

**STAFF REPORT OF THE
CONSTRUCTION AUDIT / PRUDENCE REVIEW
OF ENVIRONMENTAL UPGRADES TO
IATAN 1 AND IATAN COMMON PLANT**

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2009-0090

*Jefferson City, Missouri
December 31, 2009*

**Missouri Public Service Commission Staff
December 31, 2009**

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1 ***1. Executive Summary***

2 This Report was ordered by the Missouri Public Service Commission in Case No.
3 ER-2009-0089. Due to timing, Staff was unable to apply its customary practice of providing the
4 Audit Report to the Utility for Comment and Discussion before its issuance, and submits the
5 Report entirety as Highly Confidential. Staff agreed with KCPL to file its Report as Highly
6 Confidential in order to facilitate discovery. The purpose of the agreement was to remove the
7 delay in the receipt of information caused by KCPL's review of data to determine whether it
8 should be classified as Highly Confidential or Propriety as well as time spent marking the
9 information as such. It is Staff's hopes that the Commission will order KCPL to file within
10 45 days for the Report a copy marked appropriately for public view. Thus, this Report does not
11 follow Staff's normal practice regarding its Audit Reports

12 Iatan Unit 1 Electric Generating Station (Iatan 1) is a 670 megawatt (MW) pulverized
13 coal-fired power generating facility located near Weston, Missouri. As part of the Iatan
14 Construction Project (Iatan Project) and Comprehensive Energy Plan (CEP), Kansas City Power
15 & Light Company (KCPL) retrofitted Iatan 1 with Selective Catalytic Reduction (SCR), Fabric
16 Filters (FF), and wet Flue Gas Desulphurization (FGD) systems referred to as Air Quality
17 Control System (AQCS). The AQCS construction was completed on February 2, 2009 and
18 placed in service April 19, 2009. During the overhaul to place AQCS into service, other
19 equipment including new Low NOx Burners and Over-Fire Air System, Bottom Ash Chain
20 Conveyor Systems, new Digital Control System (DCS) and new economizer were installed. The
21 Iatan Project also includes the construction of a new 850MW coal-fired steam electric generating
22 facility (Iatan 2).

1 Thus the Iatan Project consists of the Iatan 1 AQCS and Iatan 2 segments. The Common
2 Plant additions and modifications to the Iatan site are contained partially in the budgets of the
3 Iatan 1 AQCS and Iatan 2 segments. The Iatan 1 AQCS segment is an integrated component of
4 the Iatan Project. The Iatan Project costs were reported as two segments, Iatan 1 AQCS and
5 Iatan 2. Portions of the plant common to both segments were included in the Iatan 1 AQCS and
6 Iatan 2 budgets. The Iatan Project components are:

7 **1. Iatan 1 AQCS** This segment is related to costs that are solely related to the operation
8 of the Iatan 1 generating unit.
9

10 **2. Common Plant Used to Operate Iatan 1** This segment is related to facility costs
11 that are related to the operation of both Iatan 1 and 2 for components that were fully operational and
12 used for service on or before April 30, 2009.
13

14 **3. Common Plant-Remainder** This segment is related to the Iatan Project costs that
15 are related to the operation of both Iatan 1 and 2 for components that were not fully operational and
16 used for service on or before April 30, 2009.
17

18 **4. Iatan 2 Only** This segment is related to costs that are solely related to the operation
19 of the Iatan 2 generating unit. This generating unit is not yet fully operational and used for service.

20 This Report covers Iatan 1 AQCS and Iatan Project Common Plant used to operate
21 Iatan 1. It should be noted that significant expenditures remain to be paid after a major
22 construction project becomes fully operational and used for service. Staff expects that the
23 remaining two (2) segments of the Iatan Project to be addressed in future rate cases when KCPL
24 seeks recovery of these costs from its Missouri ratepayers. These four segments are not
25 distinguishable from each other on an actual cost basis. These segments cannot be separated on
26 an actual cost basis because the Iatan Project used a contracting strategy which included work
27 covering Iatan 1, Iatan 2, and Common facilities for both units for large contracts. In addition,
28 actual costs incurred were not invoiced or recorded in a manner that allowed for the recognition
29 of the Iatan Project's actual expenditures related to each of these four segments. In many cases,

1 actual costs were assigned totally to Iatan 2 that were related to Iatan 1, in part or in total. The
 2 Report covers Staff's audit of the actual costs of the Iatan 1 AQCS segment as of May 31, 2009.
 3 Staff was informed that cash payments were expected to be made relative to this segment
 4 through December 2009. As Staff discovered in this audit, certain costs were assigned to Iatan 1
 5 AQCS that in Staff's opinion were related to Iatan 2. It is likely that Iatan 2 contains costs that
 6 should be assigned or allocated to the Iatan 1 AQCS segment or the Common Plant Used to
 7 Operate Iatan 1 segment. Staff expects the remaining audits of the Iatan Project to be as follows:

When Audit Report Filed	Expected Scope
Staff Direct Filing Date in KCPL's next Rate Case	Iatan 1 AQCS Post May 31, 2009 Expenditures, Iatan 2 May 31, 2010 Expenditures, Iatan Project Common Plant not needed to operate Iatan 1 and in service by rate case cutoff date.
Staff Direct Filing Date in KCPL's in Rate Case following the inclusion of Iatan 2 in rate base.	Iatan 2 Post May 31, 2009 Expenditures and Iatan Project Common Plant not needed to operate Iatan 1 and in service after previous rate case cutoff date.

9 These Audits will complete the audit of the Iatan Project. Staff has experience significant
 10 discovery issues in this audit. These issues are highlighted by the absence of any of these issues
 11 when KCPL provides information to the Staff of the Kansas Corporation Commission. In the
 12 future, Staff reserves the right to modify its findings in this Report if it discovers that KCPL has
 13 withheld information, except when allowed by the Commission, which should have been
 14 provided in response to a Staff Data Request or KCPL, provided inaccurate information in
 15 response to a Staff Data Request. The specifics of the discovery matters and their impact on
 16 Staff's audit are addressed later in this Report.

1 management of the Iatan Project, as well as cost overruns caused by a sole source consultant
2 performing multiple levels of work at above market prices.

3 At this time Staff is proposing that approximately ^{**} [REDACTED] ^{**} of the cost overruns be
4 examine in conjunction with Staff's audit of Iatan 2 overruns. While Staff is not proposing a
5 disallowance of the Iatan 1 AQCS cost overruns not identified or explained by the change
6 management system, Staff cannot recommend inclusion of these amounts without identification
7 and corresponding examination. This problem was not anticipated because of safeguards built
8 into KCPL's Regulatory Plan. Unfortunately, these safeguards failed to be fully implemented by
9 KCPL. Subsequent work on Iatan 2 and the remaining Common Plant with additional interaction
10 with KCPL representatives is expected to result in further refinement of this number leading to
11 an opinion the costs item is justified or be addressed by a proposed disallowance.

12 At this time Staff is proposing to exclude certain costs contained in the Iatan 1 AQCS
13 segment of the Iatan Project. Some of those proposal would result in denying cost recovery in
14 rates from KCPL customers because these costs are inappropriate or because KCPL did provide
15 to Staff adequate information for Staff to determine that inappropriate costs were not included in
16 costs the Staff is proposing to exclude.

17 The following table lists Staff proposed adjustments, with summary information related
18 to each adjustment. The full explanation and support for the adjustment is contained in Detailed
19 Findings section of this Report.

1 indication of areas that Staff should direct their attention; Staff must devote significant time and
2 effort to acquire the information to examine those areas. KCPL's actions are more akin to
3 treating the Staff as an adverse party in litigation than an entity conducting an audit of a portion
4 of their operations.

5 The fact that the Staff does not propose an adjustment related to costs not specifically
6 addressed in this Report indicates that Staff did not find a sufficient basis in this audit to justify
7 an adjustment. The fact that the Staff does not address an area of costs in this Report or did not
8 propose an adjustment at this time does not indicate that the Staff found the costs incurred and
9 KCPL's activities to be appropriate, reasonable and prudent. While Staff has no intention to
10 continue an audit in the areas contain in this Report, Staff will continue to inquire into portions
11 of the Iatan Project to increase its understanding of the Project to provide in its future audit
12 reports the best recommendation within its ability. Staff will continue to resist KCPL's efforts to
13 delay the provision of information (e.g. waiting three (3) months to receive **a response** regarding
14 its request to KCPL to make available information that KCPL had indicated would be available
15 for review upon Staff's request), unless the Commission indicates that Staff is to accept these
16 actions by KCPL and perform its audit with these limitations. It is certain that these discovery
17 problems will continue, unless Staff agrees to conduct its audit on KCPL's terms based upon the
18 information that KCPL is willing to provide.

19 In the future, Staff does not know what position KCPL will take relative to the costs
20 addressed by this audit. Likewise Staff does not know what its position in response to unknown
21 KCPL positions will be. This Report does not indicate that Staff will not address any area of
22 costs in its report to be filed in the rate case when KCPL/GMO seeks recovery of these costs in
23 rates raised by other parties, including KCPL. The quality of the audit / review findings and

1 conclusions is dependent on the quality of the audit / review performed on the information
2 provided by KCPL. It is also dependent on the time and resources available to perform the audit,
3 the quality and reliability of the information provided, the timing of when information is
4 provided and the sufficiency of the information available to audit. As is generally the situation
5 in construction audits / prudence reviews, the practical effect of the requirements is that the
6 burden falls on the Staff. This situation makes construction audits and prudence reviews
7 vulnerable to discovery issues, as the utility company has the incentive to delay and prevent the
8 provision of information that might show even the slightest potential of inappropriateness,
9 unreasonableness, or imprudence of costs charged to the project. Costs which the Company is
10 seeking to recover from its customers.

11 **2. *Audit Objectives***

12 The objectives for this Report were to determine 1) whether the Iatan 1 AQCS and Common
13 Plant needed to operate Iatan 1 segments of the Iatan Project contain inappropriate charges and
14 2) whether the cost overruns of approximately \$87 million exclusive of AFUDC were the result
15 of imprudent management.

16 **3. *Risk Assessment***

17 Staff determined the risk of inappropriate charges to the Iatan Project segments was high
18 after the Staff had to pursue discovery dispute options over a three-month period to obtain
19 supporting documentation related to a questionable \$405 lunch charge to the Iatan 2 segment of
20 the Iatan Project and after Staff found that another senior manager was charging Iatan 2 on a
21 regular basis for mileage charges for trips unrelated to the Iatan Project KCPL was assigning
22 Iatan 2 indirect costs including these amounts to the Iatan Common Plant KCPL was proposing

1 to include in its rate base in this case. Staff found, after dogged pursuit, that the \$405 lunch
2 charge was a KCPL senior manager's personal expense item that was misrepresented on that
3 manager's expense report.

4 Staff assessed the risk of at least some of the cost overruns were the result of imprudent
5 management was high after Staff discovered the project was delayed by KCPL's delay in hiring
6 a project manager, losing at least six (6) months of time needed meet the June 1, 2010 CEP date,
7 and KCPL's allowing a personnel matter to cause further delay placing the Iatan Project behind
8 in both documentation and planning.

9 **4. *Audit Scope and Approach***

10 Staff's first step in determining the audit scope was to select a time period cutoff for the
11 audit. Staff was made aware that costs for the Iatan 1 AQCS were expected to continue through
12 December, 2009. Staff selected a May 31, 2009 cutoff, anticipating that cutoff would allow
13 adequate time for all May 2009 information to be available; provide time to review subsequent
14 events for consistency with Staff's audit findings; and allow time to meet with KCPL to discuss
15 Staff's conclusions with KCPL.

16 The amount of Iatan 1 AQCS costs being examined in this audit was approximately ^{**} [REDACTED]
17 ^{**} [REDACTED] before consideration of allocation to KCPL of its share of jointly owned costs. The
18 following table provides a breakdown of the ^{**} [REDACTED] ^{**} of Iatan 1 AQCS costs examined in
19 this audit:

1 not identify and explain items causing ^{**} [REDACTED] ^{**} of cost overruns Staff would audit Project
2 actual and budget information to identify vendor transactions that are possible factors causing
3 cost overruns. It was necessary for Staff to do so. Staff audited certain officer and Iatan Project
4 management position expense reports for inappropriate charges to Iatan Project. Some examples
5 of the other specific audit activities that were performed during the audit are as follows:

- 6 a. KCPL employee interviews
- 7 b. Project manager interviews
- 8 c. Review minutes of periodic CEP Oversight Committee minutes
- 9 d. Meet with other regulatory bodies charged with reviewing the
10 appropriateness, reasonableness, and prudence of the Iatan construction
11 projects.
- 12 e. Review testimony related to the Iatan construction projects of other
13 regulatory bodies charged with reviewing the appropriateness,
14 reasonableness, and prudence of the Iatan construction projects and
15 KCPL's response to such testimony.
- 16 f. Investigate apparent discrepancies in KCPL responses and
17 incomplete KCPL responses to different jurisdictions.
- 18 g. Review KCPL officer expense reports and evaluate the
19 effectiveness of KCPL's officer expense report process internal controls
- 20 h. Review a significant number of, but not all, construction contractor
21 and vendor invoices. Issue follow-up data requests as needed.
- 22 i. Review KCPL Board of Director Minutes regarding any matters
23 relating to the construction projects.
- 24 j. Visit the construction work site, among other things, to interview
25 appropriate work site personnel to determine the in-service status of costs
26 charged to the project as well as examine construction activities.
- 27 k. Meet with project management personnel at KCPL's Kansas City
28 headquarters building to review project status and costs.
- 29 l. Project contract evaluation respecting relevant provisions
30 impacting project costs and schedule.

1 Since Iatan 1 cost overruns are not identified in KCPL's system, let alone explained, the
2 Commission ordered invoice review cannot be focused primarily on the invoices or journal
3 entries that caused the cost overruns. As a consequence, Staff had to greatly expand the audit
4 scope, reviewing secondary information to pinpoint the areas causing the cost overruns in either
5 the construction or indirect costs functions of the Iatan 1 AQCS project. In other words, Staff had
6 to conduct its audit searching for alternative approaches to discover the factors that caused the
7 overruns and examine the justification for the factor occurring.

8 **5. Detailed Findings**

9 **A. Common Plant needed to operate Iatan 1.**

10
11 In rate case no. ER-2009-0089 KCPL filed a binder with the Rebuttal testimony of
12 Steve Jones in which it asserted that the Iatan Project had ^{**} [REDACTED] ^{**} of common plant related
13 to the operation of Iatan 1 and Iatan 2. The summary schedule from this binder is attached to this
14 Report as Schedule 1. It provides a listing of the assets with related estimated value that
15 ^{**} comprise the [REDACTED] ^{**}

16 These common costs were contained either in the project budgets of Iatan 1 AQCS or
17 Iatan 2 segments. Iatan 1 AQCS and Iatan 2 budgets contained ^{**} [REDACTED] ^{**} and ^{**} [REDACTED] ^{**}
18 of these common costs, respectively. The Commission Order specified that that this audit was to
19 address common costs needed to operate Iatan 1. Since the Iatan 1 AQCS was determined to be
20 in service in April 19, 2009 by KCPL (Staff uses a 4/24/09 date), Staff used an on or before
21 April 30, 2009 in-service status date as the criteria to identify the common plant needed to
22 operate Iatan 1.

23 The Iatan Project had ^{**} [REDACTED] ^{**} of common plant in service on or before April 30,
24 2009; thus reducing the amount of Iatan Plant Common Plant Estimate requested in the rate case

1 by [REDACTED] Thus, the [REDACTED] represents the portion of the Common Plant Estimate
 2 needed to operate Iatan 1. Further, the Iatan Project Common Plant Estimate needed to operate
 3 Iatan 1 consists of [REDACTED] and [REDACTED] of the Iatan 1 AQCS and Iatan 2 current
 4 budgets, respectively.

5 Staff adopted the premise that all the above facilities that were operating at 100% in
 6 conjunction with the operation of Iatan 1 AQCS would constitute additions needed to operate
 7 Iatan 1, as specified in the Commission's order determining the scope of this audit. The
 8 following facilities were found not to be fully operational at April 30, 2009:

Asset	Percent Complete	KCPL Value Estimate of Assets Not Fully Operational & Used for Service @ April 30, 2009
Water Treatment Facility	10% **	[REDACTED] **
Vacuum Compressor Facility	80% **	[REDACTED] **
Coal Handling Facility	49% **	[REDACTED] **
Storage Tanks	10% **	[REDACTED] **
Fly Ash Silo	0% **	[REDACTED] **
Fire Protection	10% **	[REDACTED] **
Rail Road	0% **	[REDACTED] **
Total	**	[REDACTED] **
Indirect Costs Assigned from Iatan 2 Budget	**	[REDACTED] **
Total of All Assets	**	[REDACTED] **

10

1 KCPL did not organize its Iatan Project Cost Control System to separately budget and
2 track actual costs for the common facility expenditures that will serve the operation of both
3 Iatan 1 and Iatan 2.

4 KCPL relies upon the Federal Energy Regulatory Commission (FERC) Uniform System
5 of Accounts (USOA) language as requiring that the facilities in the table above which are
6 required to operate Iatan 1 need to be placed in service at the time they are completed:

7 FERC USOA account 107

8 B. Work orders shall be cleared from this account as soon as practicable
9 after completion of the job. Further, if a project, such as a hydroelectric
10 project, a steam station or a transmission line, is designed to consist of two
11 or more units or circuits which may be placed in service at different dates,
12 any expenditures which are common to and which will be used in the
13 operation of the project as a whole shall be included in electric plant in
14 service upon the completion and the readiness for service of the first unit.
15 Any expenditures which are identified exclusively with units of property
16 not yet in service shall be included in this account.

17 Since KCPL's Cost Control System did not track actual costs related to these common facilities,
18 the common plant estimates cannot be traced to source documents, such as invoices or journal
19 entries. The difficulty of auditing the common plant estimate is that invoices and journal entries
20 were not coded in a manner to allow the tracking of the actual costs related to the common plant
21 facilities. Thus, actual costs as evidenced by source documents (e.g., invoices, journal entry
22 support) related to the Iatan Project common plant do not exist. With the exception of the
23 indirect costs assigned to the Common Plant Estimate, the remaining portion of the estimate is
24 not auditable through any invoice or journal entry review.

25 There is no factor beyond KCPL's control that caused its design of the Iatan Project Cost
26 Control System to omit the Iatan Project Common Plant being tracked in such a manner as to
27 allow tracing the actual costs to build these facilities. Staff found evidence that the account 107
28 language used by KCPL to support the premise that these common plant facilities must be

1 transferred into plant in service at the time the Iatan 1 AQCS is completed dates back at least to
2 1984. This language is contained in a FERC USOA 18 CFR Part 101, account 107 that was in
3 effect more than 20 years prior to start of construction (2005) of Iatan 1. Schedule 2 attached to
4 this Report is the page from this edition showing the date of the version with the applicable
5 language for account 107. Despite the fact that the FERC requirement to close into plant in
6 service the common facilities used to operate Iatan existed well before the initiation of the KCPL
7 Regulatory Plan, the Iatan Project Cost Control System was not established to allow specific cost
8 tracking for the Iatan common facilities used to operate Iatan 1. Thus, the cost for these common
9 facilities reflected on KCPL's books is determined by their estimated cost being treated as the
10 actual cost after an adjustment based on the ratio of the overall Iatan 2 payments to the Iatan 2
11 current budget.

12 There is one component of the Iatan Project Common Plant Estimate that has sufficient
13 relationship to the Iatan Project actual costs to be examined in light of actual information. The
14 assignment of indirect costs to the Iatan Project Common Plant Estimate is traceable to actual
15 costs as KCPL assigned ^{**} [REDACTED] ^{**} of Iatan 2 Project Indirect Committed Costs at
16 December 31, 2008, exclusive of Burns & McDonnell engineering costs already considered in
17 the Iatan Project Common Plant Estimate.

