is ordered it must be over not less than ten or more than fifteen years. I would agree that this time-frame is arbitrary and would have no objection if the committee decides to leave the determination of the phase-in period entirely in the discretion of the KCC, since I would assume it would try to make the period match the actual need for generating capacity.

G. Section 7 is the section described in the overview as essential. This section would require that all finance or carrying costs associated with phase-in of costs which are initially excluded be carried by stockholders and investors and never charged to ratepayers.

III. HB 2927 is Superior to Other Proposals Before You.

I have heard many comments concerning the wisdom of going no further than HB 2810, the bill which the KCC is now adopting. I am quite familiar with that bill since it was based upon an early draft of HB 2927. There are three major flaws in that bill which at a minimum I would like to see corrected. First, the KCC has inserted in that bill the power to treat all common carriers and public utilities similarly under the excess cost and capacity analysis. This is unnecessary. Second, under 2810, the KCC would still have to wait until the plant is completed and would not be able to take immediate action to determine the prudence or necessity of the plant. You have to understand that the KCC is not in a position to promote the advisability of an

Testimony
of Rep. Robert J. Vancrum
February 23, 1984
Page 6

immediate hearing as to imprudently built plants since in taking such action they might later be held to have prejudged the issue thereby completely invalidating their decision. Third, it is not clear that lines 47 through 54 of that bill would give permission to exclude all carrying charges incurred during the period of phase-in of previously excluded costs. As I have stated above I think any phase-in of excess costs imprudently incurred that does not require the company bear the carrying costs incurred during the phase-in is a hoax and a sham. I would urge that you at the very least include the provisions of Section 7 of HB 2927 in your final bill as reported.

I'll of course be happy to answer questions either now or, of course, at any time during your deliberations on this bill.

170+ summer

address KGE only - KCPD here longer estimate base -

ESSENTIAL POWER -

now GREAT WASTERS average consumption projects @ 7%+
now 37% excess cap. new 2 1/2 - w/ typical men
could be use - 1%

add 13% w/ consumer conserv. - 50% current excess capacity

add advancement in technology - increased efficiency & expanded capacity w/ existing facilities
add 20%

Total of 70% possible excess capacity
without Woolf Creek.

w/ creek could add up to 30% additional capacity - possible 100% total excess -
at 2 1/2% annual increase as projected by KGE it will take 100 40 years to even need WC.

We simply must allow KCC to disregard any excess over 30% from state base. 30% is nearly double national avg.

what happens if KCC disallows WC, KGE won't go bankrupt.

Half WC now - current debt since in 70-80 will have suspend dividend,

ATTACHMENT
4
2-23-84
3:30 pm

1984, cont.

Construction costs (to present) are 1335% over using \$200 million in 1968 as the base, or 534% over, using the \$500 million estimate compared to average overage of 214% of the first 25 plants.

Users are looking at the largest rate hike ever, 50 to 80%.

K. G. & E. is borrowing money to pay dividends.

K. G. & E. is asking for a rate phase-in that could actually cause rates to go up 125%. K. G. & E. hopes that electrical usage won't drop from a phase in. A significant drop in electrical usage (more conservation or company generation, etc.) would cause even more drastic increases.)

Wolf Creek may not be needed till 1995.

apply retained earnings - stop out flow
of cash to W-C costs.

could cover debt service w/out detriment
affect an operations.

the stock value would decline.

83% line out of state

85% own large blocks of 100 or more

they can absorb suspensions of stocks

they bought as speculation, not investment

no guarantee of dividends

no guarantee of stock value.

K&E could sell W-C & recapture all or most of cost.

K&E has actively supported dividends

Rather than mere share holder - the owners of

K&E absorb fair share of W-C ^{cost} over-earn
margin ~~invested~~ dividends there.

They borrowed more than 10 mil to ~~supplement~~

pay out as dividends -

It time market accepts that W-C is not
needed - & that the ^{stock} speculators - ~~the~~ professional
investors absorb their fair share.

It is reasonable to expect the customers to
absorb all the cost & to add to the severity of
the ~~crisis~~ ^{crisis} by allowing completion & spread in ~~advertising~~
Bill

in closing: Was suggested any legal which will allow
to decrease ability to drain flow & save capital
2977 "ideal"

SUMMARY OF MAJOR EVENTS IN DEVELOPMENT
OF WOLF CREEK PROJECT (from Eagle/Beacon, Feb. 12, 1984)

- 1968 Wolf Creek original estimate was \$200 million.
- 1972 Atomic Energy Commission reports warned that large costs threatened to destroy nuclear power economics advantage over coal.
- 1973 K. G. & E. announced \$500 million, while in-house reports showed \$783.5 million.
- 1974 M.I.T. and Harvard studies reported large costs were destroying nuclear power economic advantage over coal.
- 1974 51% of all reactors on order were cancelled or postponed.
- 1975 Cancellations for nuclear power plants outnumbered orders by 11 to 4; with all 4 orders being subsequently cancelled.
- 1977 Of the 25 plants built before 1977, costs had exceeded estimates by 214%, and costs were continuing to escalate.
In 1975, K. G. & E. engineers (not economists) estimated that annual peak load would increase 4.8% annually through 1983. Actual growth through 1983 was only 2.2% annually. Reforecasting and adjusting forecasts should have been done at this time. Also, electric companies were ignoring others' experience.
- 1977 October: Construction on Wolf Creek begun.
- 1980 Of 80 nuclear plants ordered since 1973, only 4 were being built.
- 1982 K. G. & E. reported that it had 28% excess capacity.
- 1984 Throughout construction miscalculations and lack of onsite auditors, construction managers and field engineers have added millions.

Excesses can be seen by looking at such things as Terrazo floors in the staff support building, and by talking to construction workers.

