

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Vice Chair Pat Apple at 9:30 A.M. on January 23, 2008 in Room 526-S of the Capitol.

Committee members absent: Senator Emler (excused)

Committee staff present: Raney Gilliland, Kansas Legislative Research Department
Cindy Lash, Kansas Legislative Research Department
Mike Corrigan, Revisor of Statutes
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

James Ludwig, EVP Public Affairs and Consumer Services, Westar Energy
John Grimwade, Senior Director Strategic Planning & Development, Kansas City Power & Light

Others in attendance See attached sheet

Status of Nuclear Generation in the US

Jim Ludwig, Westar Energy, presented their perspective on the nuclear power industry and its potential future direction. The United States produces 19.4% of its electric power from nuclear sources. The last operating license for a commercial nuclear reactor was issued in 1995 and the industry has since then concentrated on developing and certifying standard reactor designs. He cited the improvement in output by the Wolf Creek Plant from an average capacity factor of 74% to 91%. Other improvements at Wolf Creek in operations and capacity reflect a 28% increase in annual MW/h production.

Mr. Ludwig noted there are tremendous obstacles to any renaissance in nuclear power - (1) In September 2007 a construction license for a new nuclear power plant in the US for the first time in 30 years was sought; (2) Long term spent fuel storage; (3) cost and how long it would take to bring a plant on-line is unknown. Recent cost estimates for a plant in Florida are in the \$6 to \$9 billion range. If Kansas wants to be ready to enhance its baseload capacity through the expansion of nuclear power, he cited some conceptual statutory changes which would create a more favorable environment for the potential expansion of nuclear power in Kansas. (Attachment 1)

Committee members voiced concern about availability of the water needed for nuclear plants, how the size of a new plant would be determined and the legislation required to move forward.

John Grimwade, Senior Director Strategic Planning & Development, Kansas City Power & Light, noted KCPL's Comprehensive Energy Plan (CEP) represents a balanced approach to meet the needs of their customers. It is composed of affordable, reliable energy; environmental improvements; renewable energy, infrastructure investment and programs to give customers more control over their energy usage. Nuclear alternative not chosen in the CEP due to regulatory and permitting uncertainty and other issues. He noted what the feds and some states are doing legislatively in permitting, tax incentives and loan guarantees. For Kansas, he listed potential issues that may need to be addressed by legislation. (Attachment 2)

Committee asked about conservation, costs for building a nuclear plant, multi-owner relationships. Senator Lee's question: I heard rumors yesterday that KCP&L was backing off with 100 megawatts of wind for 2008 -which was in your original plans with the Serra Club, it was 200 - is that correct?

Grimwade response: Yes, there was a second 100 megawatts - the first 100 was part of the plan for a distributable energy facility; the second one was an obligation for KCP&L to look at for additional wind in 2008 time frame but we collaborated with the partners to see if it made sense. We went to the market, looked at the project and from a business perspective with capital markets and such wasn't a good business decision for our rate payers to proceed.

CONTINUATION SHEET

MINUTES OF THE Senate Utilities Committee at 9:30 A.M. on January 23, 2008 in Room 526-S of the Capitol.

Approval of Minutes

Moved by Senator Reitz, seconded by Senator Taddiken, the minutes of the January 17, 2008 meeting of the Senate Utilities Committee be approved. Motion carried.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 2

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: JANUARY 23, 2008

Name	Representing
Joe Dick	KCBPU
Ray Hennrich	KCC
Mark Schreiber	Westar
Jim Ludwig	Westar
Paul Snyder	KCP
John Grimwade	KCP
Whitney Danna	Coffey Co. Commission
Phil Wagers	KEPCo
Wes Ashton	Aquila
Steve Miller	Sunflower
Kate Michel	Hein Law Firm
John Desch	AMCA of KS
Dave Hoffhaus	KEC
LARRY BELL	MIDWEST ENERGY
MICK URBAN	KGS

Testimony of James Ludwig
Executive Vice-President Public Affairs and Consumer Services
Westar Energy
January 23, 2008

Good morning Mr. Chairman and members of the committee. I'm Jim Ludwig with Westar. I received a call from your legislative staff last week asking me to present our perspective on the nuclear power industry and its potential future direction. Also I was asked to offer our thoughts about statutory changes that would encourage the building of another commercial nuclear power plant in Kansas. Most of you know that Wolf Creek was originally planned to be the site of two nuclear units.

According to the International Atomic Energy Association, as of November 2007, the United States produces 19.4% of its electric power from nuclear sources. The country with the largest percentage of its electric power produced from nuclear sources is France at 78%. Worldwide, about 15% of electricity is generated by nuclear plants.

In the United States, the last operating license for a commercial nuclear reactor was issued to TVA on November 9, 1995 for the Watts Bar 1 plant in eastern Tennessee. Since then, the industry has been concentrating on developing and certifying standard reactor designs. The Nuclear Regulatory Commission (NRC) has certified two designs and is working on three more. Approximately 30 new units are being considered by various utilities. Three have had Early Site Permits approved by the NRC (Dominion – North Anna, VA, Entergy – Grand Gulf, MS and Exelon – Clinton, IL).