18 While KCPL represented that its position to transfer its Iatan Project Common Plant
19 Estimate from the Iatan 1 AQCS and Iatan 2 budgets create no increase to the Iatan Project
20 overall costs,ⁱ the Staff's risk assessment for this area indicates that KCPL's share of the Iatan
21 Project costs is influenced by the amounts transferred between Iatan 1 AQCS; Iatan 2, and the
22 Iatan Project Common Plant segments. KCPL is charged seventy percent (70%) of the dollars
23 assigned to Iatan 1, approximately fifty-five percent (54.71%)ⁱⁱ for Iatan 2, and approximately

1 sixty-one percent (61.45%) for Iatan Project Common Plant. The transfer of Iatan Project
 2 Common Plant Estimate from the Iatan 1 AQCS and Iatan 2 budgets increases KCPL's costs
 3 from the Iatan Project by [REDACTED] The following table shows the impact of the Iatan
 4 Common Plant Estimate transfer on KCPL's Iatan Project costs:

A	B	C	D
Description	Dollars Transferred to Iatan Project Common Plant	Percent Increase or <Decrease> assigned to KCPL	Dollar Impact on KCPL (B x C)
Iatan 1 AQCS Dollars Transferred	[REDACTED]**	<8.55%> **	[REDACTED]**
Iatan 2 Dollars Transferred	[REDACTED]**	6.74% **	[REDACTED]**
Total	[REDACTED]**	**	[REDACTED]**

6 Since KCPL's percentage ownership in Iatan 2 differs than its percentage ownership in Iatan 1,
 7 KCPL's share of the total Iatan Project cost is impacted by the amount of funds transferred to
 8 Common Plant from Iatan 2. This, in turn impacts the costs within the scope of this audit which
 9 is includes both Iatan 1 AQCS costs and the common plant used to operate Iatan 1. Thus, the
 10 audit scope of the costs shifted from Iatan 2 to Common Plant is limited to only the amount of
 11 the Iatan Common Plant Estimate needed to operate Iatan 1. The scope limitation reduces
 12 significantly the amount of funds transferred from Iatan 2 in relation to Iatan 1 AQCS. This
 13 result would be expected since practically all the common plant in the Iatan 1 AQCS segment
 14 would be expected to be in service at the time the Iatan 1 AQCS is brought into service while
 15 some Iatan 2 common plant would be placed in service after this date as the Iatan 2 project is not
 16 expected to be completed until more than a year later.. The following table shows the impact of
 17 the Iatan Common Plant Estimate transfer on KCPL's Iatan Project costs for the portion of the
 18 Estimate related to Common Plant needed to operate Iatan 1:

1

A	B	C	D
Description	Dollars Transferred to Iatan Project Common Plant	Percent Increase or <Decrease> assigned to KCPL	Dollar Impact on KCPL (B x C)
Iatan 1 AQCS Dollars Transferred **	██████████ **	<8.55%> **	██████████ **
Iatan 2 Dollars Transferred **	██████████ **	6.74% **	██████████ **
Total **	██████████ **	**	██████████ **

2

3

4

There were three items regarding the assignment of Indirect Costs to the Iatan Project Common Plant estimate that Staff raises as issues at this time. Staff is not taking any exception to the Direct Cost Estimates, given the conditions existing at the time KCPL made the decision to remove the Iatan Project Common Costs from the Iatan 1 AQCS and Iatan 2 budgets. Staff does not find the decision to include the Iatan Project Common Costs in the Iatan 1 AQCS and Iatan 2 budgets to be prudent if KCPL believes that it was required to place these facilities in service at the time the Iatan 1 AQCS became fully operational and used for service.

11

The first of Staff's three (3) issues is that only Iatan 2 Indirect Costs are assigned to the Iatan Project Common Plant Estimate, while no Iatan 1 AQCS Indirect Costs are included in the Iatan Project Common Plant Estimate. This appears to be unreasonable because the Iatan 1 AQCS direct costs being transferred represent approximately 32% of all the common plant being transferred from the Iatan 1 AQCS and Iatan 2 budgets. In addition, the Iatan 1 AQCS direct costs being transferred represent approximately 43% of the total Iatan Project Common Plant costs transferred from the Iatan 1 AQCS and Iatan 2 budgets that are needed to operate Iatan 1. This issue overstates the Iatan 1 AQCS costs to KCPL, KCP&L- Greater Missouri Operations (GMO), and The Empire District Electric Company (Empire) as these entities are charged the

19

1 full amount of indirect costs associated with the common plant facilities contained in the Iatan 1
2 AQCS budget.

3 KCPL stated that the reason Iatan 1 AQCS indirect costs were excluded from the cost
4 assignment of indirect costs to the Iatan Project Common Plant was that all indirect costs for the
5 Common Plant were charged to Iatan 2. If this were true, then there would be no need to use an
6 allocation methodology to transfer indirect costs from Iatan 2 to the Iatan Project Common Plant.
7 If all the Iatan Common plant indirect costs were charged against the Iatan 2 budget, then the
8 amount of those costs charged to Iatan 2 should be transferred to the Iatan Project Common
9 Plant, and no allocation process would be necessary. Allocation methodologies are used when
10 the amount of costs in question (i.e. indirect costs) is not known and is commingled with other
11 costs that cannot be separately identified.

12 Second, the ratio used to determine the amount of Iatan 2 Indirect costs to be transferred
13 to the Iatan Project Common Plant Estimate does not consistently treat the Burns & McDonnell
14 engineering costs. The ratio of Iatan Project Common Plant Direct Costs includes Burns &
15 McDonnell engineering costs in the numerator (i.e. Iatan Project Common Plant Estimate
16 without Indirect Costs) but excludes Burns & McDonnell engineering costs from the
17 denominator (i.e. Iatan 1 AQCS plus Iatan 2 Current Forecast of Total Construction Costs at
18 Completion.) The ratio that measures the relationship between Common Plant direct costs and
19 Iatan 1 AQCS & Iatan 2 direct costs must be comparable on a consistent basis of measurement.
20 The Iatan Project Common Plant direct cost estimates contain engineering and design service
21 costs. Engineering and design services costs are reported as indirect costs in the Iatan 1 AQCS
22 and Iatan 2 cost reports. The use of direct construction cost information from these cost reports
23 will not include engineering and design service costs without making an adjustment to add these

1 amounts to the direct construction totals. Likewise an assignment of indirect costs from the
2 Iatan 1 AQCS and Iatan 2 must remove engineering and design service costs before application
3 of the ratio of Iatan Project Common Plant direct costs to Iatan 1 AQCS and Iatan 2 Total
4 Construction Costs with engineering and design service costs to determine the amount of indirect
5 costs that should be transferred from the Iatan 1 AQCS and Iatan 2 budgets.

6 Third, the current of assignment of indirect costs is based on costs as of December 31,
7 2008. There have been increases in the Iatan 1 AQCS and Iatan 2 indirect costs through the
8 April 30, 2009 in-service date that have been excluded from the assignment to the Iatan Project
9 Common Plant Estimates related to the common plant needed to operate Iatan 1.

10 Schedule 3 is Staff's calculation of the Indirect Costs that should be assigned to the Iatan
11 Project Common Plant Estimate for plant needed to operate Iatan 1. This schedule shows that
12 Staff recommends that ^{**} [REDACTED] ^{**} of Iatan 1 AQCS Indirect Costs should be transferred from
13 the Iatan 1 AQCS budget to the Iatan Project Common Plant Estimate for the Common Plant
14 direct costs contained in the Iatan 1 AQCS project. This schedule also includes the amount that
15 Staff recommends be transferred from the Iatan 2 Indirect Costs to the Iatan Project Common
16 Plant Estimate for the Common Plant direct costs contained in the Iatan 2. It should be noted that
17 when Staff completes the audit of the Iatan 2 segment of the Iatan Project, Staff expects to find
18 Iatan cost that should be charge in total or in part to Iatan 1 AQCS or the Iatan Project Common
19 Plant. Therefore, Staff does not anticipate that these numbers will be finalized until a true -up of
20 the numbers is performed at that time.

21 **B. GMO Adjustment 1: May 23, 2008 Crane Accident** ^{**}

22 As of May 31, 2009, the Iatan 1 AQCS project had recorded ^{**} [REDACTED] ^{**} related to the
23 May 23, 2008 Crane accident at the Iatan Project. It has been KCPL's position that KCPL has no
24 liability related to this event and is accumulating its costs with AFUDC for reimbursement. ^{**} [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED] **

5 In testimony before the Commission in Case No. EM-2007-0374, KCPL personnel made
6 statements on June 11, 2008, with which it indicated that KCPL would not have any financial
7 responsibility as a result of the May 23, 2008 Crane Incident. The statements made by KCPL
8 witnesses and legal counsel are shown below:

9 STATE OF MISSOURI PUBLIC SERVICE COMMISSION
10 TRANSCRIPT OF PROCEEDINGS Evidentiary Hearing June 11, 2008
11 Jefferson City, Missouri, Volume 25,
12 EM-2007-0374

13 Cross-examination of Brent Davis by David Woodsmall, page 3195:

14 Q. To date, have any additional costs been incurred associated with the
15 crane collapse?

16 A. We are accruing costs because of the collapse. To give you an example,
17 the lay-down yard, we built that lay-down yard to expedite the process so
18 that it was ready to receive these parts. The parties agreed to accrue all
19 their costs, keep track of them, and that will be settled at a later date.

20 Cross-examination of Brent Davis by Nathan Williams, page 3197:

21 Q. When you said you didn't believe the crane collapse would affect the
22 Iatan 1 budget, why not?

23 A. The -- the contractual relationship with Alstom is an MPC [sic]
24 engineering procured construct contract, and their contractual relationship
25 with Maxum was -- we don't know what that was, but at this point we see
26 no responsibility for the crane accident.

27 Q. No responsibility for whom?

28 A. For Kansas City Power & Light.

29 Q. You mean financial responsibility?

30 A. Yes.

1 Statement of KCPL counsel Karl Zobrist, page 3216:

2 Mr. Zobrist: Thank you, Judge. ... We believe that the evidence presented
3 here today by Mr. Bassham and Mr. Davis as well as Mr. Cline indicate
4 that it is likely that there will be no further delay in the construction
5 schedule and no material additional costs will be incurred by KCPL and,
6 in fact, that it may remain entirely within the reforecast that was presented
7 to the Commission at the end of April and the beginning of May.

8 Thus, KCPL representatives indicated that they believed KCPL would have no financial
9 responsibility for the costs of the Crane Incident, yet KCPL has charged several million dollars
10 of costs incurred as a result of the Crane Incident to the construction project

11 **C. GMO Adjustment 12: Project Development Costs**

12 Included in the Iatan 1 work order is [REDACTED] charged to WBS code 5071, Project
13 Development. These costs consist mainly of consulting fees, internal KCPL labor, and legal fees
14 incurred from September 2004 through March 2006. Instead of trying to match these costs into
15 the specific detailed WBS codes in the Cost Portfolio, KCPL grouped all these costs into a single
16 line item and labeled them "Project Development." Monthly costs are not tracked in the cost
17 portfolio until November 2006. In a review of the costs charged to WBS 5071, Project
18 Development, Staff noted [REDACTED] in costs that are related to Iatan 2 instead of Iatan 1, which
19 should be charged to the Iatan 2 work order, along with the associated AFUDC accrued on this
20 amount. The charges are reflected below

21

Adaptive Ecosystem	Iatan 2 Section 404 Compliance	**	[REDACTED]	**
Spencer, Fane, Britt & Browne	Legal - Iatan 2 Permit	**	[REDACTED]	**
Total		**	[REDACTED]	**

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24 **D. GMO Adjustment 11: Severance Adjustment**

25 KCPL charged [REDACTED] in employment severance charges to the Iatan 1 work order in
26 June 2008. In Staff Data Request No. 837, the Staff asked for a copy of the severance
27 agreements associated with the severance charges to the Iatan work orders. The severance

1 agreements involve three former employees. The Staff reviewed these documents on
2 December 22, 2009, at KCPL's headquarters. The severance agreements reviewed by the Staff
3 contained the same clauses of typical KCPL severance agreements. The severance agreements
4 contain language designed to protect KCPL officers and shareholders from potential litigation
5 and embarrassment in reciprocation for the payment of additional benefits, cash compensation,
6 medical coverage costs and outplacement services. KCPL requires the employee to waive and
7 release any legal claims the employee may have against KCPL for any reason and prohibits the
8 employee from making any disparaging or critical statements of any nature whatsoever about
9 KCPL.

10 The Staff Data Request asked in part for the rationale why the cost was charged to the
11 Iatan construction projects as opposed to an operating expense. KCPL responded that "given
12 that these employees were fully assigned to the Iatan construction project at the time of the
13 severance, the decision was made that the severance cost should follow the labor cost and be
14 charged to the construction project."

15 The Staff is proposing an adjustment to remove the severance charges from the Iatan
16 work orders for two reasons. First, the Commission has ruled in a recent KCPL rate case, Case
17 No. ER-2006-0314, that severance costs should not be recovered from KCPL's ratepayers. In
18 addition, the severance payments charged to the Iatan work order are not capital costs that are
19 necessary to the construction of the Iatan 1 AQCS system and will not provide benefits over
20 future years. These charges are period costs which are charged to expense in the period incurred.

21 The Staff is proposing an adjustment to remove the ^{**} [REDACTED] ^{**} in severance payments and the
22 associated AFUDC from the Iatan 1 work order to be recovered from KCPL ratepayers.

1 **E. GMO Adjustment 9: Campus Relocation for Unit 2 Turbine Building**

2 The Staff submitted Staff Data Request No. 730 and supplemental requests regarding the
3 costs incurred in relocating the Iatan construction projects trailer campus from its initial/original
4 location at the Iatan site. The original campus design and location was developed in the summer
5 and fall of 2006. Facility construction began in the summer of 2006. The initial trailers on site
6 were for KCPL, and the major Iatan contractors, Kissick, Pullman and Alstom, each of whom
7 mobilized to the site in late-summer and fall of 2006.

8 In the summer of 2007, the balance-of-plant contractor, Kiewit, developed a revised plan
9 for laydown space needed for access to the turbine generator building. This plan included
10 providing a new path for unloading the turbine generator into the turbine bay.

11 Kiewit's plan necessitated moving the existing campus trailers to provide the area for
12 laydown space. Additionally, Kiewit's new plan of where it wanted to locate erection cranes
13 caused concerns because Kiewit would be lifting loads near or over the campus. Each of the
14 trailers was moved approximately 100 feet east in the spring and summer of 2008.

15 Total cost incurred for the campus relocation through May 2009 is [REDACTED] Of this
16 amount, KCPL allocated [REDACTED] to Iatan 1 and [REDACTED] to Iatan 2.

17 The only justifiable reasons why KCPL would agree to incur over [REDACTED] in costs to
18 relocate construction trailers at the Iatan site is 1) KCPL realized the original design and location
19 of the Iatan campus was faulty and did not provide sufficient room and laydown space for the
20 transporting the turbine generator into the Iatan 2 turbine bay or 2) the cost savings or other
21 benefits resulting from the relocation would exceed the cost.

22 The Staff requested a meeting with KCPL on this issue and the meeting was held on
23 December 7, 2009. In attendance at this meeting was Mr. Eric Gould, a Schiff Project Controls
24 Analyst. Mr. Gould advised that the relocation resulted in cost savings. He advised Staff that he

1 was going to look for documentation of cost savings on the Balance of Plant contract as a result
2 of the ^{**} ██████████ ^{**} campus relocation. Subsequent to this meeting Staff has been advised that Mr.
3 Gould was unable to locate any documentation supporting a cost savings associated with the
4 campus relocation.

5 The issue of why KCPL decided to pay for ^{**} ██████████ ^{**} for the campus relocation and the
6 prudence of this decision or the appropriateness of the original location of the trailers are not
7 Iatan 1 issues which Staff should address in this Report. The reason why the campus relocation
8 project was undertaken was solely the result of the construction of Iatan 2. If Iatan 2 were not
9 constructed, the campus relocation costs would not have been incurred.

10 KCPL decided to allocate the relocation costs to Iatan 1 because it believes that the
11 Iatan 1 AQCS project benefits from the relocation. KCPL has not identified any such benefits
12 and has not quantified any such benefits to Iatan 1. Staff finds that the allocation of any costs of
13 the campus relocation to Iatan 1 is inappropriate and recommends that the costs of the Campus
14 Relocation allocated to Iatan 1 be charged back to Iatan 2. These costs will be addressed in the
15 Staff's construction audit of Iatan 2.

16 **F. GMO Adjustment 7: JLG Accident August 25, 2007**

17 On August 25, 2007 a JLG 1200 boom lift belonging to one of Alstom's subcontractors
18 tipped over and crashed to the ground at the project site (JLG accident). Alstom submitted a
19 claim to KCPL for costs associated with the JLG Accident. Staff reviewed 48 documents related
20 to this accident and its associated costs that were provided by KCPL in response to Staff Data
21 Request No. 408 in Case No. ER-2009-0090. Staff's review of these documents formed the basis
22 of its proposal to exclude the costs of the JLG accident from the Iatan 1 work order.

23 In a September 27, 2007 letter from KCPL Iatan 2 Project Director Brent Davis to
24 Gary Lexa of Alstom, KCPL noted that it had completed an investigation of the JLG accident.

**

- 1 [REDACTED]
- 2 [REDACTED]
- 3 [REDACTED]
- 4 [REDACTED]
- 5 [REDACTED]
- 6 [REDACTED]
- 7 [REDACTED]
- 8 [REDACTED]
- 9 [REDACTED]
- 10 [REDACTED]
- 11 [REDACTED]
- 12 [REDACTED]
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- 23 [REDACTED]
- 24 [REDACTED]
- 25 [REDACTED]
- 26 [REDACTED]
- 27 [REDACTED]
- 28 [REDACTED]
- 29 [REDACTED]
- 30 [REDACTED] **

1 In KCPL's December 2007 Iatan 2 & Common Status Report it was noted that on
2 December 10, 2007 Alstom was willing to split the cost of the JLG accident (which it estimated
3 to be approximately ^{**} [REDACTED] ^{**} with KCPL on a 50-50 basis. However, on December 11, 2007,
4 Alstom rescinded this offer.

5 ^{**} [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 ^{**} [REDACTED] ^{**} These two amounts add up to ^{**} [REDACTED] ^{**} and the
10 change order effecting this March 19, 2009 settlement agreement was in the amount of ^{**} [REDACTED] ^{**}
11 ^{**} [REDACTED] ^{**} Of this ^{**} [REDACTED] ^{**} was charged to the Iatan 1 work order. This change order, number
12 AP00761X16072100761, was signed for KCPL on April 14, 2008 by Steve Jones, an
13 independent contractor hired by KCPL to work on the Iatan construction projects, and Steve
14 Easley, then KCPL Vice-President of Supply.

15 In a Change Order Supplemental Documentation Form attached to this change order by
16 KCPL on October 13, 2008, seven months after the JLG accident settlement agreement with
17 Alstom, KCPL reiterated its belief that contractor negligence was the cause of the JLG accident,
18 not soil conditions. This supplemental change order documentation signed by Steve Jones and
19 Carl Churchman, KCPL Vice-President of Construction, provided the rationale behind KCPL's
20 decision to pay Alstom ^{**} [REDACTED] ^{**} for costs for which KCPL believed it bore no responsibility.
21 The rationale was that KCPL wanted to "resolve these issues and keep the project moving
22 forward."

1 From Staff's review of the documentation surrounding the JLG accident, Staff concludes
2 that KCPL developed a strong case of why it bore no responsibility for the cost of this accident.
3 Staff does not believe it was reasonable and prudent for KCPL to enter into this settlement
4 agreement and pay any costs for the JLG accident. Staff is also concerned that KCPL agreed to
5 settle this issue at exactly what Alstom originally sought to recover from KCPL. The Staff is
6 recommending that no costs associated with the JLG accident "settlement" be charged to the
7 Iatan 1 or Iatan common work orders.

8 **G. GMO Adjustment 8: Construction Resurfacing Project Settlement**

9 Staff reviewed 48 documents related to KCPL's Construction Resurfacing Project that
10 were provided by KCPL in response to Staff Data Request No. 408 in Case No. ER-2009-0090.
11 Based on its review of these documents, Staff believes that all costs related to the resurfacing
12 settlement ^{**} [REDACTED] ^{**} total of which ^{**} [REDACTED] ^{**} was charged to Iatan 1) should have been
13 charged to the Iatan 2 work order and no charges should have been made to Iatan 1. While Staff
14 may have issues regarding the prudence of this settlement, the prudence issues will be addressed
15 in the Staff's audit of Iatan 2 construction costs. In this Report, Staff is only proposing that the
16 costs of the settlement be removed from the Iatan 1 work order and be charged to where the costs
17 should have originally been charged, the Iatan 2 work order.

18 According to KCPL, based on concerns for safety, it conducted a Construction
19 Resurfacing Project on August 27, 2007 through September 27, 2007. The purpose of the project
20 was to ensure soil conditions would support heavy equipment resting and traveling on it, and
21 improve contractors' confidence that the soil would not be an impediment to safe operation.
22 According to KCPL it spent ^{**} [REDACTED] ^{**} on the resurfacing project including a change order in the
23 amount of ^{**} [REDACTED] ^{**} issued to List & Clark Construction Company.

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** [Redacted]

In another letter, dated February 4, 2008, from Thomas Kelly, Site Director, Alstom Power, Inc. to KCPL, [Redacted]

[Redacted] In this letter to KCPL, Alstom identified a list of all additional cost elements associated with the Soil Stabilization Project. Staff reviewed the costs described in this letter and noted that all of the costs are related to Iatan 2 and none of the costs are associated with Iatan 1.

** [Redacted]

1 In the Iatan 2 and Common Status Report, March 2008 at page 24 it is noted that KCPL, Alstom
2 and Burns & McDonnell held offsite negotiations on March 19, 2008 and resolved the
3 Construction Surfacing dispute by KCPL agreeing to issue a change order. In the change order
4 AP0076 1X 160721 00 761 KCPL agreed to pay Alstom [REDACTED] KCPL then made a
5 determination that [REDACTED] or [REDACTED] percent of the settlement would be charged to Iatan 1 and
6 [REDACTED] would be charged to Iatan 2.