Licensing board hearings are asking if K. G. & E. is financially healthy enough to operate a nuclear plant.

A.L.E.R.T.

Alliance for Liveable Electric Rates
P.O. Box 3312
Wichita, KS 67201
(316) 265-5024

POSITION PAPER

Kansas Gas & Electric Co. (KG&E) and its partners are building Wolf Creek Generating Station, a nuclear power plant. The estimated cost is \$2.67 billion, provided there are no further delays, cost overruns or erroneous estimates that would result in higher costs. This amount does not include decommissioning cost estimated at \$400 million.

KG&E, the fourth smallest nuclear utility, is building the third most expensive nuclear plant.

If Wolf Creek is fully included in the rate base, electric rates will escalate 50% to 80%, resulting in the single biggest one-time rate increase ever caused by a single power plant in the United States. If the rate increase is phased in over several years, then the increase will be over 100% and rates will be doubled for residential, commercial and industrial electricity users. In addition, these rate increases will result in increased prices for products and services and in increased taxes that will be passed on to consumers and taxpayers.

Without Wolf Creek, KG&E has a 32.7% reserve capacity over peak summer demand. With Wolf Creek, KG&E will have a 57.7% reserve capacity over peak summer demand. Both are far in excess of the

-more-

Attachment 5

2-24-84
3:30pm

standard 20% reserve margin.

The rate hike will not be for needed electricity, but to preclude loss and to preserve profits for KG&E shareholders or owners.

KG&E which is a monopoly operating on a cost plus basis, seeks to have the full cost and burden of Wolf Creek borne by the electrical customers and rate payers.

Such increased electrical rates will severely affect individual users, particularly those with low income and fixed income, including the elderly.

The increased rates will adversely impact agricultural and industrial users, resulting in competitive disadvantages for many and causing others to be marginal operations. The increased rates can be a deterrent for new businesses to be established or located in the area.

Legislation is needed and regulatory action by the Kansas Corporation Commission is required in order to lessen and restrict unnecessary and inequitable increases in electrical rates resulting from Wolf Creek. The cost of Wolf Creek should properly and fairly be assumed and borne by the utility owners and shareholders, whose company brought on this unfortunate economic situation.

TESTIMONY ON HB 2810, HB 2927 and HB 2964
TO THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE
By Kansas Department on Aging
February 23, 1984

Bill Summary:

These bills provide varying degrees of authority and guidance to the KCC in dealing with the issues of excess capacity and utility mismanagement.

Bill Testimony:

The Kansas Department on Aging supports minimizing utility rate increases consistent with maintaining the viability of well-managed public utilities. Affordable utility rates are the number one concern of Older Kansans. Many Older Kansans have already been pushed to the brink of financial insolvency by dramatic increases in natural gas prices. The average Social Security monthly payment to an aged widow is \$397 a month. A doubling of electric rates would be an unbearable burden.

The direct rate shock will be compounded by the indirect rate shock as the commercial and industrial classes of rate payers attempt to flow through their electric rate increases to their customers and the general public. An example of this will be the large rate increases faced by hospitals and nursing homes. These increases will likely translate into higher daily rates creating financial hardships for both Older Kansans as well as the state's Medicaid budget.

Older Kansans generally have little discretionary income. It is not fair to expect them to transfer money from their food and health care budgets to pay the bill for electricity that is not now needed and may well never be needed in their lifetimes.

Let's take one example of a major area covered by KG&E-Southeast Kansas. Southeast Kansas is an economically distressed area which can ill-afford usurious electric rates. Southeast Kansas is an area with a high elderly population. In the nine county service area of the SEKAAA, almost one-fourth of the population is age 60 and above. This compares to Kansas' total population, 17.4% of which are 60+, and the nation's population, 15.7% of which is age 60+.

The issues raised by HB 2810, 2927, and 2964 are of profound importance to all Kansans. They must be addressed on a timely basis. Any of the three bills in question could be an appropriate vehicle for resolving this important policy problem.

KDOA supports the legislature granting authority to the KCC to deal with excess capacity and utility mismanagement issues. We think this authority should apply to all jurisdictional public utilities. While generally rate design issues are best left to the KCC, we are dealing with a special situation which calls for special remedies.

2-23-84
3:30pm
Attachment 6

Some legislative guidance to the KCC in exercising its authority to deal with excess capacity and utility mismanagement is appropriate. Phasing in the Wolf Creek plant while making rate payers pay for any resulting additional financing charges is not doing rate payers any favors.

Investors, who stand to gain when management makes good decisions, should also stand to lose when management makes bad decisions. The state should not let businesses "free enterprise their profits and socialize their losses".

Investors have options that residential rate payers do not. Investors can vote out bad management or sell their stocks and bonds. Industrial rate payers can generate their own electricity and go off the system. Residential rate payors are captives. They are dependent upon the KCC and the legislature to protect their interests.

KDOA hopes that the KCC and the Legislature will work together to solve the number one consumer issue of today.

TESTIMONY ON HB 2810, HB 2927, and HB 2964
BEFORE THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE
By the Kansas State Advisory Council on Aging
February 23, 1984

My name is Lee Rowe and I am Chairperson of the Kansas State Advisory Council on Aging. The Council is composed of 19 members who represent all areas of the State. The Council would like to thank the Committee for the opportunity to present its views on this very important issue for older persons.

Older persons value their independence. They do not want to be dependent on others or the government. Older persons, just like all Kansans, are totally dependent upon the utilities for the provision of an essential service. Older persons are becoming increasingly dependent in meeting their home energy needs. Over 40% of the recipients of the Low Income Energy Assistance Program and the Low-Income Weatherization Program are elderly.

