

FILED
March 25, 2010
Missouri Public
Service Commission

Kliethermes, Sarah

From: Rackers, Steve
Sent: Tuesday, September 29, 2009 10:44 AM
To: Gilbert, Guy
Cc: Rice, Arthur; Kremer, Lisa
Subject: RE: Callaway Depreciation

Guy,

CO- Exhibit No. 167
Date 3/16/10 Reporter pf
File No. ER-2010-0036

To an accountant, or maybe its just me, the technical discussion about metallurgy is like a foreign language. Something about what we did in establishing the depreciation rates for Callaway is or looks enough like life span that Wiedmayer is claiming it is and this will be used against us on the coal units. MIEC is involved in both KCPL and UE and is looking at the rates in the current UE case and will pick-up on the fact that the rates are different and what Wiedmayer is saying. So I guess we do need to meet and should probably do so before we meet with MIEC on October 8th. Would you please set something up and invite whoever you think needs to be there. Bob should probably attend, since he will be in the MIEC meeting. Thanks.

From: Gilbert, Guy
Sent: Friday, September 25, 2009 5:08 PM
To: Rackers, Steve
Cc: Rice, Arthur; Kremer, Lisa
Subject: RE: Callaway Depreciation

Steve,

It is my understanding that depreciation Staff was not involved in the development of the KCPL depreciation rates in the regulatory plan. It is my thought that they came from the KCC. Rosella proposed alternatives that were rejected and Callaway's are the result of the life issue ruling that Wood addressed and the depreciation policy that was in the Empire ER-2004-0570. Consequently when it comes to methodology what Jolie put forth in the 2007 case is the only methodology since these plants inception that the Commission has ever approved. I do not recall the MO Commission ever ordering a 60 year life for Wolf Creek. From a technical stand point these units are very dissimilar when comparing the metallurgical aspects of the reactor containment internals that resulted in (if I recall correctly) a 37% net salvage for parts of the unit. So following the Commission policy these units are quite different and will never have the same life characteristics.

If you wish to call or meet please let me know.

Thanks,
Guy
573-526-5898

From: Rackers, Steve
Sent: Friday, September 25, 2009 4:45 PM
To: Gilbert, Guy
Cc: Rice, Arthur; Kremer, Lisa
Subject: RE: Callaway Depreciation

Guy,

I guess my question boils down to, why are the depreciation rates different for Callaway and Wolf Creek? And are we considering changing Callaway's to match Wolf Creek's. The facilities are nearly identical nuclear plants and the Commission ordered that a 60 year life be used for developing the depreciation rates for both plants. There may be a good reason, but I don't understand why the rates are different.

3/1/2010

Thanks.

From: Gilbert, Guy
Sent: Friday, September 25, 2009 4:10 PM
To: Rackers, Steve
Cc: Rice, Arthur
Subject: RE: Callaway Depreciation

Hi Steve,

I saw Lisa's email to you and thought I would come in and provide a more timely response. Art was not here back then and is on vacation. Warren Wood addressed the life issue of Callaway in ER-2007-0002 case, so I am not clear on the basis of your concern. The Wolf Creek rates were a result of the KCPL regulatory plan. Those rates were reaffirmed in ER-2006-0314 where Rosella represented the Staff and proposed alternative rates that were rejected by the Commission. If you wish to call or meet please let me know.

Thanks,
Guy
573-526-5898

From: Rackers, Steve
Sent: Thursday, September 24, 2009 11:32 AM
To: Rice, Arthur
Cc: Gilbert, Guy
Subject: Callaway Depreciation

I just finished reading Wiedmayer's depreciation testimony in the UE case. On page 31 he says that the Missouri Commission uses Life Span for nuclear production plants. Hopefully this is a mischaracterization considering how we have always opposed the Life Span method and since ER-2007-0002 was stipulated between Staff and Company on depreciation I don't think it is necessarily "Commission" use or acceptance. However, I know we are calculating the rates differently for Callaway than we are for Wolf Creek so I'm concerned that what we have done can even be portrayed as acceptance of Life Span.

How are we going to address this UE/KCPL inconsistency and, since we will be doing a full study in this case, are we planning to change our nuclear depreciation rates to closely match Wolf Creek's, and/or do something like what Dunkel of OPC proposed in the last case?

Thanks.

Steve Rackers
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