7 As noted above, Staff finds that KCPL incorrectly charged costs of the Construction
8 Resurfacing Project Alstom settlement in the amount of [REDACTED] to the Iatan 1 construction
9 work order. If KCPL believed these costs were reasonable and prudent, it should have charged
10 these costs to the Iatan 2 construction work order. Staff will address the reasonableness and
11 prudence of these costs in its Iatan 2 construction audit.

12 **H. GMO Adjustment 2: Employee Mileage Charges**

13 In Staff Data Request No. 787, Staff asked KCPL for each KCPL employee who charged
14 mileage to Iatan 1 environmental upgrades or Iatan 2 and to provide copies of all documentation
15 used by the approving employee to verify that the mileage being reimbursed was consistent with
16 KCPL's policy. Staff also asked for the home and business address for each KCPL employee at
17 the time he/she requested mileage for travel to the Iatan construction site.

18 In its response to this Staff Data Request, KCPL stated that an approving employee
19 checks to make sure a KCPL employee had business at the site and that the mileage appears
20 reasonable given KCPL policy, and that no other documentation exists. In response to Staff's
21 request for home and business addresses of employees who charged mileage, KCPL said that
22 "[i]t is unduly burdensome and will not result in material information to provide home and
23 business address for each KCP&L employee at the time they requested mileage for travel to

1 Iatan." Staff requested this data to test KCPL's cost controls over employee mileage charges to
2 the Iatan work orders.

3 KCPL eventually provided the data requested by Staff. In a supplemental response to
4 Staff Data Request No. 787, KCPL provided the report "MPSC0787S - HC_Mileage_Empl_Info.xls"
5 that included a list of all employees who charged mileage to the Iatan Project (Iatan 1
6 environmental upgrades and/or Iatan 2), the employee's primary work location, and his/her home
7 address.

8 Staff compared this data with the data provided by KCPL in response to Staff Data
9 Request No. 643 in report "Q0643_Mileage Reimbursement Charged to Iatan Projects.xls"
10 showing a complete list of employees who received mileage reimbursements that were charged
11 to Iatan construction projects. A comparison of these two reports show that KCPL reimbursed
12 \$51,113 of mileage charges to employees whose primary work location is listed at Iatan. KCPL
13 employees should not be reimbursed for regular commuting miles to and from their primary
14 work location. Staff is proposing an adjustment to the Iatan 1 work order to remove this amount
15 and the associated AFUDC.

16 In addition to these inappropriate employee mileage charges to the Iatan 1 AQCS work
17 order, a review of a sample of employee expense reports shows that KCPL reimbursed its
18 employees otherwise eligible for mileage reimbursement for excess mileage charges. Staff
19 found that KCPL, beginning in January 2008, did make an attempt to calculate the correct
20 reimbursable miles for these employees, but there was no indication that the mileage overcharges
21 made prior to January 2008 were ever reimbursed by the appropriate employees and credited
22 back to the construction work order.

1 After removing the mileage charges inappropriately made to employees who were not
2 eligible for reimbursement because their primary work location was Iatan, the pool of mileage
3 charges remaining in the Iatan 1 work order as of May 31, 2009 was \$80,234. Staff made an
4 additional adjustment of ten percent of this amount, or \$8,023, to reflect a reasonable
5 approximation of actual overcharges that were made to the Iatan work order prior to January
6 2008 and estimated overcharges made after January 2008. Given the weak internal cost controls
7 over mileage charges to the Iatan construction projects Staff believes that a 10 percent
8 adjustment of the remaining mileage charges is reasonable.

9 If KCPL can show that it now has policies and procedures in place that are preventing
10 employee mileage overcharges and makes a reasonable adjustment to the Iatan 1 work order of
11 what it believes was an actual amount of overcharges, then the Staff will remove this adjustment.
12 Any adjustment to the Iatan 1 work order for inappropriate mileage charges that were charged to
13 the common plant work order needs to be identified as well.

14 **I. GMO Adjustment 6: KCPL's July 18, 2008 Settlement with Alstom**

15 In response to Staff Data Request No. 633 Staff reviewed Risk and Opportunity (R&O)
16 Analysis Sheets item numbers 367a, 367b and 367c prepared by KCPL on April 23, 2008. ^{**}

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

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[REDACTED]

Because of the existing KCPL claims against Alstom and Alstom's claims against KCPL, KCPL created a budget contingency amount for the Iatan 1 AQCS project for these claims. KCPL calculated the budget contingency amount by including the [REDACTED] Alstom claim reduced by KCPL's claim of liquidated damages against Alstom in a range of [REDACTED] to [REDACTED]. This amount was further reduced by the amount that KCPL moved into the current budget of [REDACTED] for a net contingency range of [REDACTED] to [REDACTED].

In a settlement agreement between KCPL and Alstom executed on July 18, 2008, KCPL and Alstom agreed to settle all existing claims by KCPL paying Alstom [REDACTED] an amount that exceeded the high end of KCPL's contingency range.

To the extent that Alstom's claims were caused by improper KCPL project management actions or inactions, these costs should not be charged to the Iatan 1 project. Staff recognizes that force majeure claims and other potential claims by contractors may occur on this project through no fault of KCPL. Staff also recognizes that these costs may be unavoidable and it may be necessary that they be a part of the costs of the project. However, Staff is not convinced that Alstom's claims against KCPL were not the fault of KCPL's project management, raising the question of KCPL's prudence and whether KCPL's ratepayers should be responsible for these costs. In addition, there is the matter of the liquidated damages clause in KCPL's contract with Alstom, which KCPL calculated offset the potential financial exposure to Alstom's claims.

In accounting for the cost of the [REDACTED] settlement, KCPL made no attempt to quantify the costs that may have been caused by its own project management team or the owner-

1 engineering firm it hired, Burns & McDonnell, or any other Iatan 1 contractor or subcontractor.
2 In reviewing the documents surrounding this settlement Staff noted that a portion of Alstom's
3 claims have resulted from delays that were caused by late document submittals by Burns and
4 McDonnell. In such a case it would be expected of KCPL to pursue this claim for validity. If
5 the claim was valid it would also be expected that KCPL pay this claim and then seek recovery
6 of the claim from Burns and McDonnell, the responsible party, for the claim amount. Staff saw
7 no documentation that indicated KCPL investigated Alstom's claim against Burns and
8 McDonnell and found it without merit. KCPL simply paid Alstom [REDACTED] and charged all
9 [REDACTED] to the Iatan 1 project. [REDACTED]

10 [REDACTED]
11 [REDACTED] Staff has found no support for this change in KCPL's view to the total loss of value in
12 KCPL's liquidated damages claim against Alstom.

13 After reviewing the documents surrounding this transaction, Staff sees no evidence that
14 any of the [REDACTED] paid by KCPL should be charged to the Iatan 1 project to be recovered
15 from ratepayers. By paying off Alstom and charging the settlement to the Project, KCPL is
16 absolving itself of any mismanagement on its part or on the part of other potentially responsible
17 parties. What makes matters worse is that KCPL's customers will suffer the harm of KCPL
18 management's decision not to purse liquidated damages against Alstom and reduce the total cost
19 of the project by [REDACTED] to [REDACTED] if no adjustment is made. Staff is recommending
20 that none of the [REDACTED] Alstom settlement costs be included in the Iatan 1 work order.

21 **J. GMO Adjustments 3, 4, and 5: Schiff Hardin, LLP (Schiff)**

22 Staff has concerns with significant cost project overruns for the services of Schiff Hardin,
23 LLP (Schiff). Schiff represents that it is a limited liability partnership, general practice law firm,

1 with offices located in Chicago, Illinois, among other cities. Although Schiff is a general
2 practice law firm, it has been assisting KCPL in KCPL's project management duties at Iatan 1.

3 Kenneth M. Roberts, who is an equity partner, co-chair of the Construction Law Group
4 and a member of the executive committee of Schiff, filed testimony on behalf of KCPL in Case
5 No. ER-2009-0089, as did Daniel F. Meyer of Meyer Construction Consulting, who identifies
6 himself as having been retained by Schiff. Mr. Roberts states at page 1, lines 6-12 of his direct
7 testimony in Case No. ER-2009-0089 that KCPL "engaged Schiff: (i) to help the Company
8 develop project control procedures to monitor the cost and schedule ("Project Controls") for the
9 infrastructure projects contained in the Company's Comprehensive Energy Plan ("CEP"); (ii) to
10 monitor the CEP's progress and costs, including the review and management of change order
11 requests; (iii) to negotiate contracts with vendors; and (iv) to resolve disputes with vendors
12 that might arise." Mr. Meyer in his rebuttal testimony in Case No. ER-2009-0089 at page 1,
13 lines 9-10, identifies the work that he has performed for Schiff since the early 1990s as
14 "[p]rimarily cost and cost analysis work, project oversight, some scheduling work, some
15 litigation support, all in the construction industry and primarily in the power industry."

16 Schiff's total budget (Control Budget) for work on the Iatan 1 construction project is
17 identified in KCPL's Iatan 1 Cost Portfolio at [REDACTED] This document was received by the
18 Staff in response to Staff Data Request No. 622. As of May 2009, KCPL charged the Iatan 1
19 construction project with [REDACTED] of Schiff charges and is expected to increase to [REDACTED]
20 when all Iatan 1 construction costs are accounted for and charged to the construction work order.

21 Costs to the Iatan 1 work order for the services performed by Schiff included [REDACTED]
22 for the period August 2004 through April 2006. After this period, no charges were recorded to
23 the Iatan 1 project until July 2007. From July 2007 through May 2009 charges for Schiff to the

1 Iatan 1 project average around [REDACTED] per month. For comparison purposes, charges for Schiff
2 to the Iatan 2 project average [REDACTED] per month from April 2006 through May 2009.

3 The cost overruns for Schiff extend to Iatan Unit 2. In its control budget for Unit 2,
4 KCPL budgeted [REDACTED] for Schiff Hardin and according to KCPL's October 2009 Unit 2
5 Cost Portfolio it is expected to charge the Iatan 2 work order an amount of [REDACTED] for
6 Schiff's services, over twice the budgeted amount

7 In Staff Data Request Nos. 411 and 413 Staff attempted to obtain information related to
8 KCPL's selection of Schiff as a consultant to the Iatan projects and its contract with Schiff. In
9 response to these data requests KCPL provided an almost totally redacted 11-page memorandum
10 dated December 7, 2005 to William Downey, KCPL's President, Chief Operating Officer, and
11 member of the Board of Directors of Great Plains Energy Incorporated (GPE), the holding
12 company of KCPL from Kenneth Roberts of Schiff.

13 In this memorandum Schiff was responding to Mr. Downey's request for information
14 regarding Schiff's budget for Project Oversight, Project Controls advice and Procurement
15 services for KCPL's five-year CEP Projects. The budget data included in the memorandum and
16 redacted by KCPL includes Schiff's fees plus those of its consultants. Staff attempted to obtain
17 an un-redacted copy of the budget memorandum through the serving of a subpoena on
18 December 14, 2009. KCPL again asserted attorney-client and work product privileges, and
19 refused to provide an un-redacted copy of this budget data for Schiff's work on KCPL's CEP
20 projects. The redacted version of this memorandum is attached to this Report as Schedule 4.
21 This Schedule is a letter from KCPL to Ms. Jamie Ott of the Commission's Staff Counsel's
22 office with an attachment. Schedule 4 shows that KCPL did not provide any information
23 regarding the budget and activities that were contemplated for Schiff's work relative to the Iatan

1 Project. By failing to provide Schiff's budgeted costs for work on the Iatan projects, Staff was
2 unable to determine specific or even general reasons for the significant cost overruns caused by
3 Schiff on the Iatan 1 construction project. Staff infers from the totality of the editing shown in
4 Schedule 4 that all Schiff work on the Iatan Project was performed as attorneys.

5 A copy of the sole-source contract between Schiff and KCPL was provided to Staff in
6 response to Staff Data Request No. 409. In the copy of the contract provided to Staff there is no
7 indication that the contract was signed by either KCPL or Schiff.

8 The Schiff contract was entered into on January 17, 2007. The contract states that Schiff
9 is retained by KCPL to perform and render for KCPL's executives and KCPL's legal,
10 procurement, and engineering departments, professional services in accordance with the attached
11 Schiff Hardin LLP Roles and Responsibilities for KCPL Comprehensive Energy Plan Projects.
12 The executive summary of Attachment A to this contract, Schiff Hardin LLP Roles and
13 Responsibilities KCP&L Comprehensive Energy Plan Projects, states:

14 ** [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
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29 [REDACTED]
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32 [REDACTED]**

1 Paragraph 2 of the KCPL-Schiff contract lists the specific authorized hourly rate for each Schiff
 2 employee. This rate is shown in the chart below. Also shown is the rate at which this employee
 3 charged KCPL in January 2009, which shows significant rate increases. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] No rate adjustment documentation, which would become part of the contract,
 7 was provided to the Staff. It appears that KCPL did not create any documentation justifying the
 8 increase as to its reasonableness and necessity and did not comply with the contract terms by
 9 approving hourly rate increases in advance.

Schiff Hardin, LLP Job Title	Contract Jan 2007 Rate/Hr	Jan 2009 Rate/Hr	Increase
Partner - in charge	** [REDACTED]	[REDACTED]	[REDACTED] **
Partner	** [REDACTED]	[REDACTED]	[REDACTED] **
Associate	** [REDACTED]	[REDACTED]	[REDACTED] **
Project Controls Analyst	** [REDACTED]	[REDACTED]	[REDACTED] **

19 Staff DR 409 Schiff Contract and Staff DR 415 Schiff
 20 invoices

21
 22 In Staff Data Request No. 410, Staff asked KCPL for documentation identifying all qualified
 23 vendors who could provide independent oversight and Project Controls advice for Iatan 1 and
 24 Iatan 2 construction activities and also asked KCPL to identify each of the vendors who were
 25 invited to make a proposal to provide legal and project management advice for Iatan 1 and
 26 Iatan 2. KCPL responded that there were no qualified law firms in the Midwest with the
 27 exception of Schiff. Specifically, KCPL stated:

28 To ensure a seamless flow of information KCPL limited its search to law
 29 firms that had significant in-house project control expertise, as well as
 30 significant experience in the following areas: Developments of RFPs;
 31 Contract formation; Contract administration tied to construction of power

1 plants; Mediation of construction disputes. The only law firm in the
2 Midwest that met the criteria was Schiff Hardin.

3 The fact that KCPL incurred millions of dollars in cost overruns for specific consulting services
4 is of concern to Staff. It is also of concern to Staff that such overruns have occurred involving
5 work for which KCPL decided not to seek competitive bids. Staff issued several data requests to
6 KCPL in an effort to gain more information regarding how and why KCPL selected Schiff as its
7 primary consultant for project management and legal services for the Iatan construction projects.
8 KCPL was unable to provide Staff with any information on these matters.

9 In Staff Data Request No. 411 Staff asked KCPL for copies of all documents related to
10 the selection of Schiff to provide independent oversight and Project Controls advice for Iatan 1
11 and Iatan 2. KCPL responded "to the extent that KCP&L has been able to locate copies of
12 unprivileged documents responsive to this Data Request, they will be made available for review
13 in the data room located at KCP&L headquarters." KCPL has not been able to locate copies of
14 any documents for Staff to review.

15 In Staff Data Request No. 413 Staff asked KCPL for copies of all documents related to
16 the negotiation of the contract with Schiff for independent oversight and Project Controls advice
17 for Iatan 1 and Iatan 2. KCPL responded that it objects to this Staff Data Request to the extent
18 that it requests documents that are protected by the attorney-client privilege. KCPL also stated
19 that to the extent it has been able to locate copies of unprivileged documents responsive to this
20 data request, they would be made available for review in the data room located at KCPL
21 headquarters. KCPL was unable to find any documents it could provide to Staff for review.

22 Staff reviewed invoices submitted by Schiff for services performed on the Iatan
23 construction projects as well as other consultants hired by KCPL to provide construction project
24 management and procurement services. From this review Staff has concluded that the hourly

1 rates charged to KCPL by Schiff are far in excess of the hourly rates charged by other
2 consultants with equal or greater experience than Schiff who provide and are providing similar
3 services as Schiff to KCPL.

4 In addition to what Staff has found to be excessive and unreasonable hourly rates charged
5 by Schiff, Staff has found that Schiff has charged the construction projects hundreds of
6 thousands of dollars in travel expenses, with no document support, except for a line item
7 statement on its invoices of the Schiff employee name, date, type of expense and amount. In
8 October 2007 alone, Schiff charged KCPL ^{**} [REDACTED] ^{**} in travel expenses.

9 ^{**} [REDACTED]
10 ^{**} [REDACTED] KCPL has provided to Staff copies of Schiff
11 invoices in response to Staff Data Request No. 415. Included in the Schiff invoices are receipts
12 and other documentation supporting charges from consultants, who are subcontractors of Schiff
13 and provided services respecting the Iatan construction projects. However, Staff's review of
14 these invoices revealed no documentation supporting the travel and other expenses charged to
15 KCPL by Schiff. Staff made a specific inquiry to KCPL about the lack of receipts for expenses
16 included in the Schiff invoices, and KCPL indicated that no additional documentation was
17 available. Staff initiated a follow-up data request and expects to obtain confirmation that no
18 expense receipt documentation was received with the Schiff invoices.

19 Because of KCPL's failure to require Schiff to comply with the terms of its contract and
20 ^{**} [REDACTED] ^{**} Staff was unable to audit
21 and assess the reasonableness of the expenses Schiff charged to KCPL.

22 In his rebuttal testimony in Case No. ER-2009-0089, William Downey described how
23 KCPL created the Executive Oversight Committee (EOC)ⁱⁱⁱ from its Senior Management ranks to

1 provide oversight from a management perspective. The EOC also engaged Schiff for external
2 oversight.

3 In his rebuttal testimony at pages 6-7 Mr. Downey states that in August 2005 Schiff was
4 hired to perform a number of services for the EOC. He states that Schiff's initial focus was to:

- 5 1. Use its industry experience to review and validate the essential
6 milestone dates and critical path activity durations needed to achieve the
7 critical in-service dates for the Iatan Projects and other KCPL CEP
8 projects.
- 9 2. Provide procurement advice regarding potential contracting methods
10 for each of the CEP Projects based on Schiff's considerable experience
11 with major procurements in the utility construction industry.
- 12 3. Provide project oversight and reporting to Senior Management.
- 13 4. Assist the CEP Projects teams with developing appropriate and
14 industry-standard project controls and standards and metrics; and
- 15 5. Provide legal assistance regarding disputes with contractors.

16 Mr. Downey's rebuttal testimony indicates that the EOC hired Schiff to provide primarily
17 construction project management services and procurement services. Schiff's contracted legal
18 responsibilities were to provide assistance to KCPL's legal department with regard to disputes
19 with contractors. The hourly rates charged to KCPL, however, instead of reflecting prevailing
20 construction project management hourly rates, reflect the rates that would be charged by very
21 senior and very experienced attorneys.

22 The following chart shows the hourly rate of Schiff attorneys, Project Controls Analyst,
23 Paralegals, and Project Assistants) for the work billed to KCPL and the Iatan construction
24 projects in May 2009.

1

Schiff Hardin, LLP		
Job Title	Rate/Hr	
Equity Partner	**	**
Income Partner	**	**
Income Partner	**	**
Associate	**	**
Associate	**	**
Project Controls Analyst	**	**
Paralegal	**	**
Project Assistant	**	**
DR 415-Invoice 1400445 for May 2009		

2 To determine if these rates were reasonable Staff looked at other consultants hired by KCPL on
 3 the Iatan construction projects who performed project management, procurement, and other
 4 similar services as Schiff.

5 The first area the Staff reviewed was a reasonable cost for procurement advisory services.
 6 On March 16, 2006 Great Plains Energy Services Incorporated and Steve Jones entered into an
 7 Independent Contractor Agreement (Agreement) to provide procurement services for the Iatan
 8 projects for the period March 16, 2006 through March 16, 2008. The Agreement called for
 9 KCPL to pay Mr. Jones an hourly fee of ** per hour.

10 According to KCPL's response to Staff Data Request No. 789.1, Mr. Jones was selected
 11 based on his past experience ~ specifically he most recently was responsible for leading a staff of
 12 over 175 with accountability for the entire supply chain function for the largest construction
 13 project (at that time, 2002) in North America. His duties included procurement and negotiation
 14 of over \$1 billion in supply base spending. Mr. Jones had deployed a stand-alone material
 15 management process for the project, independent of normal operations. The process insured that
 16 all materials met appropriate codes, care, custody and control. Additionally, Mr. Jones had over
 17 nine years of progressive experience in procurement and supply chain management with over

1 30 years of experience in the utility business. Given this extensive experience, Mr. Jones was
2 selected to fill the position of Director of Procurement.

3 After Staff determined that a ^{**} [REDACTED] ^{**} per hour fee for a consultant who is an expert in and
4 has significant experience in the construction procurement field, Staff looked at other areas of
5 work performed by Schiff, primarily project management and oversight. A contractor KCPL
6 selected to perform these types of services for the Iatan construction projects (in addition to
7 Schiff) was LogOn Consulting, Inc. (LogOn).