As many elderly have little discretionary income, a doubling of electric rates would constitute an unbearable burden. Older Kansans are willing to pay their fair share. It is patently unfair, however, to ask them to pay for electricity which they do not now need and which they may well never need in their lifetimes.

The Kansas Corporation Commission must be granted the authority to deal with excess capacity and utility mismanagement issues. These issues are not limited to Wolf Creek but are statewide. All but one of the major electric utilities has substantial excess capacity.

Any one of the three bills before you can be used to address what is probably the number one consumer issue of this decade. Residential rate payers are dependent upon you and the KCC to protect their interests in this matter. A timely resolution of this matter is in the best interests of all concerned.

Attachment 2-23-84
3:30 pm

Kansas Natural Resource Council

Testimony before
the House Energy & Natural Resources Committee

by

Mari Peterson, KNRC Executive Director

February 22, 1984

Proponent - HB 2927, HB 2964, HB 2810 (if strengthened)

Excess electrical generating capacity will prevail in Kansas well past the year 1992, as Brian Moline's graphs indicated yesterday. The Corporation Commission is in a bind. No longer can the KCC provide ratepayers with affordable electricity and utilities with a return acceptable to them. You must give the KCC the authority to divide the losses associated with unneeded electrical generating capacity. KNRC and a growing segment of the public also want you to indicate how these losses will be divided: not in dollars and cents - that is the role of the Corporation Commission - but in broad policy guidelines.

HB 2927 is the strongest bill before this committee. Over one-third of the House of Representatives is sponsoring this bill. The bill is straightforward, making explicit the state's policy on excess capacity while maintaining flexibility for the KCC in ratemaking. It is the legislature's responsibility to answer "Who bears the risk?" and to remove the ambiguity surrounding this issue. HB 2810 leaves



Attachment 8

everyone guessing about what the KCC will finally do, and thus is unacceptable. Furthermore, ratepayers are captives of the utilities which serve them, they had no voice in the decision to build such large power plants, and they need your protection. KNRC commends all those who have the courage to confront and address these issues.

Three issues predominate in the three bills: excess capacity, efficiency of operations, and prudence of management. In many ways they are intertwined.

Excess capacity plagues most of the utilities in this state, and is especially detrimental to KG&E and KCP&L and Sunflower Electric Co-op because of the high cost of the Wolf Creek and Holcomb plants. These plants are expensive, not in actual cost, but in relation to the size of the companies building them and the number of customers they serve.

Figure 1

In a special report released January 11th, 1984 by First Boston Corporation of New York, KG&E's cost per customer for Wolf Creek is the fourth highest among all utilities with nuclear construction projects in the U.S. Marble Hill, with the highest cost per customer, has been cancelled.

Marble Hill	Public Service Indiana	\$10,725/customer (cancelled)
Seabrook	Public Service Co. N.H.	6,312
Palo Verde	Arizona Public Service	5,565
Wolf Creek	Kansas Gas & Electric	5,219

KCP&L cost per customer for Wolf Creek ranked 13th of the 64 utilities with nuclear investments. KCP&L's Wolf Creek cost is \$3,621/customer.

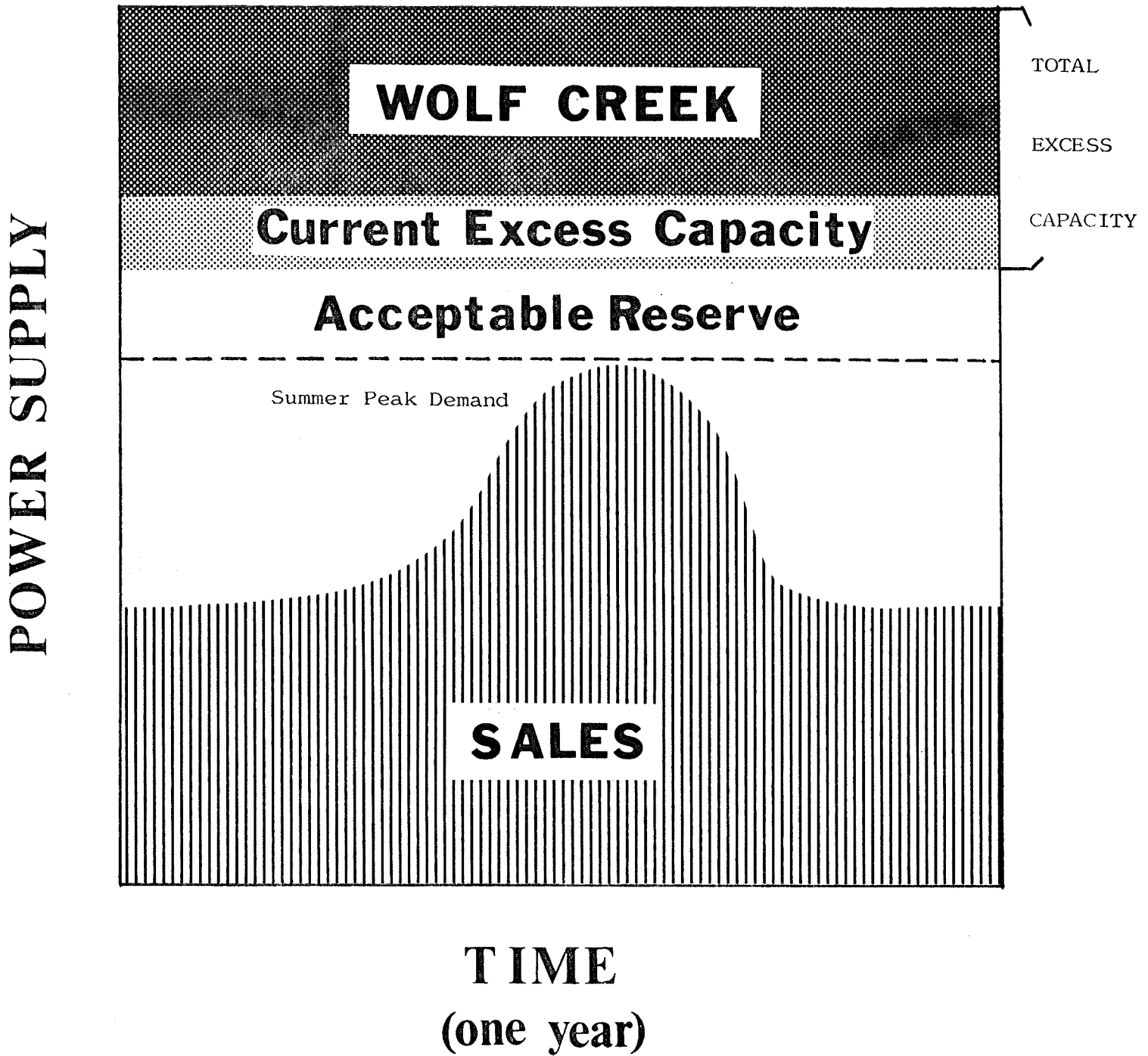
Holcomb, a coal-fired plant, is most expensive \$11,767/customer (KCC data)