Since carbon dioxide and other greenhouse gases are a major environmental concern today, the United States must again embrace nuclear power, absent some unforeseen break-through technology in other types of power generation. Over the past 15 years, the improvements in the output of existing United States nuclear plants have provided the energy equivalent of building about 20 more plants. Wolf Creek is an example of this type of improvement. During its first five fuel cycles, it operated at an average capacity factor of 74%. For the last five fuel cycles, it has operated at an average capacity factor of 91%. Moreover, Wolf Creek's owners and Wolf Creek Nuclear Operating Corporation have undertaken efforts to increase the plant's peak capacity from 1,150 MW to 1,200 MW by upgrading its reactor output. Combined, the improvements in operations and capacity reflect the equivalent of about a 28% increase in annual MW/h production. Westar and our customers have benefited to the extent of our 47% share of the plant. In addition, every nuclear plant that has sought re-licensing has had its petition granted. Westar and its co-owners have requested a 20-year life extension of its original 40-year life and expect a ruling from the NRC in

November of this year. Unfortunately, the achievement of these remarkable gains in productive output means that further gains of such magnitude are unlikely.

Simply replacing existing nuclear plants as they are retired will require a huge commitment to nuclear power. If we are to meet new demand, or supplant existing demand that today is met by fossil fuels, a much greater commitment to nuclear power must happen.

Nevertheless, there are tremendous obstacles to any renaissance in nuclear power. First, until September 2007, no construction license for a new nuclear power plant had been sought in the United States for over 30 years. Second, there are substantial obstacles to long-term spent fuel storage. The long-term future of nuclear power depends on properly dealing with radioactive waste. Finally, because no nuclear plant has been built in the past decades in the United States, no one knows what a plant will cost or how long it will take to bring one on-line. Recent estimates of nuclear plants proposed in Florida are in the \$6 to \$9 billion range. Costs are escalating for all construction due to increases in labor and commodities, such as copper, steel and concrete.

The appropriate place in our supply plan for nuclear energy is to maintain, and where possible, expand Wolf Creek's productive capability, and to remain vigilant and flexible with regard to potential interest in another nuclear unit — some day. We believe it is more prudent for us and our customers to be in a position of being a "fast follower" rather than an "early adopter" with regard to new nuclear plants. Westar is not a big enough company to take on building a new nuclear power plant on its own. Combined, the owners of Wolf Creek aren't big enough.

The state has already enacted some laws to clear the way for expansion of nuclear power in our state. If Kansas wants to be ready to enhance its baseload capacity through the expansion of nuclear power, I would suggest the additional following conceptual statutory changes:

1. Remove the nuclear power exclusion of recovery of construction work in progress (CWIP) from K.S.A. 66-128;
2. Allow for full deferral and recovery of study and feasibility costs for a new nuclear unit;
3. For regulatory purposes, require book depreciable life of no greater than remaining NRC licensed life of the unit;
4. Assure priority of water rights for new nuclear generation.

These suggestions, if enacted, should not be viewed as a guarantee that Westar or any other utility would build a new nuclear unit. As I mentioned earlier, several obstacles will remain. However, these suggestions would create a more favorable environment for the potential expansion of nuclear power in Kansas.

Thank you again for asking me to address nuclear issues this morning. I will be glad to stand for questions at the appropriate time.

Kansas City Power & Light

Comments to the Kansas Senate Utilities Committee Regarding Nuclear Plant Development

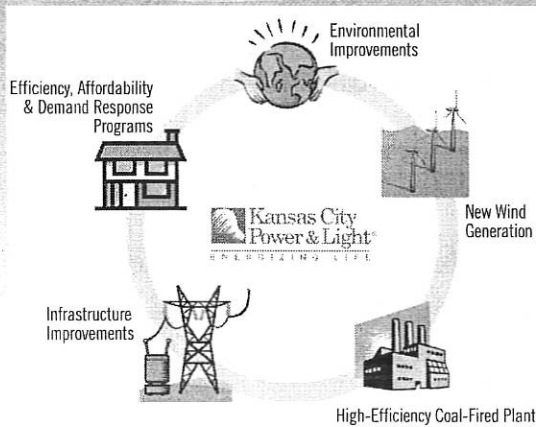
January 23, 2008

John R. Grimwade

Senior Director Strategic Planning & Development

 Kansas City Power & Light
ENERGIZING LIFE

Our Comprehensive Energy Plan represents a balanced approach to meet the needs of our customers



- Affordable, reliable energy to fuel long-term economic growth
- Environmental improvements to keep our area's air clean
- Renewable energy
- Infrastructure investment to reduce frequency and duration of outages
- Programs to give customers more control over their energy usage

 Kansas City Power & Light
ENERGIZING LIFE

Senate Utilities Committee
January 23, 2008
Attachment 2-1

Why was Nuclear Alternative not chosen in the CEP?

- Regulatory Uncertainty – Cost recovery
- Permitting Uncertainty
- Credit risk and ratings issues
- Not cost competitive with other alternatives
- Baseload mix was adequate at lower gas prices

Credit Ratings Agencies Concerns

- Nuclear adds levels of operating, regulatory and environmental risk to a business profile
- Concentration of ownership
- Regulatory – prudent recovery of capital, expenses and replacement power
- Decommissioning risk – funds may not be adequate
- Companies looking at nuclear construction need a framework of measures that will ensure prudent recovery of costs and reduce uncertainty

Legislation – What feds and some states are doing

- Permitting – NRC working to streamline construction and operating licensing process
- Federal tax incentives and loan guarantees
- Florida – PSC allows recovery of prudent siting and development/preconstruction and construction costs annually as well as financing costs. Plants that PSC approves but fail to reach completion will be fully recovered. CWIP not allowed in rate base until completion

Legislation – What feds and some states are doing

- South Carolina – Similar to Florida in that it allows for recovery of costs annually through a rider. CWIP allowed annually.
- North Carolina – Financing costs can be recovered in base rates through a general rate filing

Legislation – Potential Kansas issues

- Prudence of decision prior to proceeding
- Recovery of prudently incurred development and preconstruction costs
- Recovery of all prudent costs if unit fails to reach commercial operation
- Recovery of financing costs
- Recovery of CWIP in rates annually