

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

**APPLICATION OF WISCONSIN PUBLIC)
SERVICE CORPORATION FOR) DOCKET NO. 6690-UR-115
AUTHORITY TO ADJUST RATES)**

**Surrebuttal Testimony of
David A. Schlissel
Synapse Energy Economics, Inc.**

**On behalf of the
Citizens' Utility Board of Wisconsin**

October 6, 2003

Rebuttal Testimony of David A. Schlissel
PSC Docket No. 6690-U-115

- 1 **Q. Please state your name, position and business address.**
- 2 A. My name is David A. Schlissel. I am a Senior Consultant at Synapse Energy
3 Economics, Inc, 22 Pearl Street, Cambridge, MA 02139.
- 4 **Q. Have you previously submitted Testimony in this case?**
- 5 A. Yes. I submitted Direct Testimony on September 16, 2003 on behalf of the
6 Citizens' Utility Board of Wisconsin ("CUB").
- 7 **Q. What is the purpose of this Surrebuttal Testimony?**
- 8 A. I am addressing in this Surrebuttal Testimony the following recommendations by
9 Staff witness James Wagner and WPS witness Bradley Johnson:
- 10
 - That the Commission examine the question of the appropriate
11 decommissioning cost escalation rate in a generic proceeding; (both Staff
12 witness Wagner and WPS witness Johnson)
 - If the Commission decides to examine escalation rates in a generic
13 proceeding, that WPS should be authorized to collect the same amounts
14 from ratepayers for decommissioning Kewaunee in 2004 as it is collecting
15 in 2003. (Staff witness Wagner)
- 16 **Q. Do you agree that the Commission should defer into a generic proceeding a
17 decision on the appropriate escalation rate for the "other costs" category of
18 decommissioning costs?**
- 19 A. No. I believe that the Commission has an adequate record in this proceeding on
20 this issue. I filed my original testimony and WPS and the Staff have both had an
21 opportunity to submit rebuttal testimony. I don't believe that anything could be
22 gained by postponing a decision by deferring the issue into a generic proceeding.

1 **Q. Did the Company and Staff have notice that CUB intended to examine issues**
2 **related to WPS's collection of Kewaunee decommissioning costs in this**
3 **proceeding?**

4 **A.** Yes. CUB's July 18, 2003 request for Intervenor Compensation specifically
5 requested funding for Synapse's review of WPS's current decommissioning cost
6 analysis, a fact which was also noted in the July 31, 2003 Memorandum o the
7 Public Service Commissioners. The scope of my proposed testimony was further
8 reported in the August 6, 2003 Wisconsin Utility Regulation Report discussion of
9 the Commission's Open Meeting on that date:

10 Synapse Energy Economics. Synapse will review the Kewaunee
11 nuclear plant decommissioning cost estimate. WPSC developed a new
12 decommissioning cost study for the Kewaunee Nuclear Power Plant
13 (KNPP), and will file the revised funding plan in supplemental
14 testimony. Synapse will review the reasonableness of the company's
15 new cost estimate and recommend a funding plan that would satisfy
16 ratepayer interests. Commission staff will not be performing an in-
17 depth review of WPSC's revised decommissioning cost study.
18 Testimony by Synapse may provide additional information for the
19 record.¹

20 Consequently, neither the Staff nor WPS should have been surprised by the issues
21 I addressed in the testimony I filed on September 17, 2003.

22 **Q. Do you agree with recommendation of Staff witness Wagner that if it decides**
23 **to examine the question of the appropriate Kewaunee decommissioning cost**
24 **escalation rates in a generic proceeding, the Commission should allow WPS**
25 **to collect the same amount from ratepayers during 2004 as it is currently**
26 **collecting in 2003?**

27 **A.** No. If it decides to examine escalation rates in a generic proceeding, the
28 Commission should suspend decommissioning cost collections for 2004.

¹ At page 5.

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1 **Q. Would such a one year suspension of decommissioning cost collections create**
2 **a significant risk that WPS will not have enough funds to adequately and**
3 **safely decommission the Kewaunee Nuclear Plant at the end of its operating**
4 **life?**

5 **A.** No. A one year suspension during 2004 while the Commission were examining
6 the question of appropriate decommissioning cost escalation rates would not
7 create a significant risk that the Kewaunee decommissioning funds will be
8 underfunded and consequently, would be inadequate to pay for the plant's
9 decommissioning and dismantlement.

10 **Q. What is the basis for this conclusion?**

11 **A.** Using WPS's 2002 Cost Study model, we examined the consequences of
12 suspending decommissioning cost collections during 2004. We found that even if
13 it is assumed that all categories of decommissioning costs escalate at the rates
14 established by the Commission in its Order 05-El-14, including an 8 percent
15 escalation rate for the "other costs" category, there would be at most a small
16 deficit (i.e., about \$49 million, in year 2037 nominal dollars) in the
17 decommissioning funds by the time that decommissioning is completed in 2037.

18 **Q. What would be the effect of collecting the currently authorized amounts in**
19 **2004, as Staff witness Wagner has recommended?**

20 **A.** Again, using WPS's 2002 Cost Study model and an 8 percent escalation rate for
21 the "other costs" category of decommissioning costs, we found that collecting the
22 same amounts in 2004 as WPS is collecting from ratepayers in 2003 would reduce
23 the projected deficit from \$49 million to about \$34 million, both in year 2037
24 nominal dollars.

1 **Q. What options would the Commission have if it suspended decommissioning**
2 **cost collections during 2004 and then decides that the escalation rates set**
3 **forth in Order 05-El-14 are still appropriate?**

4 A. The Commission would have several options. First, it could order that the
5 Company collect enough during the years 2005-2010 to ensure that the
6 decommissioning funds would be adequately funded. Or, the Commission could
7 just extend the period during which decommissioning costs would be collected
8 from ratepayers by an additional year or so.²

9 For example, we studied what would happen if the Commission suspended
10 collections during 2004 but later decided it was necessary to reinstate collections
11 from 2005-2011. Using WPS's 2002 Cost Study model and an 8 percent
12 escalation rate for the "other costs" category, we found that in this scenario there
13 would be a deficit of only \$7.1 million when decommissioning is completed.

14 **Q. Do you think that there is a significant risk that the Commission would have**
15 **to reinstate decommissioning cost collections after 2005 if it suspends those**
16 **collections during 2004?**

17 A. No. For the reasons I presented in my September 17, 2003 Direct Testimony, I
18 believe that it is reasonable to assume that the "other costs" category of
19 decommissioning costs will escalate at a 6 percent or lower average annual rate.
20 For this reason, I believe that WPS's Kewaunee decommissioning funds will be
21 adequate even if the Commission does not authorize any additional collections
22 after 2003.

² According to WPS's proposed funding plan, 2010 would be the last year in which decommissioning costs would be collected from ratepayers. If it determined that additional collections were needed, the Commission could extend the collection period into 2011. This would still be several years before Kewaunee is currently scheduled to be retired in 2013.

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1 **Q. What should the Commission do if it decides to open a generic proceeding
2 and allow WPS to collect any amount of Kewaunee decommissioning funds
3 from ratepayers during 2004?**

4 A. If the Commission decides to open a generic proceeding to examine
5 decommissioning escalation rates, as the Staff and WPS have requested, and
6 allows WPS to make any decommissioning cost collections from ratepayers
7 during 2004, it should state that all such funds would be subject to refund to
8 ratepayers if it later decides that a lower escalation rate is appropriate.

9 **Q. Does this complete your surrebuttal testimony?**

10 A. Yes.

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