The Corporation Commission is going to have a helluva time dividing the cost of Wolf Creek among ratepayers and the utilities. This pie is probably too big for Kansas to swallow. Holcomb poses a special, difficult case because there are no stockholders in a co-op, only ratepayers and members.

Wolf Creek and Holcomb share a second problem. These facilities represent 100% excess capacity. KG&E, KCP&L, and Sunflower Electric Co-op do not need these plants to provide electricity to their customers. If there were a demand for electricity from Wolf Creek and Holcomb, the burden of distributing the cost of these plants would be far less. (See Figure 2).

Granted, the utilities had the rug pulled out from under their construction projects by forces beyond their control. They set out with good intentions, but nearly every factor justifying their decisions to build large power plants has changed. Since 1974, and dramatically since 1979, the rate of growth in electricity demand has been shrinking. In several years, sales have actually declined. Following the doubling of oil prices in 1974 and 1979, people cut back on all energy consumption, the nation went into a long-term recession, all sectors of the economy borrowed heavily to keep afloat, and interest rates went through the roof. In addition, the federal Nuclear Regulatory Commission issued numerous design changes in nuclear plants to address emerging problems; and lastly, in late 1981, the federal government removed its restriction on the utilities' use of natural gas as a fuel source to generate electricity.

Though each of these radical changes in the energy and nuclear industry economies were beyond the control of the utilities, the utilities bear the responsibility as business managers to evaluate the impact of such changes on their construction projects. As all the assumptions which supported decisions to build large plants were proven false, prudent utility managers and investors should have reevaluated the wisdom of their investments. Prudence of management and excess capacity are intertwined. Both need to be addressed in the legislation of this session.



Electric utilities, always assumed to be monopolies, now face stiff competition. Future demand is highly uncertain. This further indicates the need for excess capacity legislation. The largest competitor in the 1970s has been improvements in the efficiency with which electricity is used. In the 1980s, it will be industrial cogeneration of electricity and steam on-site. A manufacturer of cogeneration units in the Kansas City area said that if he had 100,000 units he could sell them all today. In the 1990s, the competitor which even the utility trade publications fear is the photovoltaic cell which generates electricity from sunlight. Being a high-tech, mass-marketable item, it ought to become affordable and available to nearly all Americans as calculators and computers have.

The uncertain demand for electricity will be further aggravated if utilities price electricity out of the market. The utilities, themselves, cannot afford to have the full cost of these large power plants passed on to their customers. They stand the very real chance of experiencing a reduction in the rate of electricity demand, and thus revenues, with each large rate increase they pass on to customers.

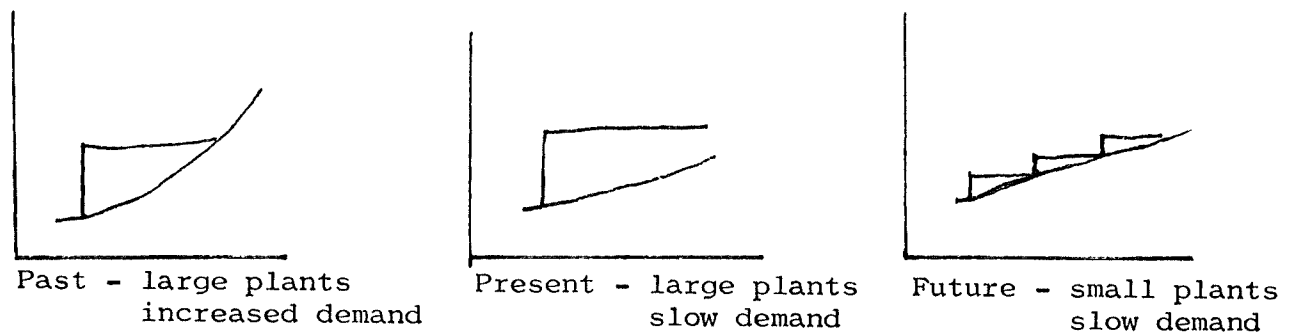
Obviously the ratepayer cannot, in many cases, bear the full cost of the power plants. In addition to higher bills, consumers face increased taxes, and higher prices for goods when businesses pass on their increased costs. Furthermore, each time ratepayers conserve to lower their bills, they're likely to see an increase in rates ^{as} ~~and~~ utilities try to recover revenues.