8 In response to Staff Data Request No. 652, KCPL described how it hired LogOn shortly
9 after KCPL hired Carl Churchman to serve as Vice President of Construction in May 2008.
10 Mr. Churchman also oversees the non-legal services provided by Schiff to KCPL. KCPL
11 advised Staff that most of the individuals employed by LogOn have in excess of 25 years of
12 experience working on various aspects of power plant construction projects and that LogOn's
13 expertise is well known within the industry. KCPL noted that based on LogOn's reputation
14 within the industry, Mr. Churchman's experience working with LogOn, and his need to consult
15 with industry veterans as to the status of the construction projects, KCPL hired LogOn to
16 perform construction management services at Iatan for both the Iatan 1 and Iatan 2 projects.

17 LogOn was also contracted with primarily to augment the construction management staff
18 in advisory roles or as support respecting cost analysis, engineering, performance issues, and
19 contract management. For instance LogOn assisted KCPL in the reforecast process, spare parts
20 analysis, common plant analysis, contractor materials issues, and start-up analysis.

21 The following chart shows the hourly rate of LogOn personnel.

1

LogOn Consulting

Employee Name	Rate/Hr
John Allen	** [REDACTED] **
Dale Kern	** [REDACTED] **
Joseph Phillips	** [REDACTED] **
Benjamin Dow	** [REDACTED] **
Robert Page	** [REDACTED] **
Bruce Gillham	** [REDACTED] **
Anthony Jackson	* [REDACTED] **
James Majors	** [REDACTED] **
Michael Roach	** [REDACTED] **
Drew Wilson	** [REDACTED] **

Source DR 652 - LogOn Invoice for May 2009

2

3

Another check on the reasonableness of the fees charged by Schiff for non-legal services was the hourly rate of a consultant who was actually a subcontractor for Schiff on the Iatan projects,

4

5

Mr. Tom Maiman. Mr. Maiman charged KCPL, through Schiff [REDACTED] per hour for consulting work.

6

7

In response to Staff Data Request No. 672, KCPL described Mr. Maiman's extensive experience in the utility construction field:

8

9

Mr. Maiman retired from Commonwealth Edison Company in 1997. He has over 40 years of experience in all aspects of the electrical utility industry, including operations, maintenance and construction of transmission, distribution and both nuclear and fossil generating facilities.

10

11

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13

Mr. Maiman has held a number of senior management positions during his long career with the Commonwealth Edison Company. Among these are VP of Corporate Engineering, VP of Fossil Plan Operations, VP and Manager of Engineering and Construction, for the Bryon and Braidwood nuclear stations, Senior VP of Commercial Operations and Executive VP and CNO of Nuclear Operations.

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19

Mr. Maiman was responsible for Commonwealth Edison's multibillion-dollar engineering and construction projects at the Byron, Ill. and Braidwood, Ill. nuclear stations. As senior vice president of commercial operations, he oversaw the operation of 10 fossil fuel generating stations and the rehabilitation of Commonwealth Edison's fleet of existing generation plants.

20

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1 Mr. Maiman holds a B.S. in Electrical Engineering from the University of
2 Illinois in Urbana, and an M.B.A. in Business Administration from Loyola
3 University in Chicago.

4 He is a past member of the Central DuPage Hospital Board of Directors,
5 the DuPage Boy Scouts of America Executive Board, the University of
6 Illinois Industrial Advisory Council, the Economic Club of Chicago, and
7 the Adler Planetarium Board of Trustees. He is currently a Director of the
8 Graycor Corporation and the Raymond Professional Group.

9 Mr. Maiman served as a Senior Advisor to the Senior Vice President of
10 Nuclear Construction at Ontario Power Generation's return to service of
11 Pickering A, Unit 1. Mr. Maiman has also advised Schiff's other utility
12 clients, including projects for Constellation Energy.

13 **K. Schiff's Legal Fees**

14 One of the services included in the KCPL-Schiff contract called for Schiff to ^{**} [REDACTED]

15 [REDACTED]
16 [REDACTED] ^{**} (Contract Paragraph 1f). Because Schiff was hired
17 to assist KCPL's in-house attorneys, Staff attempted to determine the reasonableness of Schiff's
18 hourly rates for legal services.

19 Staff first looked at the legal fees and paralegal fees charged by two Kansas City area law
20 firms hired by KCPL to perform legal work related to the Iatan construction projects. In a review
21 of invoices for legal fees charged to Iatan, Staff estimates that the average hourly rate for legal
22 services ranges from ^{**} [REDACTED] ^{** **} to ^{**} [REDACTED] an hour for attorneys and from ^{**} [REDACTED] ^{**} to ^{**} [REDACTED] for paralegal
23 services. One August 13, 2007 invoice reflected services from four attorneys with an average
24 rate of ^{**} [REDACTED] ^{**} per hour. One invoice dated 10/1/2008 reflected one attorney with an hourly rate of
25 ^{**} [REDACTED] ^{**} and one paralegal with an hourly rate of ^{**} [REDACTED] ^{**} per hour. One invoice for July 9, 2007 for
26 work at Iatan shows one attorney rate at ^{**} [REDACTED] ^{**} per hour and another for ^{**} [REDACTED] ^{**} per hour for an
27 average hourly rate of ^{**} [REDACTED] ^{**}

1 Another resource used by Staff to assess the reasonableness of the legal fees charged by
2 Schiff was the Laffey Matrix. The Laffey Matrix is a listing of hourly rates for attorneys of
3 varying experience levels and paralegals/law clerks that have been prepared by the Civil
4 Division of the United States Attorney's Office for the District of Columbia. Explanatory notes
5 state, in part as follows:

6 The matrix is intended to be used in cases in which a "fee-shifting" statute permits
7 the prevailing party to recover "reasonable" attorney's fees. *See, e.g.*, 42 U.S.C. §
8 2000e-5(k) (Title VII of the 1964 Civil Rights Act); 5 U.S.C. § 552(a)(4)(E)
9 (Freedom of Information Act); 28 U.S.C. § 2412 (b) (Equal Access to Justice
10 Act). The matrix does not apply in cases in which the hourly rate is limited by
11 statute. See 28 U.S.C. § 2412(d).

12 * * * *

13 This matrix is based on the hourly rates allowed by the District Court in *Laffey v.*
14 *Northwest Airlines, Inc.*, 572 F. Supp. 354 (D.D.C. 1983), *aff'd in part, rev'd in*
15 *part on other grounds*, 746 F.2d 4 (D.C. Cir. 1984), *cert. denied*, 472 U.S. 1021
16 (1985). It is commonly referred to by attorneys and federal judges in the District
17 of Columbia as the "Laffey Matrix" or the "United States Attorney's Office
18 Matrix." The column headed "Experience" refers to the years following the
19 attorney's graduation from law school. The various "brackets" are intended to
20 correspond to "junior associates" (1-3 years after law school graduation), "senior
21 associates" (4-7 years), "experienced federal court litigators" (8-10 and 11-19
22 years), and "very experienced federal court litigators" (20 years or more). *See*
23 *Laffey*, 572 F. Supp. at 371.

24 * * * *

25 Use of an updated *Laffey* Matrix was implicitly endorsed by the Court of Appeals
26 in *Save Our Cumberland Mountains v. Hodel*, 857 F.2d 1516, 1525 (D.C. Cir.
27 1988) (en banc). The Court of Appeals subsequently stated that parties may rely
28 on the updated *Laffey* Matrix prepared by the United States Attorney's Office as
29 evidence of prevailing market rates for litigation counsel in the Washington, D.C.
30 area. [Citations omitted].

31 The Laffey Matrix can be found on the United States Attorney's Office for the District of
32 Columbia's website: http://www.justice.gov/usao/dc/Divisions/Civil_Division/Laffey_Matrix_7.html

33 Because the Laffey Matrix provides an indication of reasonable hourly rates for attorneys
34 in the Washington D.C. area, where it is reasonable to conclude the cost of living is higher than
35 the Kansas City, Missouri, area and the Midwest United States in general, these rates should
36
37

1 provide a ceiling or upper limit on what should be considered a reasonable attorney hourly rate
2 for KCPL and the Iatan construction projects. The Laffey Matrix for the period 2003 through
3 2010 is shown below.

4 **LAFFEY MATRIX 2003-2010**

(2009-10 rates are unchanged from 2008-09 rates)

Years (Rate for June 1 - May 31, based on prior year's CPI-U)

Experience	03-04	04-05	05-06	06-07	07-08	08-09	09-10
20+ years	380	390	405	425	440	465	465
11-19 years	335	345	360	375	390	410	410
8-10 years	270	280	290	305	315	330	330
4-7 years	220	225	235	245	255	270	270
1-3 years	180	185	195	205	215	225	225
Paralegals	105	110	115	120	125	130	130

5
6 Based on the law school graduation dates for the four Schiff attorneys who charged a majority of
7 Schiff's legal costs to the Iatan projects, for three of the attorneys the Schiff rates exceeded the
8 Laffey Matrix by ^{**} percent. One Schiff attorney, who graduated from law school in 2000,
9 is currently charging KCPL ^{**} an hour for a significant number of hours per month.
10 According to the Laffey Matrix, a reasonable attorney fee in the Washington D.C. area for an
11 attorney with eight to ten years experience would be \$330 per hour. The Schiff rate of ^{**} per
12 hour is ^{**} percent higher than the upper limit for the hourly rate for such an attorney.

13 This attorney's resume on Schiff's website and the amount of time this attorney's time
14 that has been committed to the Iatan projects indicates that most or a very large part of this
15 individual's experience in the construction and project management area has been obtained by
16 this attorney working on the Iatan construction projects for Schiff since 2005.

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Experience

Aided regulated utility and independent power provider clients in the following areas of expertise:

Standardized Forms. Developed for clients standardized forms and commercial contracts that are utilized on large projects. These forms and commercial contracts integrate the clients' needs and risk tolerance with standard industry practices.

Procurement/Contract Negotiations. Recently negotiated contracts worth well over \$1.5 billion. The contracting methodologies utilized have included Engineer, Procure and Construct (EPC), Time and Material, Unit Price, Fixed-Price, and Target Price agreements. Currently assisting an energy client by working on-site on a daily basis with the procurement team of a multi-billion dollar project. This assistance includes development and review of Requests for Proposals, contract negotiation, analysis of change orders and contractor claims, drafting, reviewing and tracking of incoming and outgoing correspondence to contractors, and providing general legal advice on day-to-day issues.

Process Development. Based upon experience of working with project teams of large energy projects on a day-to-day basis, helped clients to develop procurement and project processes and procedures aimed at implementing the industry's best practices.

Contractor Claims/Dispute Resolution. Advises owners of ongoing projects to help them analyze and resolve contractor claims and disputes in a timely manner before such claims have an adverse impact on the project.

Prudency Consulting. Currently working with an owner of a regulated utility to help establish the prudency of project costs for purposes of ratemaking. This includes the development of documentation that preserves and memorializes the reasons and justifications for decisions made by the utility and the project team with respect to the project. Also drafted testimony on behalf of the utility that was filed with the appropriate commission(s).

In addition to excessive hourly rates for attorney services, Schiff has also charged KCPL excessive hourly rates for paralegal services. On one invoice dated April 24, 2009, Schiff billed KCPL [redacted] per hour for paralegal services, which is [redacted] percent above the Laffey Matrix and approximately [redacted] the rate paid by KCPL for local Kansas City are paralegal services in support of the Iatan project. In January 2009, Schiff billed KCPL for [redacted] for 312.25 hours of paralegal services, which computes to an average rate of [redacted] per hour, which is [redacted] percent above the Laffey Matrix. If KCPL used Kansas City paralegal services it could have saved

1 approximately \$38,000 in paralegal services in one month alone, assuming that KCPL required
2 312 hours of paralegal services for its CEP projects in one month.

3 The fact that Schiff's hourly rates are excessive should have been abundantly clear to
4 KCPL after Mr. Steve Jones transferred from a KCPL Procurement contractor on one day and
5 became a Schiff Procurement contractor the next day, and his hourly rate increased from [REDACTED]^{**}
6 per hour to [REDACTED]^{**} per hour overnight.

7 As noted above, KCPL and Steve Jones entered into an Independent Contractor
8 Agreement (Agreement) to provide procurement services for the Iatan projects for the period
9 March 16, 2006 through March 16, 2008. Under the Agreement, Mr. Jones was required to be
10 available to provide procurement services as reasonably requested by KCPL and its affiliates.

11 [REDACTED]^{**}
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]^{**}

20 Mr. Jones filed rebuttal testimony on behalf of KCPL in Case No. ER-2009-0089 on
21 March 10, 2009. In his rebuttal testimony he explains that he was an independent contractor
22 working for KCPL as Senior Procurement Director and he was at that time responsible for all
23 procurement activities for KCPL's Comprehensive Energy Plan. He also states that he was

1 responsible for the commercial management of all contracts and contract administration as well
2 as material management and distribution.

3 While the Staff does not know the exact date KCPL and Mr. Jones ended their
4 Agreement, Mr. Jones started to work for Schiff in the exact same capacity as he did for KCPL.
5 The only difference is that as an independent contractor Mr. Jones charged KCPL [REDACTED] per hour.
6 As a Schiff Hardin subcontractor, Mr. Jones currently charges KCPL [REDACTED] per hour.

7 The contract between Schiff and KCPL [REDACTED]
8 [REDACTED]

9 [REDACTED] The contract also includes [REDACTED]

10 [REDACTED] Staff has not been provided with any updates, change orders or
11 other modifications to the contract between Schiff and KCPL to authorize the work of Mr. Jones
12 and his [REDACTED] per hour compensation.

13 In a supplemental response to Staff Data Request No. 415, KCPL provided three invoices
14 for Mr. Jones' work submitted by Schiff. As shown below, Schiff charged KCPL [REDACTED] in
15 excess of what KCPL would have been billed by Mr. Jones in only a four month period of April
16 2009 through July 2009.

Months	Hours	Schiff Rate	KCPL Rate	Diff	Excess charge
April and May 2009	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
June 2009	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
July 2009	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

18
19 In 2007 KCPL hired Strategic Talent Solutions (STS) to address communication and other
20 problem areas at the Iatan work site. As noted in the STS Report, KCPL's Executive Oversight
21 Committee (EOC) asked STS to conduct an assessment of the construction project effectiveness

1 due to ongoing concerns about the alignment of the Project Leadership Team (PLT), the EOC,
2 various internal functions and contracted external firms.

3 ** [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] ** In May 2007 STS issued its Construction Project Effectiveness
7 Report (the STS Report).

8 Some of the problem areas identified by STS in its May 2007 Construction Project
9 Effectiveness Report were:

10 ** [REDACTED]
11 [REDACTED]
12 [REDACTED]

13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]

25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]
29 [REDACTED]

30 [REDACTED]
31 [REDACTED]
32 [REDACTED]
33 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]**

7 **L. Schiff Adjustment**

8 In determining an appropriate adjustment to the amount of Schiff costs charged to the Iatan 1
9 work order, Staff included the following considerations:

- 10 1. Schiff costs to the Iatan 1 construction project are far in excess of the dollar amount in
11 Iatan 1's control budget for Schiff. There is no indication that KCPL reviews and approves work
12 performed by Schiff prior to the work being performed and the cost incurred. KCPL has made
13 no serious effort to question the significant number of hours charged by Schiff to KCPL each
14 month.
- 15 2. No documentation has been provided that hourly rate increases charged by Schiff
16 were approved by KCPL prior to being paid.
- 17 3. Schiff is charging KCPL significantly above market rates for the type of services
18 provided.
- 19 4. KCPL contracted with Schiff on a sole source basis without obtaining competitive
20 bids or making a determination of competitive market rates for the type of services required for
21 the Iatan construction projects. KCPL failed to create a document to justify its sole source
22 contract award to Schiff, as it did for other sole source contract awards. KCPL's rationale that
23 Schiff is the only vendor in the Midwest which can provide the needed services is not supported
24 by KCPL. Awarding this contract at market rates would have justified any increased travel

1 expenses that would have been incurred if KCPL could not locate a qualified consultant(s) in the
2 Kansas City, Missouri, area or Chicago, Illinois, area.

3 5. KCPL has failed to require Schiff to ^{**} [REDACTED]
4 ^{**} [REDACTED] as required by the KCPL-Schiff contract.

5 6. Staff has noted that KCPL generally has contracted with consulting firms located in
6 the Chicago, Illinois, area. KCPL has also shown a tendency not to seek competitive bids when
7 it awards contracts to firms from the Chicago, Illinois, area. For example, in addition to Schiff,
8 since 2004 KCPL has given significant work to Strategic Talent Solutions, a Chicago, Illinois,
9 firm, without seeking competitive bids. KCPL has also awarded millions of dollars in contracts
10 to Bridge Strategy Group, another Chicago, Illinois, firm, on a sole-source basis. There appears
11 to be a tendency for KCPL to award no-bid contracts to Chicago, Illinois, area firms. This is a
12 matter that the Commission should monitor very closely in the future.

13 In calculating an appropriate adjustment for the Schiff billings it is necessary to
14 categorize the work performed by Schiff. Based on the language in the KCPL-Schiff contract,
15 the statements made by Messrs. Downey, Roberts, and Meyer in their direct and rebuttal
16 testimonies in Case No. ER-2009-0089, and Staff's review of the Schiff invoices, Staff
17 determined that at least 80 percent of the work performed by Schiff is non-legal Iatan project
18 management, procurement, project controls and project oversight work. The remaining 20
19 percent of the work is of a legal nature.

20 Once this ratio was derived, Staff determined an appropriate per-hour rate for the legal
21 and non-legal work. For the non-legal work, Staff reviewed the per hour rates charged by
22 LogOn Consultants, Tom Maiman, and Steve Jones as a consultant for KCPL. The Staff
23 determined that an appropriate per hour rate for this type of work is \$200 per hour. For legal

1 services, the Staff used the Laffey Matrix weighted for different experience levels and calculated
2 a legal services rate of \$317 per hour.

3 Applying 20 percent to the \$317 hourly rate and 80 percent to the \$200 rate results in a
4 weighted rate of \$223. This rate was compared to an estimated average rate per hour charged by
5 Schiff to Iatan 1 of ^{**} [REDACTED] ^{**} per hour to arrive at a per hour rate reduction of ^{**} [REDACTED] ^{**}

6 In addition to the hourly rate adjustment, Staff also made an adjustment to remove an
7 estimated out-of-pocket expense ratio to labor charges of six percent, based on a review of the
8 actual out-of-pocket expenses listed on a sample of Schiff invoices. In addition to the fact that
9 the KCPL has not received receipts and verified the reasonableness of these expenses, Staff
10 cannot verify that these out-of-pocket expenses were necessary and/or reasonable. Since KCPL
11 made no attempt to solicit bids from firms located in the Kansas City area to perform the type of
12 services that Schiff has performed and is performing for the Iatan construction projects, the Staff
13 cannot verify that the travel and meal costs incurred by Schiff were necessary.

14 The Staff's third and final adjustment to Schiff's Iatan 1 charges relate to the excessive
15 number of hours charged to KCPL each month. KCPL appears to exercise no control over the
16 number of hours billed by Schiff or question the reasonableness of the number of hours charged.
17 Staff reviewed Schiff invoices for selected months to determine the type of work performed by
18 Schiff and the extent, if any; Schiff was performing work not required for the construction of the
19 Iatan 1 AQCS system. Based on its review, Staff made a determination that potentially up to 50
20 percent of the work hours billed to KCPL by Schiff were either not required for the construction
21 of the AQCS system at Iatan 1, was excessive, or was more appropriately accomplished by
22 KCPL's in-house attorney staff or attorneys in Missouri who would be more familiar with
23 Missouri law than Schiff attorneys. The Staff also noted hundreds of hours of administrative and

1 paralegal work that could have been accomplished by KCPL employees or local area legal
2 services companies at a much lower cost to the project. A sample of some of the items noted in
3 the Staff's review is listed on Schedule 5 to this Report.

4 **M. Allowance for Funds used During Construction (AFUDC)**

5 **Definition**

6 For regulated utility companies the Allowance for Funds used During Construction
7 (AFUDC) is the non-cash cost of financing particular construction projects. During construction
8 and prior to the plant providing utility service this finance cost is capitalized to the construction
9 work order in the same manner as other construction costs of labor and materials. The Federal
10 Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) identifies under
11 Electric Plant Instructions, paragraph 17, that AFUDC:

12 ...includes the net cost for the period of construction of borrowed funds
13 used for construction purposes and a reasonable rate on other funds when
14 so used, not to exceed, without prior approval of the Commission,
15 allowances computed in accordance with the formula prescribed in
16 paragraph (a) of this subparagraph. No allowance for funds used during
17 construction charges shall be included in these accounts upon expenditures
18 for construction projects which have been abandoned.

19 The Commission's rule on the USOA for electric utilities states, in part, as follows:

20 4 CSR 240-20.030 Uniform System of Accounts—Electrical Corporations

21 Purpose: This rule directs electrical corporations within the commission's
22 jurisdiction to use the uniform system of accounts prescribed by the
23 Federal Energy Regulatory Commission for major electric utilities and
24 licensees, as modified herein. . . .