HB 2927 and 2964 openly, honestly, and explicitly address the problem of excess capacity. KNRC strongly supports the position

that power plants should be phased into rates on the basis of the need for that power. ~~Mr. Moline said yesterday, "Remember, nothing in 2810 requires exclusion of excess capacity." That is the weakness of 2810.~~

A clear state policy on excess capacity also serves the state's long-run interests in terms of the construction of new power plants. Such a policy will encourage the building of smaller power plants which have short lead times in construction, and thus lower financing costs. Because smaller plants take less time to build, utilities can more quickly and accurately address changes in the demand for electricity. In addition, the utilities can more quickly recover their investment.

Figure 3



Frankly, the economies of scale for large power plants have completely eroded with lower, uncertain demand growth and high interest rates.

A common fear is that without large amounts of excess capacity, we could face brown-outs. For one very good reason, this will not be a problem. Following the New York City blackout in the early 70s, the electric utility industry formed major power pools throughout the U.S. The utilities, on a regional basis, interconnected their grid systems to assist each other in the event that one utility should be short of power temporarily. The Kansas utilities belong to the

Southwest Power Pool which consists of 28 utilities in seven states. The SWPP has determined a standard reserve each utility should maintain to ensure all utilities in the pool can depend on sufficient power to meet any contingency problems. The SWPP calls for a 15% capacity- and 3% spinning reserve.

Two recent phenomena show how well this works. In 1980 we had a 1-in-100 year heat wave. All electricity needs were met in the pool, and a 5% reserve was still available. Secondly, in December, a record cold spell coupled with two Kansas plants down for repairs created another crisis. The cold weather snapped a weld in a rail-line in Nebraska preventing a coal train from reaching Kansas. Also, KCP&L's coal piles froze. This was a tight situation, but the need for electricity was met. The chance that all these things will happen again is very slim. For one thing, we should never expect KCP&L's coal piles to freeze again. A company which plans to operate a nuclear power plant should be able to manage a coal pile.

There is plenty of available capacity right now, even without Wolf Creek. KCP&L is leasing 30% of its Iatan plant to another utility and selling electricity to other utilities from its 70% share. KG&E is trying to lease its share of Jeffrey Energy Center Unit III to another utility. Neither company has grown into its current capacity. In addition, the companies' current plants have long, useful lives. (See Figure 4).

HB 2927 and 2964 also address efficiency of operations. The LaCynge Unit I is extremely inefficient, and large nuclear plants have a record of being only 50-55% efficient in terms of their operation time. Rep. Grotewiel's bill calls attention to the fact that if a plant is not as efficient as claimed, the KCC could assess the costs of inefficiency to the companies and not the ratepayers.

Figure 4

KG&E POWER SOURCES

<u>Name</u>	<u>Megawatts</u> ¹	<u>Fuel Source</u>	<u>Life Expectancy</u>
Ripley	88.3	Gas	1999
Neosho	68.2	"	1999
Murray Gill	330.6	"	2010-17
Gordon Evans	507.1	"	2001-05
LaCygne I ²	370.0	Coal	2013
LaCygne II	315.0	"	2017
Jeffrey's I & II	274.0	"	2018-20
Jeffrey III	137.0 est.	"	2023

KCP&L POWER SOURCES

Grand Ave. Station	50-70	Coal	1990
Hawthorne I - III	228	"	1991-93
Hawthorne IV	90	"	2009
Hawthorne V	450	"	2000
Montrose I - III	450-527	"	1998-04
N.E. Gas Turbines 11-18	396-520	Oil	2002-07
LaCygne I ²	370	Coal	2013
LaCygne II	325	"	2017
Iatan I ³	455 (70% share)	"	2020

Sources: MoKan Power Pool and the Kansas Corporation Commission

¹Shows net continuous capability in megawatts. Name plate ratings are generally higher. Recent experience with the Holcomb plant near Garden City shows plants can temporarily operate at levels higher than even their name plate ratings.

²Has a record of unreliable performance.

³KCP&L makes sales to other utilities from their 70% share. The remaining 30% is leased to Associated Electric in Missouri.

KNRC encourages you to pass a strong bill out of committee which addresses the new problems Kansas faces in the electric utility industry.

Remember, if KG&E, KCP&L, and Sunflower Electric Co-op has either customer demand for the electricity from Wolf Creek and Holcomb, or more customers to share the burden of paying for these plants, the impact of these plants on the electric service areas would not be so severe. But the truth is there are far too few people to pay for plants which are much too large.

There is a limit to what the ratepayer can bear. Unfortunately, Sunflower Electric Co-op members have no one to share the burden with them.

As for Wolf Creek, there is the possibility that trying to recover \$3 billion plus operating costs from 441,000 ratepayers could push these areas of the state into a recession. In effect, we're sending a vast amount of Kansas money to New York, Chicago, Florida, California, Texas, and the Dutch Antilles. If there were a demonstrated need for Wolf Creek, or if the growth in electrical demand were a constant 5-7% per year as predicted, we'd have no reason to complain. But when we are asked to give investors \$3 billion-plus in Kansas money for something we don't need now or in the foreseeable future, we must ask why we should make such a big sacrifice.

Stocks are risk capital. When things don't work out as planned, when the investment is considered independent of the dramatic change in the energy economy, when the main concern is whether the plant is well-built, not whether it is needed, then the risk investor has not done his or her homework. These oversights are not the ratepayers' fault. We should rightfully ask the risk investor to absorb some of the losses.

In closing, I'd like to read from a letter written by William Allen White in 1931.

"It seems to me that so long as our form of government throws such tremendous safeguards around the invested dollar, the privileges of safety call for certain duties; notably to secure by custom and practice for the man who works, the same right to his investment in his craft as the dollar has for its investment in business."

Please help protect the ratepayers' investment in his home, family, and business by passing a strong excess capacity bill.