25 * * * *

26 (4) In prescribing this system of accounts, the commission does not
27 commit itself to the approval or acceptance of any item set out in any
28 account for the purpose of fixing rates or in determining other matters
29 before the commission. This rule shall not be construed as waiving any
30 recordkeeping requirement in effect prior to 1994.

1 **N. GMO Adjustment 10: Additional AFUDC Caused By Iatan 1 Turbine**
2 **Start-Up Failure**

3 On February 4, 2009, the Iatan 1 turbine tripped during start-up activities due to vibration
4 in the turbine that was beyond its operating parameters. This event occurred following the
5 replacement of the high pressure turbine by KCPL contractor General Electric. The turbine
6 replacement and costs associated with the turbine incident were not within the scope of the
7 Iatan 1 AQCS project and are similar to other period or capital costs not within the scope of this
8 audit such as fuel, maintenance, etc. The unit was repaired and returned to availability for in-
9 service testing on March 9, 2009. The 33 day delay of the unit's ability to perform in-service
10 testing increased the amount of AFUDC accrued on the balance of Iatan 1 plant in construction
11 as it could not be declared in-service until April 19, 2009. It is Staff's belief that the increase in
12 AFUDC accrued during the 33 day delay should be removed from the plant balance of the Iatan
13 1 AQCS and charged to the work order capturing the costs for the turbine trip. The prudence of
14 the costs of the turbine trip including this additional AFUDC is out of the scope of this audit and
15 should be examined in the next rate proceeding as these costs are not related to the Iatan 1 AQCS
16 or the Iatan Common Plant needed to operate Iatan 1. Additionally, these costs are unrelated to
17 the Iatan 2 project and would not be evaluated in an audit of Iatan 2 costs. If the legitimacy of
18 the costs of the turbine trip is examined and established then GMO should include the
19 incremental AFUDC on the Iatan 1 AQCS at that time net of any adjustments.

20 **O. AFUDC Accrued on Staff's Prudence Adjustments**

21 In addition to these adjustments, Staff captured the AFUDC value of the prudence
22 adjustments proposed in this Report. To calculate the value of AFUDC accrued for these Staff
23 adjustments, Staff obtained the monthly AFUDC rates for the Iatan I AQCS project and applied
24 the monthly AFUDC rates to each adjustment by the months in which the costs were charged to

1 the project. The compounded AFUDC resulting from semi-annual capitalization is included in
2 each adjustment, as is the other AFUDC adjustments. Staff proposes a distinct AFUDC
3 adjustment for each prudence adjustment proposed in this Report.

4 **6. Iatan Project Cost Controls**

5 KCPL developed a Control Budget Estimate (CBE) of [REDACTED] related to the Iatan 1
6 AQCS. The CBE included a contingency of [REDACTED] KCPL defines this contingency as an
7 amount that “consists of funds for unforeseeable elements of cost within the defined project scope.”^{iv}
8 The July, 2006 Comprehensive Energy Plan Construction Projects Cost Control System (CEP Cost
9 Control System) outlines the governance considerations, management procedures and cost control
10 protocols that govern the KCPL Comprehensive Energy Plan (CEP) projects, including the Iatan 1
11 AQCS. The Control Budget is to be established once the Definitive Estimate is accepted. KCPL
12 failed to implement a cost control process that satisfied the requirements contained in paragraph
13 III.B.1q. of the Stipulation & Agreement in Case Number EO-2005-0329 relative to Iatan 1,
14 common plant, or Iatan 2. Paragraph III.B.1q. of the Stipulation & Agreement in Case Number EO-
15 2005- -0329 that KCPL have a Cost Control System in place that identifies and explains any cost
16 overruns above the definitive estimate (DE) during the construction period of the Iatan 2 project, the
17 wind generation projects and the environmental investments.”

18 The KCPL Cost Control System does not indentify the cost overruns related to the Iatan 1
19 AQCS, nor does it provide an explanation that can be used to determine the prudence of the matter
20 causing the overrun. In addition, KCPL has refused to provide documentation supporting the
21 development of the [REDACTED] contingency. Staff submitted Data Request 490, requesting:

22 Please provide copies of all the documentation supporting the
23 development, review, analysis and approval of the contingency and

1 executive contingency included in the control budget estimate for
2 environmental upgrades at Iatan 1.

3 KCPL provided the following response:

4 "The current Control Budget Estimate for Iatan 1 is ^{**} [REDACTED] ^{**}

5 Due to their confidential nature, all of the documentation supporting the
6 development, review, analysis and approval of the contingency and
7 executive contingency included in the current control budget estimate for
8 environmental upgrades at Iatan 1 are available by contacting Tim Rush
9 816-556-2344 or Lois Liechti 816-556-2612 to make arrangements to
10 view these documents.

11 Response provided by Iatan Construction Project, Project Controls.

12 This information was provided for onsite viewing to the Commission Staff
13 in early 2008 as part of its investigation in Case No. EM-2007-0374."

14 Staff last requested on July 17, 2009, to review the material that KCPL indicates in its
15 response is available for review at the Iatan plant site. Previous requests had not resulted in the
16 provision of the material for review. Staff continued to pursue its July 17, 2009, request in
17 subsequent meetings with KCPL to no avail. KCPL finally responded on October 7, 2009, that it
18 would provide material for review relative to other data requests but had no non-privileged
19 material responsive to Data Request 490. KCPL indicates in its privilege log regarding Data
20 Request 490 that it has only three documents responsive to the development, review, analysis,
21 and approval of the contingency contained in the Iatan 1 AQCS CBE. These three documents
22 were not provided except for the edited portion provided in Schedule 6. Schedule 7 shows the
23 privilege log describing the three documents being withheld. One of these documents indicates
24 that the document is related to Iatan 2 instead of Iatan 1 AQCS.

25 KCPL did cite additional information responsive to Staff concerns regarding the
26 adequacy of KCPL's response to Staff Data Request 490 especially in reference to the existence

1 of responsive material provided previously to Staff in Case Number EM-2007-0374. In an
2 November 10, 2009 e-mail KCPL indicated the following:

3 Data request 490 - KCP&L initially allowed the Staff to review the R&O
4 packets which were the basis for the development of the contingency
5 funds for Iatan 1. Commercial issues were still pending at the time the
6 Staff requested the R&O packets. Since commercial issues have been
7 resolved related to Iatan 1, R&O packets were provided in supplemental
8 response to Data request 633. KCP&L has explained R&O packets to the
9 Staff (Dave Elliot) but will be glad to do so again with you or any other
10 Staff members.

11 The R & O (Risk and Opportunity) packets that KCPL's refers to in this response could not be
12 related to documentation regarding the development, review, analysis and approval of the
13 contingency and executive contingency included in the control budget estimate for
14 environmental upgrades at Iatan 1 since the R & O packets were not produced until over a year
15 after the Iatan 1 AQCS CBE was adopted. Schedule 8 is a copy of a R&O packet related to the
16 Iatan 1 contingency showing the time period it was created. Further, cost overruns are the result
17 of actual costs exceeded budgeted amounts. Actual costs are the costs that are included in
18 customer rates and the basis for this audit. KCPL did not track actual costs in relation to the
19 estimates contained in its R & O packets. The R & O packets were used to increase the Iatan 1
20 AQCS CBE, but cannot be used to track overruns, because they cannot be tracked to actual
21 results.

22 The Change Management procedure of CEP Cost Control System identifies the various
23 ways in which changes that occur on the Project are documented and addressed. The Change
24 Management procedure track increased costs through its formal documentation requirements
25 regarding changes with the reasons and context for the changes during the project.

26 Schedule 9 is a schedule of the Iatan 1 change orders received by the Staff. Schedule 9
27 shows that Staff received change orders totaling ^{**} [REDACTED] ^{**} The change orders do not explain

1 the cost overruns that occurred on the Iatan 1 AQCS project as the change order dollar total is
2 approximately equal to or less than the contingency reserve included in the Iatan 1 AQCS CBE.

3 The cost overrun problem was created by the overruns being processed as purchase
4 orders or journal entries that provide no distinction between those purchases or journal entries
5 included in the CBE and those outside the CBE.

6 The Commission order required an invoice review. Staff did not have the explanation of
7 the specific cost overruns that caused Iatan 1 AQCS to exceed its control budget. The Staff did
8 receive a listing of the R& O that was used to develop a new budget for the Iatan 1 AQCS after it
9 was determined that the Iatan 1 AQCS could not be completed within its control budget. Staff
10 cannot discover the date it received the Iatan 1 Control Budget. Staff was made aware of the
11 Iatan 1 schedule on January 22, 2007, when the Iatan 2 Control Budget and Schedule were
12 provided to Staff with information regarding the LaCygne environmental project.

13 During the time of this audit, the Iatan 1 AQCS Cost Control System was not designed
14 and implemented to identify related cost overruns let alone provided an explanation supporting
15 the reason for the overrun. Since the Iatan 1 cost overruns are not identified, let alone explained,
16 the Commission ordered invoice review cannot be focused primarily on the invoices or journal
17 entries that caused the cost overruns. As a consequence, Staff had to greatly expand the audit
18 scope reviewing secondary information to pinpoint the areas causing the cost overruns in either
19 the construction or indirect costs functions of the Iatan 1 AQCS project.

20 Staff has had to conduct its audit searching for alternative approaches to evaluate the
21 prudence of invoices and journal entries charged to Iatan related to the cost overruns.

1 **7. Cost Overruns**

2 The comparison of the current forecast of project costs to its control budget showed that
3 the Iatan 1 AQCS segment as well as the Iatan 2 segment of the Iatan Project will experience
4 cost overruns. KCPL supplied Staff with a Control Budget Estimate (CBE) as its compliance
5 with its Regulatory Plan obligation to develop a definitive estimate as a baseline for its Cost
6 Control System. Staff intended the definitive estimate in the Regulatory Plan to be used as a
7 baseline to identify any overruns that would need an explanation if an overrun actually occurred
8 in the future. KCPL discussed its Cost Control System with the Staff on January 22, 2007. This
9 meeting provided the CBE for Iatan 2 segment but did not include the Iatan 1 AQCS CBE.
10 Schedule 10 attached to this Report contains the material provided to Staff at this meeting as well
11 as illustrates the absence of an Iatan 1 CBE. Staff received the Iatan 1 CBE amount on
12 February 15, 2007 as the CBE totals were included in the Fourth Quarter 2006 Strategic
13 Infrastructure Investment Status Report distributed on this date^v. Staff discovered a detailed
14 Iatan 1 CBE was attached to the Burns and McDonnell contract and has used this document for
15 purposes of this audit. . Schedule 11 is a copy of the Iatan 1 AQCS CBE used by Staff for this
16 audit

17 KCPL later replaced its Iatan 1 AQCS CBE with a reforecasted or current budget amount
18 of ^{**} [REDACTED] ^{**} its CBE. The following
19 table provides detail to assist in highlighting the specific areas of Iatan 1 AQCS segment where
20 the primary cost impacts of the factors causing the cost overruns over the control budget are
21 shown:

1

**

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**

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The above table shows that the Iatan 1 AQCS cost overruns primarily occurred in two areas. These areas are construction and indirect costs. The above table also shows that cost savings in the procurement area in conjunction with the Iatan 1 AQCS segment were inadequate to offset the overruns in the construction and indirect costs areas. The CBE contingency was actually increased to [REDACTED] from the CBE contingency of [REDACTED]. The [REDACTED] in the above table represents the unused portion of the [REDACTED] contingency remaining at May 31, 2009. In order to better understand the information contained in the reports that provided the information used for the table above, Staff requested KCPL's definition for the four (4) areas (i.e. Procurement, Construction, Indirects, and Contingency) of costs contained in the above table. KCPL's response provided the following definitions:

13

14

15

"Procurement category consists of plant systems or equipment purchased by KCP&L or by an authorized KCP&L representative to be installed during the construction phase.

16

17

18

Construction category consists of installation of plant systems or equipment purchased during the procurement phase. This category also contains furnish and erect contracts.

19

20

Indirects category consists of costs that are not associated with direct construction or procurement, but incurred to support the construction or

1 procurement efforts. i.e., project management, temporary facilities, utility
2 costs, and etc.

3 Contingency category consists of funds for unforeseeable elements of cost
4 within the defined project scope.”^{vi}

5 The KCPL Regulatory Plan contained a provision that in Staff’s view were designed to
6 facilitate an audit of cost overruns in the event any of the Regulatory Plan projects exceeded their
7 definitive estimate. The KCPL Regulatory Plan contained a requirement that KCPL must
8 develop a definitive estimate and maintain a Cost Control System that identifies and explains any
9 cost overruns over this definitive estimate. After Staff’s experience with the construction audits
10 of Wolf Creek and Callaway nuclear stations, Staff understood the significance of a definitive
11 estimate versus other types of estimates that are available before a definitive estimate is
12 developed. Staff experienced the level of difficulty to track costs, especially in the event of cost
13 overruns, with a budget that lacked the specificity of a definitive estimate. In the Wolf Creek and
14 Callaway construction audits reconciliation packages were created to identify and explain the
15 cost overruns that occurred on those projects. It was Staff’s intent to avoid a repeat of that
16 experience by making current identification and explanations a feature of Regulatory Plan
17 projects. KCPL’s Comprehensive Energy Plan Construction Projects Cost Control System was
18 attached to the rebuttal testimony of Steven Jones as Schedule SJ-1. Under section 3.1 Cost
19 Control on page 8 of 30, it states the “The Project team will develop a Definitive Estimate for
20 each Project that will be [sic] provide an analytical baseline for evaluating Project costs.” At the
21 end of this paragraph it states that “The Definitive Estimate will be used to establish each
22 Project’s Control Budget.”

23 Staff found that KCPL did not develop a Definitive Estimate or a control budget estimate
24 based on a Definitive Estimate for the Iatan 1 AQCS segment. Staff found that KCPL failed to
25 maintain a Cost Control System that identifies and explains the Iatan 1 AQCS cost overruns.

1 Staff discovered that it would need an alternative approach to identify the factors causing the
2 cost overruns that would be less accurate and more time consuming than the process Staff
3 bargained for in the Regulatory Plan.

4 KCPL discovered that the Iatan 1 AQCS CBE would be exceeded within eight months of
5 its use. The Iatan 1 AQCS CBE began being used on the Iatan Project on December 1, 2006.
6 Iatan Project personnel were instructed to use the change order process for any changes to the
7 budget^{vii}. The July 2007 Iatan 1 AQCS Report noted that actual costs would exceed the Iatan 1
8 AQCS CBE under the best scenario. Once the CBE was known to be exceeded, a higher budget
9 (reforecast budget) was needed for cost control for the remaining portion of the Iatan 1 AQCS
10 segment as well as serve as a real test for the Iatan Project Cost Control System to be able to
11 track cost overruns with documentation to explain their justification. In addition, effort would be
12 needed to verify whether the Cost Control System would be able to identify and explain cost
13 overruns and was actually performing that function.

14 KCPL based its reforecasted budget upon a listing of Risks and Opportunities (R&O)
15 items that KCPL began to itemize and estimate when Mr. David Price was in a leadership
16 position relative to the Iatan Project. These items were introduced to the Iatan Project as an
17 ongoing risk assessment of the Iatan 1 AQCS and Iatan 2 segments. The R&O items were further
18 developed and used to modify the CBE by the aggregate impact of these estimates to determine a
19 new Iatan 1 AQCS budget (aka current budget). Schedule 12 attached to this Report is an exhibit
20 (209) from the Great Plains Energy's (GPE) acquisition of Aquila, Inc. in Case Number EM-
21 2007-0374. This schedule shows the listing and relative amounts for the R & O items used to
22 create the current budget.

1 The actual costs charged to the Iatan 1 AQCS segment related to individual R&O items
2 were not captured, thus resulting in an inability in the Iatan Project Cost Control System to
3 identify the impact these items had, if any, on the Iatan 1 AQCS cost overruns. Since cost
4 overruns occur when actual costs exceed budget, a tracking system designed to identify and
5 explain cost overruns needs to capture the actual costs related to each item identified as causing
6 the cost overrun as well as identify the CBE treatment for these items. In some circles of KCPL
7 there are no cost overruns for the Iatan 1 AQCS because the actual costs are expected to be less
8 than the current or reforecasted budget.

9 Staff was provided during and for the Iatan 1 AQCS project, copies of change orders in
10 excess of \$50,000. A change order (CO) is defined in KCPL's Change Management Process "a
11 legally binding agreement between two parties. The CO will supersede the Contract when
12 approved." ^{viii} As of November 11, 2009, the Staff has received a list of Iatan 1 change orders in
13 excess of \$50,000. There were change order increases of [REDACTED] and change order
14 decreases of [REDACTED] resulting in an overall net increase of [REDACTED] Thus the change
15 orders received by Staff to date would not explain any Iatan 1 AQCS cost overruns since the net
16 increase is less than the Iatan 1 AQCS CBE contingency of [REDACTED] Without details
17 regarding the development of the Iatan 1 AQCS contingency, Staff cannot match which change
18 orders were and were not included in the [REDACTED] CBE contingency amount.

19 Staff's audit plan was modified to include acquisition and analysis of fundamental source
20 documentation (e.g. Alstom and Kiewit correspondence, David Price e-mails, Alstom and Burns
21 and McDonnell monthly reports) to verify the consistency of general statements or representation
22 about the Iatan 1 AQCS overruns not supported by change order documentation. The David
23 Price e-mails were also acquired to supplement Staff search for the cause of the [REDACTED]

1 cost overruns since the David Price period has been generally referred as a period when the Iatan
2 Project was working through its past issues and confidence was building on its current direction.
3 The David Price R & O approach was used to develop the current budget. KCPL's delay in the
4 provision of the David Price material prevented Staff from being able to complete its analysis of
5 the content of this material at this time.

6 Alstom is the dominant vendor for the Iatan 1 AQCS segment. The Alstom invoice total
7 (approximately ^{**} [REDACTED] ^{**}) is over six (6) times greater than the second highest vendor, which
8 Kiewit with approximately ^{**} [REDACTED] ^{**} Since the largest amount of cost overruns occurred in the
9 construction area. Alstom was selected for further examination. Staff found a significant
10 settlement with Alstom that would not have been in the CBE. In addition, the settlement has a
11 condition that KCPL forego its claims against Alstom for costs incurred as a result of Alstom's
12 Iatan 1 AQCS work. Since KCPL was willing to settle its claims for a cash payment to Alstom as
13 well as forego significant claims against Alstom. Staff examined the Iatan Project documentation
14 to look for reasons that KCPL would be in a position for it to pay Alstom for poor performance
15 on the Iatan AQCS segment of the Iatan Project and forego its claims for Alstom impacts on the
16 project.

17 ^{**} [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

1 ^{**} [REDACTED] Therefore the Iatan 1 AQCS costs of this settlement are greater than the ^{**} [REDACTED] ^{**} of
2 additional costs mentioned in the Audit Report. ^{**} [REDACTED] ^{**} of this amount is reflected in the
3 May 31, 2009 baseline used by Staff in this audit. ^{**} [REDACTED]
4 ^{**} [REDACTED] KCPL noted that
5 potential liquidated damages believed to be due KCPL were in the range of ^{**} [REDACTED] ^{**} to ^{**} [REDACTED]
6 ^{**} [REDACTED] The Alstom settlement also foregoes KCPL rights to receive any compensation for these
7 costs and using the proceeds to reduce the cost of the Iatan 1 AQCS. Thus Alstrom and KCPL's
8 settlement would a ^{**} [REDACTED] ^{****} to ^{**} [REDACTED] ^{**} factor related to the cost overruns that occurred on Iatan 1
9 AQCS segment. The Alstom settlements also lead Staff to examine KCPL's management of the
10 Iatan 1 AQCS as a possible factor of the Iatan 1 AQCS overruns. Staff then examined the history
11 of KCPL's management of the Iatan Project.

12 ^{**} [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
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12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED] **

21 Staff also examined factors that would explain the cost overruns in the indirect area in the
22 Iatan 1 AQCS segment. Staff was able to identify two factors that would contribute to cost
23 overruns in this area. They were the May 23, 2008 crane accident and the Schiff Hardin
24 oversight. The May 23, 2008 would not be in the CBE and the costs that Schiff Hardin was

1 billing KCPL was exceeding the amounts allotted in the CBE without benefit of any change
2 order documentation.

3 On May 23, 2008 a crane which was being operated at the Iatan 1 construction site
4 collapsed resulting in the death of a contract employee (the "Crane Incident"). As a result of the
5 Crane Incident, KCPL has charged over ^{**} [REDACTED] ^{**} to the Iatan 1 construction project.

6 Schiff Hardin, LLP is a general practice law firm that has been assisting KCPL in its
7 project management duties at Iatan 1. KCPL has paid Schiff Hardin a significant amount of
8 money for its services and charged this cost to both the Iatan 1 environmental upgrades and Iatan
9 common plant project costs. Schiff Hardin has testimony filed that it was engaged by KCPL:

10 (a) to help KCPL develop project control procedures to monitor the cost and schedule for the
11 infrastructure projects contained in KCPL's Comprehensive Energy Plan (CEP); (b) to monitor
12 the CEP's progress and costs, including the review and management of change order requests;
13 (c) to negotiate contracts with vendors; and (c) to resolve disputes with vendors that might arise.

14 In an attempt to evaluate the appropriateness and prudence of the Schiff Hardin costs, the Staff
15 has issued Data Requests seeking information it needs to perform its audit and review. As noted
16 below in the Status of Discovery section, KCPL has made the determination that it will withhold
17 what the Staff believes is relevant information under the argument that such information is
18 protected by attorney-client privilege and/or attorney work product doctrine. Subsequent data
19 indicates that Schiff Hardin has significantly exceeded the Iatan 1 control budget amount for its
20 services. Thus Schiff is a contributor to the cost overruns that its services were intended to avoid.

21 Schiff's costs (approximately ^{**} [REDACTED] ^{**} are seven (7) times greater than traditional audit
22 services provided by Ernst & Young (approximately ^{**} [REDACTED] ^{**}).

1 **8. Inappropriate Charges**

2 Inappropriate charges were found to occur at the highest level of the Company and the
3 Iatan Project increasing the concern and probability regarding the level of inappropriate charges
4 contained in the Iatan 1 AQCS investment or common plant needed to operate Iatan 1 after the
5 its AQCS was placed in service. The audit encountered the “red flag” events where personal
6 expenses were charged to the Iatan Project by high level KCPL personnel and KCPL has resisted
7 providing information to determine the extent that the problem exists and magnitude of the
8 problem regarding personal mileage charges to Iatan.

9 There was a continuation and expansion of the problem noted in Staff testimony in
10 KCPL’s previous two rate cases, regarding KCPL’s officer expense report process. ^{**} [REDACTED]
11 ^{**} [REDACTED] the
12 Staff saw no improvement in KCPL’s most recent rate case, Case No. ER-2009-0089. Staff
13 noted inappropriate and unreasonable expenses charged to the Iatan 1 project by at least three
14 KCPL officers having authority positions over the Iatan 1 AQCS project.

15 During the rate case audit this case, Staff found a \$405 lunch charge to Iatan 2 indirect
16 costs. KCPL was charging a portion of Iatan 2 Indirect Costs for Construction Management as of
17 December 2008 to the Iatan Project Common Plant KCPL was seeking to include in its rate base.
18 As a consequence approximately twenty-one percent (21%) of the lunch charge would be
19 charged to the Iatan Project Common Plant Estimate and approximately thirteen and a half
20 percent (13.5%) of the lunch would be included in the Iatan Project Common Plant needed to
21 operate Iatan 1.

22 Approximately sixty-four percent (64%) of the Iatan Project Common Plant was in
23 service by April 30, 2009 and therefore determined to be needed to operate Iatan 1. KCPL

1 initially objected to the provision of information regarding Iatan 2 on the basis of there was no
2 relevance to the costs it was seeking in this case (Iatan 1 AQCS and Iatan Project Common
3 Plant). Staff received this objection on February 11, 2009. KCPL used this objection to delay
4 provision of the information for Staff evaluation until May 12, 2009 after all Staff's filing dates
5 had expired. The inappropriate charge was removed from Iatan 2 on February 11, 2009. KCPL
6 however did not remove the AFUDC that KCPL had recorded for itself and thus allowed this
7 cost to continue to compound through the project.

8 KCPL's internal control system does not allow the charging of an inappropriate cost to
9 the Iatan Project by the action of one individual because all such costs require the employee or
10 vendor to first request payment of an inappropriate charge (e.g., personal expenses) or improper
11 coding to the Iatan Project for the non-Iatan Project costs. Such a request needs another KCPL
12 employee to approve the payment or charging request. Therefore, at least two individuals must
13 be involved in the occurrence of an inappropriate costs being charged to the Iatan Project.

14 The \$405 Iatan 2 lunch charge experience illustrates four levels of concern. One, KCPL
15 is recording costs for inappropriate items for the Iatan Project. Two, KCPL's internal control
16 system is failing to prevent the inappropriate charges to the Iatan Project. Third, KCPL engages
17 in stonewalling tactics to reduce the amount of time Staff will have to evaluate and react to
18 information that KCPL does want Staff to have. Four, KCPL conducts no examination of the
19 issue internally to determine the extent and impact of the inappropriate activities.

20 The second level of concern indicates a shortfall of KCPL's senior management
21 compliance with KCPL's own internal control system. KCPL policies and procedures related to
22 item are adequate to prevent the inappropriate if the procedures had been followed by KCPL's
23 executives. Description of the steps needed for the inappropriate charge to Iatan to occur

1 illustrate how elaborate nature of KCPL's internal control system and that at least two employees
2 must fail in their responsibilities for Iatan 2 to be charged for an inappropriate item. The failure
3 is noteworthy in that the KCPL control requires more than one employee to fail in their
4 responsibilities for the inappropriate charge to occur to an Iatan 2 work order.

5 Initially the senior manager, cardholder, should not have charged a personal expense to
6 his KCPL Travel and Entertainment (T&E) credit card. KCPL policy and procedures state
7 personal charges that are not directly associated with business travel and/or a business purpose
8 are not allowed to be charged to the T & E card. Since KCPL pays these charges, the employee
9 is required to submit a signed and approved expense report for T & E charges before the last
10 working day of the month in which the employee receives a copy of the credit card statement. In
11 this case the employee, did not sign the expense report until June 4, 2007, for February, 2007
12 charges. The Expense Report copy indicates that the Payroll Department processed the Expense
13 Report on June 15, 2007; therefore, the submittal of a signed and approved Expense Report must
14 have occurred on or before June 15, 2007, but no earlier than June 2, 2007. This timeframe is
15 likely after the last working day of the month in which the senior manager received a copy of the
16 credit card statement for the February 2007 charges and thus is not in compliance with KCPL's
17 Travel & Entertainment (T&E) Policies & Procedures. These Policies and Procedures indicate
18 that failure to comply with these guidelines may, at the Company's discretion; result in any
19 unreported expenses being deducted from an employee's payroll check after the deadline has
20 passed, and/or result in the cardholder's card being revoked. This option must not have been
21 invoked since the senior manager had to issue a check to KCPL to reimburse the Company for a
22 personal expense which would be unnecessary if KCPL had deducted the T & E charge from the
23 senior manager's payroll check. Finally for this reimbursement to occur, the senior manager

1 needed to indicate that this personal expense was a business meal in which they were required to
2 keep a copy of meal and food receipts over \$25 with a notation of the business purpose and
3 individuals. Therefore, under KCPL's control system, an employee must represent that the
4 personal expense was instead a business cost for the stated business purpose on the Expense
5 Report. If the senior manager had represented that the charge was a personal expense, then
6 KCPL should have sought reimbursement from the senior manager.

7 KCPL's internal control system includes responsibilities for the employee's
8 manager/supervisor to prevent inappropriate reimbursements from being charged to projects such
9 as Iatan 2. Managers should continuously verify business need and appropriate business usage of
10 all cards issued to their direct reports. On a monthly basis, managers should check and review
11 purchases, verify proper documentation, receipts, and business appropriateness of all
12 transactions. For purchases determined to be inappropriate managers must: (1) ask for the
13 cardholder to reimburse the company, and (2) determine if disciplinary action needs to be taken
14 against the cardholder, ranging from suspension of the card to termination of employment.
15 Managers are responsible for ensuring proper record keeping requirements for a T & E card are
16 met. The recordkeeping requirements for a T & E card are that T & E expenses are documented
17 on employee expense reports, and receipts and cardholder statements are attached to the expense
18 report. The cardholder should gather all receipts for monthly expenses reconcile them to the
19 statement and then tape them to an 8.5" x 11" sheet of paper. Supervisors are responsible to
20 review and sign expense reports, indicating approval of the transactions and confirming accuracy
21 of account coding distribution. Thus, the manager should have reviewed the documentation.

22 Schedule 14 attached to the Report is a list of the inappropriate or questionable costs
23 discovered during the audit, excluding those costs that are attributed to the Senior VP – Supply

1 position. The Senior VP – Supply position costs were examined separately for a pattern of
2 systemically charging expense items to the Iatan 2 to gain the advantage of capital versus
3 expense recognition, as well as a 45.29% reimbursement of these costs from the other partners to
4 the Iatan 2 segment.

5 During the audit Staff found a pattern of a KCPL officer that consistently charged Iatan 2
6 for items that should have been charged to KCPL expense accounts. Schedule 15 attached to this
7 Report is a schedule produced from Staff's Review. The schedule indicates a few Iatan charges
8 that Staff noted for various reasons. The Schedule notes three (3) instances where the same items
9 appears twice in the individual's Expense Reports.

10 After Staff discovered a significant number of inappropriate charges and discovered that
11 it did not have time to audit the Iatan Project to determine the full extent of these charges, Staff
12 developed a breakdown of the ^{**} [REDACTED] ^{**} of costs being examined to gain a perspective of the
13 magnitude different types of costs that comprise the Iatan 1 AQCS costs that are the subject of
14 this audit. The following table provides a breakdown of the ^{**} [REDACTED] ^{**} of Iatan 1 AQCS costs
15 by the type of costs that comprise this total:

1

Cost Type @ May 31, 2009		Dollars
Vendor Invoices	**	[REDACTED]**
Allowance for Funds used During Construction (AFUDC)	**	[REDACTED]**
Site Allocation Transfer	**	[REDACTED]**
Accruals	**	[REDACTED]**
Labor & Loadings	**	[REDACTED]**
Misc Adjustments	**	[REDACTED]**
Transfer between 1 & 2	**	[REDACTED]**
Retention	**	[REDACTED]**
Property Tax Accrual	**	[REDACTED]**
Audit Services	**	[REDACTED]**
Property Tax	**	[REDACTED]**
Procurement Cards (P Cards)	**	[REDACTED]**
Materials	**	[REDACTED]**
Fleet	**	[REDACTED]**
Use Tax	**	[REDACTED]**
Value Link	**	[REDACTED]**
** [REDACTED]**	**	[REDACTED]**
Insurance [REDACTED]**	**	[REDACTED]**
Cash Receipts	**	[REDACTED]**
Total	**	[REDACTED]**

2

3

4

5

6

7

The KCPL expense report charges would be a portion of the [REDACTED]** of labor & loading charges shown above. The expense report charges would be a fraction of this amount. Staff now knew that the full exposure to these types of inappropriate charges was a percentage of the [REDACTED]** [REDACTED]** that would need to be addressed in further audits.

ⁱ Rebuttal Testimony of Steven Jones in Case Number Er-2009-0089, p.25 line 19 through p.26 line 2

ⁱⁱ Iatan 2 Cost Summary Report April 09 line 67

ⁱⁱⁱ Mr. Downey in his rebuttal testimony at page 4, lines 4-17 and page 6, lines 11-13 in Case No. ER-2009-0089 described the resources used by KCPL's Executive Management (Chairman, President, Chief Operating Officer, Chief Financial Officer and the Executive Vice President) to oversee the Iatan Project. He said that KCPL created the EOC from its Senior Management (same individuals as KCPL's Executive Management plus KCPL's other Vice Presidents) ranks to provide oversight from a management perspective. Mr. Downey related that the EOC engaged external oversight from Schiff Hardin LLP (Schiff). He testified that in addition, KCPL's Internal Audit Department, as supplemented by a consulting group from Ernst & Young (E&Y), provides both Senior Management and the KCPL's Board of Directors with oversight of the Iatan Project.

Mr. Downey at page 8, lines 1-12 of his rebuttal testimony identified those who have served on the Executive Oversight Committee (EOC) as the following: himself; Terry Bassham, Executive Vice President and Chief Financial Officer; Chris Giles, Vice President – Regulatory Affairs; William Riggins, General Counsel and Chief Legal Officer; Steve Easley, formerly Senior Vice President – Supply; Lora Cheatum, Vice President – Procurement and at various times later, John Marshall, Executive Vice President Utility Operations, Barbara Curry, Senior Vice President – Human Resources; Michael Cline, Vice President – Investor Relations and Treasurer, and Lori Wright, Vice President and Controller. He said that David Price was on the EOC during his tenure as Vice President of Construction and was succeeded in May of 2008 by Carl Churchman and explained that other non-executive individuals have been included in the meetings for information purposes, such as Brent Davis and the other CEP Projects' project managers, Maria Jenks, who is KCPL's Director of Audit Services, and others as necessary.

^{iv} See Response to Staff Data Request 819; part a.

^v See Response to Staff Data Request 825; part a.

^{vi} See Response to Staff Data Request Number 819

^{vii} See Response to Question number 27, December 1, 2006 Plan of the Day meeting minutes

^{viii} See Schedule SJ-3 p 73 of the rebuttal testimony of Steven Jones in Case Number ER-2009-0089.

**SCHEDULE 1 IN ITS ENTIRETY
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[¶ 15,108]**106 Completed construction not classified—Electric (Major only).**

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for electric plant which has been completed and placed in service but which work orders have not been classified for transfer to the detailed electric plant accounts.

NOTE: For the purpose of reporting to the Commission the classification of electric plant in service by accounts is required, the utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of electric plant in service.

[¶ 15,109]**107 Construction work in progress—Electric.**

A. This account shall include the total of the balances of work orders for electric plant in process of construction.

B. Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project, such as a hydroelectric project, a steam station or a transmission line, is designed to consist of two or more units or circuits which may be placed in service at different dates, any expenditures which are common to and which will be used in the operation of the project as a whole shall be included in electric plant in service upon the completion and the readiness for service of the first unit. Any expenditures which are identified exclusively with units of property not yet in service shall be included in this account.

C. Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

[¶ 15,110]**108 Accumulated provision for depreciation of electric utility plant (Major only).**

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for electric plant in service.

(2) Amounts charged to account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in account 105, Electric Plant Held for Future Use. Include, also, the balance of accumulated provision for depreciation on property when transferred to account 105, Electric Plant Held for Future Use, from other property accounts. Normally account 108 will not be used for current depreciation provisions because, as provided herein, the service life during which depreciation is computed

¶ 15,108

Staff Proposed Calculation for Indirect Assignment for Iatan Project Common Plant to Operate Iatan I

Line		Source
1	Iatan 1 Actual Construction Expenditures at 5/31/09 WAITING FOR NEW NUMBERS	Iatan 1 AQCS May 2009 Cost Portfolio
	Iatan 1 AQCS B&McD Engineering @ 4-30-09 WBS 5038	
	Iatan 1 AQCS Actual Construction Costs with B&McD engineering	
	Iatan Project Common Costs in Iatan 1 AQCS Project and in service by 4-30-09	KCPL Worksheet
	Iatan 1 Indirects Actual Costs at May 31, 2009 less B & McD Engineering Iatan 1 Indirect Costs attributable to the Iatan Project Common Plant Estimate contained in the Iatan 1 AQCS Project	
2	Iatan 2 Actual Construction Expenditures at 4/30/2009	Iatan 2 Status Report May 2009
	Iatan 2 AQCS B&McD Engineering @ 4-30-09 WBS 300	
	Iatan 2 Actual Construction Costs with B&McD engineering WBS 300 @ 4/30/2009	
	Iatan Project Common Costs in Iatan 2 Project and in service by 4-30-09	KCPL Worksheet
	Iatan 2 Indirects Actual Costs at April 30, 2009 less B & McD Engineering	
	Iatan 2 Indirect Costs attributable to the Iatan Project Common Plant Estimate in service by 4-30-09 and contained in the Iatan 2 Project	
	Total Iatan Project Indirect Assigned to Iatan Project Common Plant in service by 4-30-09	



Law Department

Victoria Schatz
Corporate Counsel
Telephone: 816-556-2791
Facsimile: 816-556-2787
Victoria.Schatz@kcpl.com

December 22, 2009

Via E-Mail and U.S. Mail

Ms. Jaime Ott
Missouri Public Service Commission
200 Madison Street, Suite 800
Jefferson City MO 65102

Re: Missouri Public Service Commission Staff's Subpoena Duces Tecum issued on
December 10, 2009


Dear Jaime:

As you know from our telephone discussions, Kansas City Power & Light ('KCP&L') was personally served on December 14, 2009 with Missouri Public Service Commission Staff's ("Staff") Subpoena Duces Tecum issued on December 10, 2009 requesting production of a document dated December 7, 2005 regarding "Budget Proposal for Comprehensive Energy Plan Project" submitted to William H. Downey from Kenneth M. Roberts ("Subpoena"). Since the Subpoena did not contain a return date, we agreed to a return date of December 24, 2009.

The document responsive to the Subpoena has previously been provided to Staff in response to Data Requests 0411 and 0413 in redacted format, as it contains information protected by the attorney-client and work product privileges. To the extent necessary, KCP&L objects to the production of privileged information and preserves all protections of asserted privileges. Without waiving the aforementioned and in order to fully comply with the Subpoena, another copy of the redacted document is attached.

Please let me know if you should have any questions.

Sincerely,



Victoria Schatz

VS/djs
Attachment

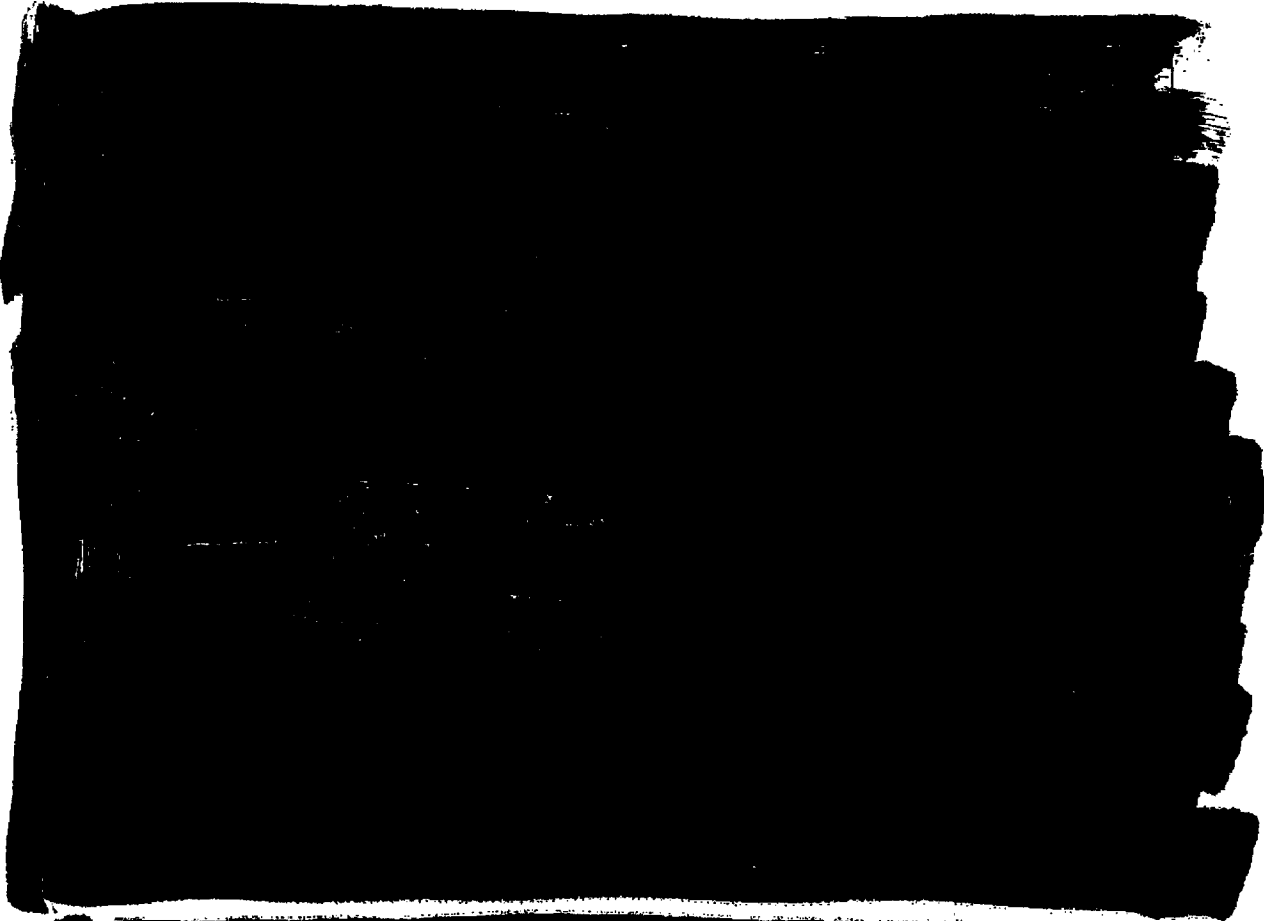
**SCHEDULE 4, PAGES 2 THROUGH 12
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**SCHEDULE 5 IN ITS ENTIRETY
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CONFIDENTIAL MEMORANDUM

TO: Stephen T. Easley
FROM: Kenneth M. Roberts
Eric S. Gould
RE: Summary of Iatan 2 Contingency Analysis
DATE: October 18, 2006

The following is a brief summary of Schiff's view of the Project contingency for Iatan 2. The Special Report on the Cost Estimate that we provided to you in today's meeting describes this analysis in detail. For purposes of clarifying the position we presented in the 10/18 meeting, the following is an "order of magnitude" summary:



The above has been redacted pursuant to the Attorney Client and Work Product Privileges. In addition, the remainder of this document has been redacted pursuant to the same privileges.