Remarks before the House Energy and Natural Resources Comm.
by Richard Basore Feb, 23 1984

Mr. Chairman,

Box 21 Bentley KS 67016

My name is Richard Basore I am a farmer and irrigator from Bentley in NW. Sedgwick County. I am also a KG&E customer. I am fortunate that my three irrigation systems are powered by diesel engines, I generate my own electricity to power the pivot systems with them. I have many neighbors and fellow farmers who utilize electric motors for irrigation. Last summer the electric bill for one neighbor on one pivot system was \$1200 dollars for approximately 30 days. Their season cost was \$2500 to \$3000 dollars. If electric rates double they will be forced to convert to diesel power. As you well know farmers are price takers not price makers, we cannot pass along increased cost. I am concerned not only by the direct cost of a 95% rate increase but the indirect cost as well. As our local rural family practice M.D. told my wife yesterday, a rate increase ~~won't bother him, will force~~ ~~he will just raise his fees.~~ *him to raise his fees accordingly* And I'm sure all the other businesses I deal with will also be forced to raise their prices.

It appears to me that in KG&E's 95% rate increase request they are still asking for the ratepayers to pay for the whole hog, and KG&E's only concession is that they are willing to take it a section at a time. I would be much more sympathetic to KG&E's plight if it's chairman had pulled a "Lee Iococca" and come to the public and said "Some of our original forecasts have been proven to be in error, the economy and regulations have changed and we are in trouble. I am announcing a cut in salaries of 10% ranging upward to 27% for myself. We will drive Chevette's instead of Buicks, we are suspending payment of dividends for the foreseeable future and we expect our stocks and bonds to drop in value! In spite of these efforts we still must ask the ratepayers to help us out so together the problems can be solved" This has not happened and I am not sympathetic to raising rates on Kansan's to pay the dividends for the 83% of KG&E stockholders that live in other states. This amounts to a transfer of wealth from our state to New York and elsewhere,.

Said something like the following

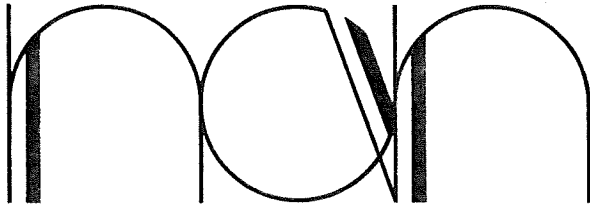
Treas. Bonds

Investors wanting security buy ~~T-Bills~~ and Savings Bonds, Investors willing to accept risk invest in stocks and bonds, including KG&E's stocks and bonds. As risk takers they must be prepared to accept a loss of value or loss of dividends. As a ratepayer I expect to pay a reasonable level of cost for electric service. We shouldn't be asked to pay for judgemental errors on the part of a State sanctioned monopoly.

HB 2927 in combination with HB 2810 would seem to provide the KCC with the authority and flexibility to deal with this most serious and complex problem. I would urge you to consider the various provisions contained within them.

Thank You

Attachment 9



nuclear · awareness · network

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TESTIMONY OF STEVI STEPHENS BEFORE THE HOUSE COMMITTEE ON ENERGY
RE: HB 2810 AND 2927 FEBRUARY, 23, 1984

CHAIRMAN HEINEMANN AND MEMBERS OF THE COMMITTEE. I APPRECIATE THIS OPPORTUNITY TO TESTIFY IN FAVOR OF HOUSE BILLS 2810 AND 2927 ON BEHALF OF MYSELF AND THE NUCLEAR AWARENESS NETWORK.

I WOULD LIKE TO ADDRESS ONE SPECIFIC ASPECT OF HOUSE BILLS 2810 AND 2927 WHICH I FEEL HAS NOT BEEN GIVEN ADEQUATE ATTENTION. THAT IS THE COSTS RESULTING FROM IMPRUDENT CONSTRUCTION PRACTICES, IN PARTICULAR AT THE WOLF CREEK PROJECT.

WE ARE ALL AWARE OF THE SIX FOLD INCREASE IN THE CONSTRUCTION COSTS AT WOLF CREEK. CERTAINLY INFLATION, INTEREST AND SAFETY REGULATIONS HAVE HAD SOME IMPACT. HOWEVER, AUTHORITY TO DETERMINE HOW MUCH OF THESE TREMENDOUS COST OVER-RUNS HAVE BEEN A RESULT OF MISMANAGEMENT AND WHAT AMOUNT SHOULD BE FAIRLY PASSED ON TO THE RATEPAYERS IS NOT AT PRESENT CLEAR.

HOUSE BILLS 2810 AND 2927 WOULD OFFER THE KANSAS CORPORATION COMMISSION THE AUTHORITY TO INVESTIGATE, ASSESS AND DETERMINE PROPER ACTION ON IMPRUDENTLY INCURRED COSTS. NOT ONLY WOULD THIS SATISFY AN UNDENIABLE NEED FOR RATEPAYER PROTECTION, BUT ALSO IF THIS AUTHORITY WERE GRANTED TO THE KCC, THE UTILITIES MIGHT FINALLY HAVE THE MOTIVATION TO MANAGE CONSTRUCTION COSTS IN THE MOST PRUDENT MANNER.