Schiff Hardin LLP, 6600 Sears Tower, 233 South Wacker Drive, Chicago, Illinois 60606-6473
Telephone: (312) 258-5500 Facsimile: (312) 258-5600

REVISED PRIVILEGE LOG
Dated: November 17, 2009

(CASE #ER-2009-0089)

Missouri Public Service Commission

DATA REQUEST NO.	DATE	RECIPIENT(S)	CC	AUTHOR(S)	SUBJECT MATTER	PRIVILEGE/PROTECTION/OBJECTION
0490	10/18/2006	Stephen Easley		Kenneth Roberts Eric Gould	Summary of Iatan 2 Contingency Analysis	Attorney-Client/ Work Product
0490	10/24/2006	Stephen Easley		Kenneth Roberts Eric Gould	Memo to Board of Directors	Attorney-Client/ Work Product
0490	3/14/2008	William Riggins		Kenneth Roberts	Iatan 1 & 2 Cost Estimate as of January 18, 2008 and Preparation for Meeting with David Price	Attorney-Client/ Work Product
0413	11/23/2005	Michael Chesser William Downey		Schiff Hardin LLP	Iatan 2 Project Current Procurement Options	Attorney-Client/ Work Product
0413	12/7/2005	William Downey		Kenneth Roberts	Budget Proposal for Comprehensive Energy Plan Project	Attorney-Client/ Work Product
0411	11/23/2005	Michael Chesser William Downey		Schiff Hardin LLP	Iatan 2 Project Current Procurement Options	Attorney-Client/ Work Product
0411	12/7/2005	William Downey		Kenneth Roberts	Budget Proposal for Comprehensive Energy Plan Project	Attorney-Client/ Work Product
0430	11/23/2005	Michael Chesser William Downey		Schiff Hardin LLP	Iatan 2 Project Current Procurement Options	Attorney-Client/ Work Product
0430	3/27/2006	William Downey Stephen Easley Terry Bassham Lora Cheatum	John Grimwade Terry Murphy	Kenneth Roberts	Iatan 2 Balance of Plant Procurement and Contracting Strategy	Attorney-Client/ Work Product

DATA REQUEST NO.	DATE	RECIPIENT(S)	CC	AUTHOR(S)	SUBJECT MATTER	PRIVILEGE/PROTECTION/OBJECTION
0342	1/29/2006	William Riggins	Kenneth Roberts	Virgil Montgomery	Burns & McDonnell Agreement	Attorney-Client/ Work Product
0342	1/23/2007	William Riggins		Virgil Montgomery	B&M Meeting Notes 1/19/07	Attorney-Client/ Work Product
0363	8/30/2007	Steve Easley	David Price Kenneth Roberts	Virgil Montgomery Carrie Okizaki	Comments to the Draft Contract for the Balance of Plant at Iatan Station Unit 1 and Unit 2	Attorney-Client/ Work Product
0363	9/11/2007	William Riggins Gerald Reynolds	David Price Kenneth Roberts	Virgil Montgomery Carrie Okizaki	Draft Contract for the Balance of Plant at Iatan Station Unit 1 and Unit 2	Attorney-Client/ Work Product
0363	10/1/2007	Max Sherman	David Price Kenneth Roberts	Carrie Okizaki	Aquila Comments to the Draft Contract for the Balance of Plant at Iatan Station Unit 1 and Unit 2	Attorney-Client/ Work Product
0363	10/1/2007	Steve Easley	David Price Kenneth Roberts	Virgil Montgomery Carrie Okizaki	Comments to the Draft Contract for the Balance of Plant at Iatan Station Unit 1 and Unit 2	Attorney-Client/ Work Product
0363	10/15/2007	David Price	Steve Jones Terry Foster Ken Roberts Jim Wilson	Carrie Okizaki Eric Gould	Kiewit Schedule Issues	Attorney-Client/ Work Product
0363	10/24/2007	William Downey David Price		Kenneth M. Roberts Carrie Okizaki Eric Gould	Kiewit Contract - Talking Points	Attorney-Client/ Work Product

DATA REQUEST NO.	DATE	RECIPIENT(S)	CC	AUTHOR(S)	SUBJECT MATTER	PRIVILEGE/PROTECTION/OBJECTION
0363	10/28/2007	William Riggins Lora Cheatum David Price	Kenneth Roberts Gerald Reynolds	Carrie Okizaki	Draft Contract for the Balance of Plant at Iatan Station Unit 1 and Unit 2	Attorney-Client/ Work Product
0363	2/13/2008	William Downey Terry Foster		Carrie Okizaki Eric Gould	Evolution of Article 8 (Note: Date and header error on 2nd page and thereafter)	Attorney-Client/ Work Product
0363	2/28/2008	William Downey		Kenneth Roberts Carrie Okizaki	Kiewit Materials Storage Issue	Attorney-Client/ Work Product
0363	3/16/2008	William Riggins		Carrie Okizaki	Major Iatan Contracts (Alstom, Kiewit, Kissick, Burns & McDonnell, Toshiba, Automatic Systems, Inc., Pullman)	Attorney-Client/ Work Product
0363	4/4/2008	Jonathan Marks		Kenneth Roberts Carrie Okizaki Eric Gould	Key Issues for April 15-16, 2008 Facilitation with KCP&L, Alstom, and Kiewit	Work Product Mo. Rev. Stat. § 435.014
0363	10/9/2008	Carl Churchman Gerald Reynolds	Kenneth M. Roberts	Virgil Montgomery Carrie Okizaki	Target Price Contract with Kiewit	Attorney-Client/ Work Product
0363	10/23/2008	Carl Churchman		Virgil Montgomery Carrie Okizaki	Kiewit Change Order Implementation of the Revised Unit 1 Schedule	Attorney-Client/ Work Product
0363	3/20/2009	Carl Churchman	Kenneth Roberts Gerald Reynolds	Carrie Okizaki Eric Gould Mandy Schermer	Analysis of the Contract for the Balance of Plant at Iatan Station Unit 1 and Unit 2	Attorney-Client/ Work Product
0363	7/1/2009	William Downey Carl Churchman		Kenneth Roberts Carrie Okizaki Eric Gould	Kiewit Negotiation Strategy	Attorney-Client/ Work Product

DATA REQUEST NO.	DATE	RECIPIENT(S)	CC	AUTHOR(S)	SUBJECT MATTER	PRIVILEGE/PROTECTION/OBJECTION
0370	11/6/2006	Stephen Easley	Brent Davis Steve Jones Kenneth Roberts	Kenneth Roberts Eric Gould Virgil Montgomery	Award of Foundations Package Kissick/KCPL Terms and Conditions for the Purchase of Service and Material - Foundations and Undergrounds	Attorney-Client/ Work Product Attorney-Client/ Work Product
0370	1/31/2007	William Riggins				
0350	6/2/2006	Stephen Easley		Kenneth Roberts	Outline Report for Executive Team Meeting - June 5, 2006	Attorney-Client/ Work Product
0350	6/22/2006	Brent Davis	Kenneth Roberts	Virgil Montgomery Eric Gould	Iatan 1 SCR Pricing Evaluation	Attorney-Client/ Work Product
0350	7/8/2006	William Riggins		Kenneth Roberts Virgil Montgomery	Termination for Convenience Costs - December 2006	Attorney-Client/ Work Product
0350	7/28/2006	William Riggins	Stephen Easley Gerald Reynolds Kenneth Roberts	Virgil Montgomery	Contract for Engineering Procurement and Construction Services for the AQC Systems for Iatan Units 1 and 2 and the Boiler for Unit 2	Attorney-Client/ Work Product
0350	2/16/2007	William Riggins Lora Cheatum		Kenneth Roberts Virgil Montgomery	Exhibit L to Alstom Contract	Attorney-Client/ Work Product
0350	2/19/2007	William Downey		Kenneth Roberts Eric Gould	Preparation for Meeting with Alstom - Knoxville, TN	Attorney-Client/ Work Product

DATA REQUEST NO.	DATE	RECIPIENT(S)	CC	AUTHOR(S)	SUBJECT MATTER	PRIVILEGE/PROTECTION/OBJECTION
0339	1/29/2006	William Riggins	Kenneth Roberts	Virgil Montgomery	Burns & McDonnell Agreement (Note: This is the same document as the 01/04/2006 document referenced in KCP&L's May listing, that date was a typographical error. Please also note the date 01/29/2006 on the memo should be 01/29/2007)	Attorney-Client/ Work Product
0339	1/23/2007	William Riggins		Virgil Montgomery	B&M Meeting Notes 1/19/07	Attorney-Client/ Work Product

**SCHEDULE 8 IN ITS ENTIRETY
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**SCHEDULE 9 IN ITS ENTIRETY
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Schallenberg, Bob

From: Dottheim, Steve
Sent: Wednesday, July 15, 2009 9:19 AM
To: Schallenberg, Bob
Subject: FW:

Attachments: Presentation Outline.doc; Supply MPSC_01-22-2007.ppt; 061231 BW Plan Graph.pdf; 061231 Full Schedule 100%.pdf; Budget Projection (2).xls; 10.12.06_Chart No 34a - 34c.pdf



Presentation



Supply



061231 BW Plan



061231 Full



Budget Projection



10.12.06_Chart No

Outline.doc (20 K...C_01-22-2007.ppt (Graph.pdf (79 K... chedule 100%.pdf . (2).xls (86 ... 34a - 34c.pd...

are looking for?

Is this what you

-----Original Message-----

From: Rush Tim [mailto:Tim.Rush@kepl.com]
Sent: Friday, January 19, 2007 3:05 PM
To: Foster Terry; Davis Brent; Grinwade John; Giles Chris; Turner Mary; Brenton Lyndell; Easley Steve; Blanc Curtis; Jim Fischer (E-mail)
Subject:

Here is what going to go over on Monday.

We are making 30 copies for the trip to Jefferson City.

When we go over the hard copies about Iatan 1 & 2, we will reverse the pages to address Iatan 2 first.

Tim

<<Presentation Outline.doc>>

> <<Supply MPSC_01-22-2007.ppt>>
>
> <<061231 BW Plan Graph.pdf>>
>
> <<061231 Full Schedule 100%.pdf>>
>
>
> <<Budget Projection (2).xls>>
>
>
> <<10.12.06_Chart No 34a - 34c.pdf>>
>
>

Presentation Outline
Regulatory Plan Signatories
January 22, 2007

Introduction	Chris Giles
Status Update Iatan 2 (Iatan 1)	Brent Davis
Level 1 and 3 schedules (cost control system)	Terry Foster
Cost estimate Iatan 2 (May 06 / Dec. 06)	Brent Davis
Cost control system LaCygne 1(SCR) Earned Value Level 3 schedules	John Grimwade
Other	

**SCHEDULE 10, PAGES 10-3 THROUGH 10-5
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Activity ID	Activity Description	Orig. Dur	New Dur	Early Start	Early Finish	Late Start	Late Finish	Total Float	% Comp	Budgeted Hours	Members to Date	Current Members	Predecessors	Successors	2007											
															SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
MILESTONES																										
CC100	Balance of Structural Steel on Site	0	0	15JAN07	02FEB07	02FEB07	02FEB07	104	0	0.00	0.00	0.00	CC110, CC111, CC112, CC113													
CC200	Cables & Shipment	0	0	02FEB07	28MAR07	28MAR07	28MAR07	309	0	0.00	0.00	0.00	SCCH4580*	CC300, CC305												
CC112	Rebar / Pier Casting Complete	0	0	27FEB07	09MAR07	09MAR07	09MAR07	30	0	0.00	0.00	0.00	CC105, CC407*	CC310												
CC300	1st Spinning 2007 Gudge Start for SCR Tie Ins 37FD	0	0	12MAR07	12MAR07	12MAR07	12MAR07	0	0	0.00	0.00	0.00	CC100, CC110, CC112, CC300*													
CC310	1st Spinning 2007 Gudge Ends for SCR Tie Ins 42S	0	0	27APR07	27APR07	27APR07	27APR07	0	0	0.00	0.00	0.00	CC400, CC407*													
CC400	Subcontractor Completion	0	0	27APR07	27APR07	27APR07	27APR07	0	0	0.00	0.00	0.00	CC305, CC400, CC407*													
CC410	Provisional Acceptance	0	0	31MAY07	31MAY07	31MAY07	31MAY07	0	0	0.00	0.00	0.00	CC110, CC115, CC116, CC117, CC118, CC119, CC120, CC121													
CC420	Contractor Orientation	0	0	30JUN07	30JUN07	30JUN07	30JUN07	0	0	0.00	0.00	0.00	CC110, CC115, CC116, CC117, CC118, CC119, CC120, CC121													
ENGINEERING REQUIREMENT FOR BALANCE OF PROJECT																										
Economizer Hopper																										
SCCH0150	ECONOMIZER HOPPER & GAS RECIRC MODS - VENDOR	500	250	08NOV06A	14FEB07	08NOV06A	20MAR07	180	50	0.00	0.00	0.00	SCCH0415*	CC300, CC305												
HOPPERS																										
SCCH0150	ECONOMIZER HOPPER TRUSSWORK	600	300	08NOV06A	14FEB07	08NOV06A	20MAR07	224	50	0.00	0.00	0.00	SCCH0415*	CC300, CC305												
SCR SYSTEMS																										
ELEVATOR HOISTS, CRANES, MONORAILS																										
SCCH4550	CATALYST HOISTS - VENDOR FAB	320	48	07AUG06A	01JAN07	07AUG06A	19FEB07	228	95	0.00	0.00	0.00	SCCH4490*	CC300*												
SCCH4550	LOADING DEVICE (CAT) - VENDOR FAB	320	120	07AUG06A	01JAN07	07AUG06A	20MAR07	391	92	0.00	0.00	0.00	SCCH4470*	CC300, CC305												
CATALYST DENOX																										
SCCH4530	CATALYST - VENDOR FAB	855	160	26SEP06A	01FEB07	26SEP06A	27MAR07	309	75	0.00	0.00	0.00	SCCH4510*	CC300*												
SCCH4530	CATALYST - SEAL PLATES	376	242	01DEC06A	02FEB07	01DEC06A	04APR07	318	30	0.00	0.00	0.00	SCCH4590*	CC300, CC305												
SYSTEM INTEGRATION																										
SCCH4520	1 - INSTRUMENT INSTALLATION DETAILS	160	144	06SEP06A	01JAN07	06SEP06A	11JAN07	40	54	0.00	0.00	0.00	SCCH4590*	SCCH4532*												
SCCH4520	4 - INSTRUMENT INSTALLATION DETAILS	160	16	16OCT06A	26JAN07	16OCT06A	02FEB07	40	50	0.00	0.00	0.00	SCCH4590*	CC300*												
SCCH4530	CO2 ANALYZERS - VENDOR FAB	400	248	04DEC06A	12FEB07	04DEC06A	27APR07	431	40	0.00	0.00	0.00	SCCH4570*	CC300, CC305												
INSTRUMENTATION																										
SCCH4570	SCR INSTRUMENTS - VENDOR FAB	382	240	04DEC06A	08FEB07	04DEC06A	03APR07	447	30	0.00	0.00	0.00	SCCH4570*	CC300, CC305												
ELECTRICAL CONTROL																										
SYSTEM INTEGRATION																										
SCCH4570	1 - LOGICS	80	40	21DEC06A	05JAN07	21DEC06A	18JAN07	40	40	0.00	0.00	0.00	SCCH4570*	SCCH4570*												
SCCH4570	1 - LOGICS	80	80	01JAN07	01JAN07	01JAN07	02FEB07	80	0	0.00	0.00	0.00	SCCH4570*	CC300, CC305												
SCR SYSTEM-STEEL																										
SCCH4570	FABRICATE - MISC PLATFORM/MULTIPLE SUPPLIERS	394	80	26MAY06A	15JAN07	26MAY06A	01FEB07	104	90	0.00	0.00	0.00	SCCH4410*	CC110*												
DESIGN																										
SCCH4180	CUSTOMER REVIEW OPERATING INSTRUCTIONS	72	60	06NOV06A	12JAN07	06NOV06A	15JAN07	0	90	0.00	0.00	0.00	SCCH4180*	SCCH4180*												
SCCH4180	1 - REV OPERATING INSTRUCTIONS	156	104	15JAN07	16FEB07	15JAN07	16FEB07	0	0	0.00	0.00	0.00	SCCH4180*	CC300, CC305												
SCCH4180	ASSEMBLE MASTER O&M MANUAL	80	80	13APR07	27APR07	13APR07	27APR07	0	0	0.00	0.00	0.00	SCCH4180*	CC300, CC305												

Scale: 1/8" = 1'-0"
 Date: 01/10/07
 Drawn: [Name]
 Checked: [Name]
 Project: [Name]
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Activity ID	Activity Description	Orig Est	Rev	Early Start	Early Finish	Late Start	Late Finish	Task Plant Comp	%	Brigged Manhours	Manhours to Date	Earned Manhours	Production	Successors
CC2650	Base, Full-Comp & Four Shells (405)	240	0	12/19/06	2/14/07	1/14/07	2/14/07	100	100	0.00	0.00	0.00	CC2045	CC4005*
SCR STEEL ERECTION														
CC4125	Install Grating	360	420	01/10/07	01/10/07	01/10/07	01/10/07	210	85	1,850.00	1,850.00	1,850.00	CC4125*	CC4110*
CC4110	Install Handrail	1,390	420	01/10/07	01/10/07	01/10/07	01/10/07	210	51	1,170.00	484.50	388.70	CC4125*	CC4110*
CC4095	Boil up Sec 11	200	200	01/10/07	01/10/07	01/10/07	01/10/07	210	100	400.00	400.00	400.00	CC4095*	CC4090*
CC4090	Erect 10 Elev. 943 Platform & 857	360	180	01/10/07	01/10/07	01/10/07	01/10/07	180	40	480.00	180.00	180.00	CC4090*	CC4085*
CC4085	Erect Platform to Elev. 1022*	100	30	01/10/07	01/10/07	01/10/07	01/10/07	40	4	480.00	20.00	19.00	CC4085*	CC4080*
CC4080	Erect Steel Sec 11	150	20	01/10/07	01/10/07	01/10/07	01/10/07	80	25	480.00	78.00	53.12	CC4080*	CC4112*
CC4075	Re-bolts Elevator	280	280	01/10/07	01/10/07	01/10/07	01/10/07	280	100	400.00	400.00	400.00	CC4075*	CC4070*
CC4100	Erect SCR Handrail - ALS 9	110	150	01/10/07	01/10/07	01/10/07	01/10/07	220	15	240.00	35.00	36.00	CC4100*	CC4112*
CC4105	Erect SCR Platform - ALS 9	330	330	01/10/07	01/10/07	01/10/07	01/10/07	330	100	120.00	0.00	0.00	CC4105*	CC4085*
CC4070	Erect to Elev. 1043.4 Subways	170	170	01/10/07	01/10/07	01/10/07	01/10/07	170	100	360.00	360.00	360.00	CC4070*	CC4065*
CC4065	Erect SCR to Boiler Steel	270	270	01/10/07	01/10/07	01/10/07	01/10/07	270	100	480.00	480.00	480.00	CC4065*	CC4060*
CC4060	Erect SCR to Boiler Platform	200	200	01/10/07	01/10/07	01/10/07	01/10/07	200	100	380.00	380.00	380.00	CC4060*	CC4055*
CC4055	Erect Steel Sec 12	200	200	01/10/07	01/10/07	01/10/07	01/10/07	200	100	460.00	460.00	460.00	CC4055*	CC4050*
CC4050	Erect to Elev. 1079 Stairs	200	200	01/10/07	01/10/07	01/10/07	01/10/07	200	100	240.00	240.00	240.00	CC4050*	CC4045*
FIELD FABRICATION DUCT & SCR														
CC5170	Field Fab SCR Box PCS J	100	0	02/02/07	02/02/07	02/02/07	02/02/07	0	0	3,620.00	3,620.00	3,620.00	CC5170*	CC5165*
CC5090	Field Fab S. Roof SCR PC G	200	200	02/02/07	02/02/07	02/02/07	02/02/07	200	100	1,876.00	1,876.00	1,876.00	CC5090*	CC5085*
CC5085	Field Fab S. Roof SCR PC G	200	200	02/02/07	02/02/07	02/02/07	02/02/07	200	100	1,978.00	1,978.00	1,978.00	CC5085*	CC5080*
CC5175	Field Fab SCR Reactor IA In Place	150	20	02/02/07	02/02/07	02/02/07	02/02/07	03	30	2,103.00	2,103.00	2,103.00	CC5175*	CC5170*
CC5080	Field Fab SCR Reactor H	150	20	02/02/07	02/02/07	02/02/07	02/02/07	03	30	2,103.00	2,103.00	2,103.00	CC5080*	CC5170*
CC5085	Field Fab SCR Reactor I	150	20	02/02/07	02/02/07	02/02/07	02/02/07	03	30	2,103.00	2,103.00	2,103.00	CC5085*	CC5170*
CC5170	Field Fab SCR Reactor J	150	20	02/02/07	02/02/07	02/02/07	02/02/07	03	30	2,103.00	2,103.00	2,103.00	CC5170*	CC5165*
ECONOMIZER OUTLETS PCS A NORTH & SOUTH														
CC6910	Install Nozzles & Outlet	150	200	01/10/07	01/10/07	01/10/07	01/10/07	200	50	460.00	185.20	200.00	CC6910*	CC6905*
CC6915	Shop Elev Pipe	100	100	01/10/07	01/10/07	01/10/07	01/10/07	200	0	500.00	0.00	0.00	CC6915*	CC6910*
ERECT SCR & DUCT														
CC7060	Fit & Weld D to C Exp at N.	30	20	10/10/06	02/10/07	10/10/06	12/10/07	80	56	650.00	170.00	384.00	CC7060*	CC7055*
CC7065	Fit & Weld D to C Exp at S.	40	20	10/10/06	02/10/07	10/10/06	12/10/07	80	50	650.00	45.00	33.00	CC7065*	CC7060*
CC7060	Layout Elevations	50	50	01/10/07	01/10/07	01/10/07	01/10/07	50	100	200.00	200.00	200.00	CC7060*	CC7055*
CC7065	Install Slab Pads Duct	70	50	01/10/07	01/10/07	01/10/07	01/10/07	80	80	1,000.00	427.00	930.00	CC7065*	CC7060*
CC7180	Install F&W Visc. Vases	70	40	02/02/07	02/02/07	02/02/07	02/02/07	40	100	490.00	191.00	352.00	CC7180*	CC7175*
CC7017	Fit & Weld C Pipe to Hopper	20	20	01/10/07	01/10/07	01/10/07	01/10/07	20	100	200.00	200.00	200.00	CC7017*	CC7012*
CC7184	Install E Duct South	10	200	01/10/07	01/10/07	01/10/07	01/10/07	379	35	200.00	200.00	200.00	CC7184*	CC7179*
CC7190	Install Slab Pads SCR	60	20	01/10/07	01/10/07	01/10/07	01/10/07	120	55	300.00	200.00	185.00	CC7190*	CC7185*
CC7145	Install SCR Internal Steel	220	30	01/10/07	01/10/07	01/10/07	01/10/07	120	44	800.00	370.00	352.00	CC7145*	CC7140*
CC7165	Fit & Weld SCR Internal	250	80	01/10/07	01/10/07	01/10/07	01/10/07	120	15	800.00	103.00	120.00	CC7165*	CC7160*
CC7155	Fit & Weld SCR Hopper to JA	200	20	01/10/07	01/10/07	01/10/07	01/10/07	240	43	1,200.00	2,287.00	840.00	CC7155*	CC7150*
CC7190	Fit & Weld SCR Reactor Horizontal Jn.	310	220	01/10/07	01/10/07	01/10/07	01/10/07	130	35	2,400.00	1,059.00	840.00	CC7190*	CC7185*