I SPEAK WITH WORKERS AND FORMER WORKERS FROM WOLF CREEK ON AN ALMOST DAILY BASIS. A WEEK RARELY GOES BY THAT I AM NOT CONTACTED BY A NEW AND UNFAMILIAR WORKER. I HAVE NEVER YET SPOKEN TO A SINGLE WORKER WHO HAS STATED THAT HE BELIEVED WOLF CREEK TO BE A WELL-RUN CONSTRUCTION SITE. QUITE THE CONTRARY. I WOULD LIKE TO TAKE A MOMENT TO SHARE JUST A FEW OF THE ITEMS WORKERS HAVE REPORTED TO ME WITH THIS COMMITTEE:

Attachment 10

2-28-84

3:30

A MASON HAS STATED THAT HE WITNESSED A CREW BUILD A WALL ONE DAY, TEAR IT DOWN THE NEXT, REBUILD IT THE NEXT, TEAR IT DOWN THE NEXT, AND SO ON JUST IN AN ATTEMPT TO APPEAR BUSY. THIS CONTINUED FOR THE ENTIRE THREE WEEKS HE WAS TEMPORARILY EMPLOYED AT WOLF CREEK.

A LABORER REPORTED WORKING ON A BACKFILL CREW SHOVELING AND TAMPING DIRT. THE DIRT WAS CHECKED REGULARLY FOR COMPACTION STRENGTH. YET, AFTER HIS CREW WORKED ABOUT TWO WEEKS ATTAINING A HEIGHT OF THIRTY OR FORTY FEET, A BULLDOZER PUSHED THE MOUND OF DIRT OVER AND THE CREW WAS TOLD TO BEGIN AGAIN.

THERE ARE NUMEROUS REPORTS OF EXCESSIVE NUMBERS OF WORKERS EMPLOYED WITH NO WORK TO DO. THERE IS WIDESPREAD STANDING AROUND, SLEEPING AND PLAYING CARDS ON THE JOB. MANY WORKERS HAVE SAID THEY ACTUALLY WORK ON THE AVERAGE OF ONLY A COUPLE HOURS A WEEK.

THERE ARE ADVANTAGES TO THE CONTRACTOR TO EMPLOY AS MANY WORKERS AS POSSIBLE AND PAY THEM AS MUCH AS POSSIBLE, BECAUSE THEY ARE IN ESSENCE WORKING ON A COST PLUS CONTRACT. THIS MEANS THE MORE MONEY THAT IS SPENT AT WOLF CREEK, THE MORE MONEY THE CONTRACTOR MAKES. BESIDES CONSPICUOUS WASTE SUCH AS INDICATED BY THESE INSTANCES, THERE ARE CONSIDERABLE ALLEGATIONS RELATING TO "RE-WORK".

FOR INSTANCE, A FOREMAN MISMEASURED THE LOCATION OF AN INSTALLED PIECE OF DUCT WORK AND DETERMINED IT SHOULD BE MOVED DESPITE PROTESTATIONS FROM HIS CREW MEMBERS. THE CONNECTING UNITS WERE TORN OUT AND REPLACED BEFORE HE ADMITTED IT WAS CORRECT IN THE FIRST PLACE. IT HAD TO BE TORN BACK OUT AND REPLACED IN ITS ORIGINAL FORM. THIS REQUIRED FIVE WEEKS OF LABOR FROM A CREW OF FOUR TOP PAID WORKERS. IT FURTHER REQUIRED A CREW OF CARPENTERS TO ERECT AND REMOVE SCAFFORLING SEVERAL TIMES. ONE OF THE WORKERS INVOLVED HAS ESTIMATED THIS ONE ABSOLUTELY UNNECESSARY MISTAKE TO HAVE COST ONE HUNDRED THOUSAND DOLLARS.

DEPENDING ON THE YEAR AND THE CRAFT, WORKERS ARE BEING PAID IN THE VICINITY OF TEN TO EIGHTEEN DOLLARS PER HOUR, AND TIME AND A HALF FOR OVER-TIME. OVER-TIME IS ANOTHER ASPECT I BELIEVE SHOULD BE LOOKED INTO AS AN IMPRUDENT COST. RATHER THAN PUT MORE PEOPLE TO WORK AT THE STANDAR HOURLY WAGE, THE MAIN CONTRACTOR, DANIELS, PREFERS TO WORK EMPLOYEES SEVEN DAYS A WEEK, UP TO TWELVE, SIXTEEN, EVEN EIGHTEEN HOURS A DAY.

CONSEQUENTLY PAYING, SAY FOR A PIPEFITTER, ABOUT \$25.00 PER HOUR FOR TIME AND A HALF SCALE WHEN ANOTHER UNEMPLOYED PERSON COULD DO THE WORK FOR \$16.50 AN HOUR.

BEING AN EX-CONSTRUCTION WORKER MYSELF, I REALIZE SOME AMOUNT OF OVER-TIME IS JUSTIFIABLE. HOWEVER, A SINGLE WORKER WORKING EXCESSIVE OVER-TIME, WHICH IS NOT AT ALL UNUSUAL, IS ABLE TO MAKE CLOSE TO \$3,000.00 PER WEEK AT WOLF CREEK. THE SAME WORK COULD BE DONE FOR FAR LESS BY ANOTHER PERSON NOT BEING PAID OVER-TIME WAGES.

CONSIDER THIS EXORBITANT PAY SCALE ONE STEP FURTHER AND RELATE IT TO RE-WORK. THIS AMOUNTS TO THESE HIGH WAGES BEING PAID REPEATEDLY TO RE DO THE SAME WORK RATEPAYERS SHOULD ONLY HAVE TO PAY FOR ONCE. IN AUGUST 1982 WILSON CADMAN SAID COST OVER-RUNS AND DELAYS WERE CAUSED BY "CONTINUOUSLY STRICTER REQUIREMENTS." ON THE CONTRARY THE KCC AND THE NRC DETERMINED THAT 27,000 PIPE HANGERS WHICH WERE INCORRECTLY INSTALLED HAD TO BE REPLACED CAUSING A ONE YEAR DELAY AND A 220 MILLION DOLLAR EXPENSE. THIS IS "REWORK".

IT IS DIFFICULT FOR THE AVERAGE PERSON TO COMPREHEND THE MAGNITUDE OF THE WOLF CREEK PROJECTS COMPONENTS. FOR INSTANCE, IT WAS ANNOUNCED IN MAY OF 1982 THAT 122 PIPEHANGERS HAD TO BE RE-WORKED. IT REQUIRED TWO MEN BEING PAID TOP WAGES, AN ENTIRE WEEK TO REPLACE ONE OF THESE HANGERS. I EMPHASIZE REPLACE.

THE DUCT CHASE IN THE REACTOR BUILDING HAS BEEN REPLACED THREE OR FOUR TIMES, AFTER IT WAS ALREADY WALLED-UP. THIS MEANS THE WALLS ALSO HAD TO BE TORN DOWN AND THEN REBUILT. WORKERS WERE PAID TIME AND A HALF REGULARLY TO REDO THIS MISTAKE. I SPOKE WITH A WORKER WHO DID NOTHING BUT RE-WORK FOR ALMOST TWO YEARS.

ANOTHER WORKER INFORMED ME CREWS SPENT WEEKS BOLTING TOGETHER DUCT WORK WITH INFERIOR BOLTS WHICH WERE ALREADY TAGGED TO BE REPLACED. IN OTHER WORDS THEY KNEW AT THE TIME OF INSTALLATION THEY WOULD HAVE TO BE REPLACED. SOMEONE HAS SINCE BEEN PAID TO REMOVE AND REPLACE THEM.

IN MAY OF 1982 KG&E SPENT \$200,000.00 TO REWELD AND REINSPECT WELDS THAT DOCUMENTATION WAS FAULTY ON.

AS RECENTLY AS THE SPRING OF 1983 A \$40,000.00 FINE WAS LEVIED ON KG&E DUE TO INADEQUATE PAPER WORK AND INSPECTION PROCEDURES. THIS REQUIRED THE EXPENSE OF MASSIVE REVIEW OF DANIELS PAPERWORK FROM FEBRUARY THROUGH MAY TO CORRECT THE PROBLEM.

OVER-TIME EXPENSES RELATE REGULARLY TO THOUSANDS OF WORKERS. MANY MILLIONS OF DOLLARS HAS BEEN SPENT ON RE-WORK DUE TO POOR CONSTRUCTION PRACTICES NOT DUE TO SAFETY-RELATED REGULATIONS.

JUST YESTERDAY WE HEARD KG&E'S MR. HAINES ANNOUNCE PROUDLY THAT THEIR PRIMARY HYDRO TEST WAS RECENTLY COMPLETED AT WOLF CREEK, 46 DAYS EARLIER THAN THEY ESTIMATED LAST YEAR IT WOULD HAVE BEEN. HE ALSO SAID IT HAD COME LATER THAN THEY HAD HOPED. PERHAPS WHAT HE WAS REFERING TO IS THE FACT THAT WHEN THE TEST WERE IN THE INITIAL STAGES THEY DISCOVERED THE SYSTEM HAD NOT BEEN MAINTAINED PROPERLY AND IN FACT WAS FULL OF RUST. IT TOOK WEEKS TO CLEAN AND REMOVE THE CORROSION. EVEN WILSON CADMAN IN HIS RECENT NEW YORK DELIVERY STATED THAT THE WOLF CREEK PROJECT WAS SIX WEEKS BEHIND SCHEDULE BECAUSE THE "HYDRO DELAY WAS ASSOCIATED WITH GETTING SYSTEMS CLEANED-up". EACH DAY'S DELAY AT WOLF CREEK AMOUNTS TO 1 AND THREE-QUARTER MILLION DOLLARS. PERHAPS THIS MAINTAINANCE PROBLEM HAS RESULTED IN A \$73 MILLION ADDITIONAL EXPENSE.

THERE IS A RESOURCE OF INFORMATION FROM PEOPLE WITH FIRST HAND EXPERIENCE. THESE ARE PEOPLE WHO ARE WILLING TO ATTEST TO THESE ALLEGATIONS IF GIVEN THE ASSURANCE THEIR TESTIMONY WILL HAVE VALUE. IT IS NECESSARY THAT THE KCC BE AWARDED THE AUTHORITY TO ASSESS AND MAKE A DETERMINATION OF THE FACTS THAT CAN BE BROUGHT BEFORE THEM.

IN MARCH OF 1983 TWO KCC COMMISSIONERS COMPLAINED "KG&E HAD NOT PROVIDED ADEQUATE UP-TO-DATE INFORMATION TO THE COMMISSION OF WOLF CREEK MATTERS, PARTICULARLY COST AND CONSTRUCTION SCHEDULES." PETE LOUX FURTHER SAID, "THEY ARE VERY EVASIVE ABOUT THEIR ANSWERS."

THE UTILITIES MAY VERY WELL TELL YOU THESE ALLEGATIONS ARE UNSUBSTANTIATED. OR THAT SUCH WORKER COMPLAINTS ARE NORMAL AND THEY WILL TAKE CARE OF THE M.

I AM NOT ATTEMPTING TO INDICATE WHAT IS AND IS NOT FACTUAL. THE POINT IS THAT THESE ALLEGATIONS ARE OF GRAVE CONCERN TO WORKERS AT THE PLANT AS WELL AS TO THE RATEPAYERS. THIS CLEARLY INDICATES THE AUTHORITY SHOULD BE AWARDED TO THE KCC TO PRESIDE OVER SUCH TESTIMONY, TO INVESTIGATE THE FACTS PRESENTED AND TO RESPOND ACCORDINGLY IN DETERMINING THE EXTENT, EXPENSE AND ACTION TO BE TAKEN ON IMPRUDENT CONSTRUCTION PRACTICES.

I URGE YOU TO SUPPORT HOUSE BILLS 2810 AND 2927.