KCPH, LAC/PTM #1 SCR & Accessory
 Full Schedule Report
 Date: 02/02/07
 Drawn: [Name]
 Checked: [Name]
 Approved: [Name]

Activity ID	Activity Description	Orig Dur	Start	Early Start	Early Finish	Late Start	Late Finish	Total Float	% Comp	Supposed	Min Hours to Date	Estimated	Predecessors	Successors
CC2780	Install SCR Reactor #1, #2, #3	30	14DEC06A	17JAN07	14DEC06A	28JAN07	28JAN07	0	12	300.00	75.00	38.00	CC2750	CC2790
CC2781	Fl & Weld Hooper to N	20	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	35	630.00	294.50	27.50	CC2705	CC2730
CC2782	Fl & Weld E to D.N. VFD Exp. J.	30	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	53	630.00	196.00	314.00	CC2710	CC2730
CC2783	Install SCR Reactor #1, #2, #3	30	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	80	300.00	67.00	10.25	CC2750	CC2780
CC2784	Install SCR Top - PC O South	10	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	30	410.00	16.00	0.00	CC2710	CC2780
CC2785	Fl & Weld F to E. EC. Mch.	30	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	30	600.00	112.00	180.00	CC2710	CC2780
CC2786	Install Inlet & Tag on SCR & Duct System (Avr)	370	15DEC06A	05FEB07	15DEC06A	09MAR07	09MAR07	0	0	0.00	0.00	0.00	CC2710	CC2780
CC2787	Fl & Weld Hooper to K	100	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	30	550.00	163.00	105.00	CC2705	CC2710
CC2788	Fl & Weld N to NA	100	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	0	630.00	0.00	0.00	CC2710	CC2780
CC2789	Install SCR Reactor #1, #2, #3	30	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	0	420.00	0.00	0.00	CC2710	CC2780
CC2790	Install Egg Crates	20	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	0	800.00	0.00	0.00	CC2710	CC2780
CC2791	Install SCR Top - PC G North	10	15DEC06A	22JAN07	15DEC06A	03FEB07	24JAN07	2.00	0	410.00	0.00	0.00	CC2710	CC2780
CC2792	Fl & Weld SCP Taps C	170	15DEC06A	05FEB07	15DEC06A	09MAR07	09MAR07	0	0	1,600.00	0.00	0.00	CC2710	CC2780
CC2793	Fl & Weld E to D. W. EXP. J.	100	15DEC06A	05FEB07	15DEC06A	09MAR07	09MAR07	0	0	600.00	0.00	0.00	CC2710	CC2780
CC2794	Install F Duct S.	30	15DEC06A	22FEB07	15DEC06A	09MAR07	09MAR07	0	50	600.00	300.00	300.00	CC2710	CC2780
CC2795	Fl & Weld F to E & G South	100	14FEB07	27FEB07	14FEB07	27FEB07	27FEB07	0	0	600.00	0.00	0.00	CC2710	CC2780
ECON MODS - 2007 OUTAGE														
CC2800	Install External Switch	100	12MAR07	17MAR07	12MAR07	19MAR07	19MAR07	0	0	200.00	0.00	0.00	CC2800	CC2800
CC2801	Remove Insulation	30	12MAR07	19MAR07	12MAR07	19MAR07	19MAR07	0	0	200.00	0.00	0.00	CC2800	CC2800
CC2802	Open Access Holes	20	12MAR07	19MAR07	12MAR07	19MAR07	19MAR07	0	0	100.00	0.00	0.00	CC2800	CC2800
CC2803	Install Internal Rigging	50	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	400.00	0.00	0.00	CC2800	CC2800
CC2804	Cut-Reserve Blowing Pipe	30	12MAR07	19MAR07	12MAR07	21MAR07	21MAR07	0	0	240.00	0.00	0.00	CC2800	CC2800
CC2805	Grind Clean Prep S.W.'s	20	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	320.00	0.00	0.00	CC2800	CC2800
CC2806	Install 8" Spot Pipe at S.W.'s	40	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	320.00	0.00	0.00	CC2800	CC2800
CC2807	Remove Internal Silencers	20	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	180.00	0.00	0.00	CC2800	CC2800
CC2808	Cut-Reserve Pavecheck at C-R	30	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	300.00	0.00	0.00	CC2800	CC2800
CC2809	Unpad Cut-Reserve Doughouse	60	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	900.00	0.00	0.00	CC2800	CC2800
CC2810	Install New Beams (6) - Bracing	40	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	500.00	0.00	0.00	CC2800	CC2800
CC2811	Remove & Reinstall Existing Bracing	20	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	400.00	0.00	0.00	CC2800	CC2800
CC2812	Install Beams Poles at Q	60	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	400.00	0.00	0.00	CC2800	CC2800
CC2813	Install Bulk Frame	50	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	400.00	0.00	0.00	CC2800	CC2800
CC2814	Install Wind Add. Pipe Bracing	200	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	400.00	0.00	0.00	CC2800	CC2800
CC2815	Remove Blank off Pipe Top of M	40	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	400.00	0.00	0.00	CC2800	CC2800
CC2816	Install Tuning Vane M&O	200	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	600.00	0.00	0.00	CC2800	CC2800
CC2817	Install Insulation Lapping (SUD)	49	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	900.00	0.00	0.00	CC2800	CC2800
CC2818	Install Barite Pipe	70	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	100.00	0.00	0.00	CC2800	CC2800
CC2819	Flare Weld Bracing and Barite Pipe	120	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	600.00	0.00	0.00	CC2800	CC2800
CC2820	Install Expansion Joints	50	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	600.00	0.00	0.00	CC2800	CC2800
CC2821	Remove Internal Lapping	110	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	500.00	0.00	0.00	CC2800	CC2800
CC2822	Flare Weld Exp. Jnt Frames to S.W.	100	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	380.00	0.00	0.00	CC2800	CC2800
CC2823	Duct Grapple in Exp. Joints	80	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	320.00	0.00	0.00	CC2800	CC2800
CC2824	Remove Internal Barford	120	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	480.00	0.00	0.00	CC2800	CC2800
CC2825	Flare Weld Access Holes	40	12MAR07	21MAR07	12MAR07	21MAR07	21MAR07	0	0	300.00	0.00	0.00	CC2800	CC2800
SCR DUCT TIE IN 2007 OUTAGE														
CC2900	Install Duct Pans S & SA	120	12OCT06A	12OCT06A	12OCT06A	08FEB07	28JAN07	2.00	50	200.00	0.00	180.00	CC2900	CC2900
CC2901	Field Pan - S North	240	17JAN07	19FEB07	17JAN07	28FEB07	28JAN07	2.00	0	1,480.00	0.00	0.00	CC2900	CC2900
CC2902	Field Pan - SA North	240	17JAN07	19FEB07	17JAN07	28FEB07	28JAN07	2.00	0	1,480.00	0.00	0.00	CC2900	CC2900
CC2903	Field Pan - SA South	240	17JAN07	19FEB07	17JAN07	28FEB07	28JAN07	2.00	0	1,480.00	0.00	0.00	CC2900	CC2900

Project Name: KCPD LDC/Type of SCR & Ammonia
 Report for: Full Schedule Report
 Date: 08/08/2007
 Page: 1 of 3
 Scale: 1:1
 Author: JACY
 Project Manager: JACY
 Client: Primatec Systems, Inc.

Activity ID	Activity Description	Orig. Dur	Start	Finish	Early Start	Early Finish	Late Start	Late Finish	Total Float	% Comp.	Budgeted Manhours	Manhours to Date	Earned Manhours	Predecessors	Successors
CC0120	Field Fab - S South	240	17JAN07	10APR07	19FEB07	08MAR07	10APR07	10APR07	260	0	1,400.00	0.00	0.00	CC0150, CC0170	
CC0170	Install Insulating (SUB)	60	07FEB07	28MAR07	28MAR07	28MAR07	28MAR07	28MAR07	240	0	240.00	0.00	0.00	CC0150	
CC0172	Remove Ins. Lagging	60	03JAN07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0176	Remove 4 Pipes Duct	140	12MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0178	Remove 4 Pipes Duct	140	12MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0180	Install New Support Shant	280	20MAR07	28MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0182	Schedule for Turnovers (SIB)	50	15MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0184	Install Rebar/Scaffolding Steel	280	20MAR07	28MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0186	Clean - Prep Flanges	100	10JAN07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0188	Install S Duct Nests	40	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0190	Install SA Duct Nests	80	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0192	Flare/Weld S. North Duct to Pinnac & AH	80	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0194	Flare/Weld SA North Duct to Pinnac & AH	80	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0196	Flare/Weld SA South Duct to Pinnac & AH	80	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0198	Install S South	80	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0199	Install Expansion Joints	270	10APR07	10APR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0200	Flare/Weld S. South Duct to Pinnac & AH	80	20MAR07	20MAR07	19FEB07	08MAR07	10APR07	10APR07	240	0	240.00	0.00	0.00	CC0150	
CC0202	Remove Scaffolding (SUB)	78	23APR07	27APR07	22APR07	22APR07	22APR07	22APR07	0	0	0.00	0.00	0.00	CC0205	
INSTALL CATALYST & SEALS															
CC0202	Install Catalyst Heads	160	02JAN07	20JAN07	19FEB07	08MAR07	13MAR07	13MAR07	298	0	600.00	0.00	0.00	CC0205	
CC0204	Install Scaffolding (Catalyst)	50	20JAN07	07FEB07	08MAR07	15MAR07	15MAR07	15MAR07	228	0	100.00	0.00	0.00	CC0205	
CC0205	Install Internal Rigging (Catalyst)	50	20JAN07	07FEB07	08MAR07	15MAR07	15MAR07	15MAR07	228	0	400.00	0.00	0.00	CC0205	
CC0206	Install Seal Tape on Beams	50	02FEB07	07FEB07	15MAR07	22MAR07	22MAR07	22MAR07	298	0	80.00	0.00	0.00	CC0205	
CC0207	Install Lower Seal Angles W/Catalyst	50	02FEB07	07FEB07	22MAR07	28MAR07	28MAR07	28MAR07	298	0	80.00	0.00	0.00	CC0205	
CC0208	Install Catalyst Bases (ST)	300	15FEB07	08MAR07	20MAR07	18APR07	17APR07	17APR07	718	0	4,608.00	0.00	0.00	CC0205	
CC0209	Flare/Weld Bottom Catalyst Socks	150	16FEB07	08MAR07	20MAR07	18APR07	17APR07	17APR07	728	0	180.00	0.00	0.00	CC0205	
CC0210	Flare/Weld Top Catalyst Socks	150	16FEB07	08MAR07	20MAR07	18APR07	17APR07	17APR07	728	0	180.00	0.00	0.00	CC0205	
CC0211	Remove Scaffolding	40	08MAR07	19APR07	19APR07	19APR07	19APR07	19APR07	718	0	100.00	0.00	0.00	CC0205	
CC0212	Flare/Weld Catalyst Access Doors	40	08MAR07	19APR07	19APR07	19APR07	19APR07	19APR07	718	0	200.00	0.00	0.00	CC0205	
POTABLE WATER															
CC0213	Provide Water	200	01JAN06	01JAN06	01JAN06	01JAN06	01JAN06	01JAN06	60	80	3,967.00	1,833.20	2,477.00	CC0214, CC0215	
CC0214	Service Water	200	20JAN06	02JAN07	21JAN06	10JAN07	10JAN07	10JAN07	60	56	700.00	676.80	685.00	CC0214, CC0215	
SONIC HORNS & SERVICE AIR PIPING															
CC0215	Compressed Air	450	01JAN07	02JAN07	02JAN07	02JAN07	02JAN07	02JAN07	50	50	650.00	0.00	0.00	CC0215	
INSTRUMENTATION & RACKS															
CC0216	Instrumentation	200	11AUG06	04FEB07	11AUG06	22FEB07	22FEB07	22FEB07	68	0	685.00	0.00	0.00	CC0216	
CC0217	O2 Probes - Rebalance	60	15AUG06	15AUG07	15AUG06	27APR07	27APR07	27APR07	308	24	150.00	37.60	58.00	CC0216	
CC0218	Test Implementation at SCR	80	15AUG06	11MAR07	15AUG06	09MAR07	09MAR07	09MAR07	68	40	160.00	107.20	84.00	CC0216	
AIR COMPRESSOR - AIR LINES															
CC0219	Instrument Air	1,385	21MAY06	22MAR07	11MAY06	18MAR07	18MAR07	18MAR07	50	70	5,741.00	3,265.40	4,078.00	CC0219	
CC0220	Compressor Room Modifications (Sub)	50	10MAY06	01JAN07	10MAY06	09MAR07	09MAR07	09MAR07	468	22	250.00	22.00	62.50	CC0219	
CC0221	Install Sound Proofing	40	02JAN07	02JAN07	02JAN07	02JAN07	02JAN07	02JAN07	450	0	190.00	0.00	0.00	CC0219	
EQUIPMENT SETTING															
CC0222	Install Ash Specs & Rease System	680	02JAN06	02JAN07	02JAN06	02JAN07	02JAN07	02JAN07	440	83	1,845.00	975.90	1,571.33	CC0222	
CC0223	SCR Electrical Installation (sub)	1,450	17JAN06	21AUG06	21AUG06	21AUG07	21AUG07	21AUG07	20	14	0.00	0.00	0.00	CC0222	
CC0224	Meyer Electrical Equipment on Site	100	30SEP06	03JAN07	28SEP06	03JAN07	03JAN07	03JAN07	20	80	0.00	0.00	0.00	CC0222	
CC0225	Project Mobilization Site	80	40SEP06	04JAN07	28SEP06	04JAN07	04JAN07	04JAN07	20	50	3.00	0.00	0.00	CC0222	
CC0226	Electrical Construction Phase	140	20OCT06	02JAN07	02OCT06	02JAN07	02JAN07	02JAN07	20	14	0.00	0.00	0.00	CC0222	

Activity ID	Activity Description	D/C	Item	Qty	Start	Early	Late	Task	Flt	Comp	%	Budgeted	Manhours	to Date	Earned	Manhours	Predominant	Successors	2007											
																			SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
CC818	SCR Recovery Installation	460	40	23OCT06A	04JAN07	23OCT06A	02FEB07	210	25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC818													
CC819	Electrical Materials on Site	300	40	27OCT06A	03JAN07	27OCT06A	03JAN07	20	40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC819													
CC820	Install Ash Disposal Conveyor Sys	700	600	08NOV06A	27MAR07	27OCT06A	03JAN07	220	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC820													
CC821	Install Sulfur Hems & Piping	160	200	13NOV06A	28JAN07	08NOV06A	27APR07	220	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC821													
CC822	NHG Cable & Terminations	340	100	20NOV06A	28JAN07	13NOV06A	08MAR07	300	70	1,255.00	704.70	0.00	0.00	0.00	0.00	0.00	CC822													
CC823	SCR Cable & Terminations	310	310	20NOV06A	28JAN07	20NOV06A	28JAN07	30	5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC823													
CC824	NHG Lighting Systems Installation	340	340	31JAN07	18APR07	18APR07	02FEB07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC824													
CC825	SCR Equipment Commissioning	260	260	13MAR07	20APR07	20APR07	27APR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC825													
CC826	NHG Equipment Commissioning	260	260	20MAR07	26APR07	26APR07	27APR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC826													
CC827	Checkout Startup Assistance	300	300	20MAR07	30APR07	30APR07	15MAY07	110	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC827													
CC828	SCR Lighting Systems Installation	410	410	23MAR07	17MAY07	30MAR07	25MAY07	60	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC828													
CC829	Cleanup & Final Details	620	620	27MAR07	24JUN07	04APR07	28JUN07	60	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC829													
AMMONIA SYSTEM																														
CC830	Ammonia Pump & Deaer Piping	1,520	310	01JUN06A	15FEB07	01JUN06A	01MAY07	130	50	8,520.00	1,710.50	0.00	0.00	0.00	0.00	0.00	CC830													
CC831	Ammonia Foundations (S&B)	180	30	02JUN06A	03JAN07	02JUN06A	25JAN07	150	90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC831													
CC832	HR Cables & Ducts (HV & Piping) & P-Workshop	840	170	22JUN06A	23JAN07	22JUN06A	08FEB07	150	42	1,200.00	486.20	0.00	0.00	0.00	0.00	0.00	CC832													
CC833	Install Division AS Duct (ELV)	100	130	03SEP06A	17JAN07	13SEP06A	03MAY07	370	80	700.00	1,263.00	0.00	0.00	0.00	0.00	0.00	CC833													
CC834	Sampling GH	450	150	07NOV06A	14JAN07	07NOV06A	09MAY07	350	30	2,520.00	203.00	0.00	0.00	0.00	0.00	0.00	CC834													
CC835	S&B NMS Building	60	60	01JAN07	08JAN07	01FEB07	01MAY07	370	0	150.00	0.00	0.00	0.00	0.00	0.00	0.00	CC835													
CC836	NEIMS Building & Unstaffed Cond	430	430	02JAN07	03MAY07	03MAY07	26APR07	370	0	1,950.00	0.00	0.00	0.00	0.00	0.00	0.00	CC836													
START UP																														
CC837	Checklist Ammonia Storage	100	100	05FEB07	16FEB07	07FEB07	20FEB07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC837													
CC838	Checklist Division AV Field	80	80	08FEB07	19FEB07	12FEB07	27FEB07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC838													
CC839	NOVOCDS system	80	80	14FEB07	27FEB07	16FEB07	27FEB07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC839													
CC840	Checklist Rapper System	30	30	20FEB07	22FEB07	20FEB07	02MAY07	60	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC840													
CC841	Sense Hems	20	20	20FEB07	21FEB07	20FEB07	01MAY07	60	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC841													
CC842	SCR Installation	80	80	28FEB07	07MAY07	28FEB07	05MAY07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC842													
CC843	Preoperational Checklist SCR Systems	200	200	01MAR07	28MAR07	01MAR07	30MAR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC843													
CC844	Preoperational Checklist Ammonia Yard	200	200	01MAR07	28MAR07	01MAR07	30MAR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC844													
CC845	Dampers	80	80	28MAR07	21MAY07	14MAY07	23MAY07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC845													
CC846	Dry Flight Conveyor	40	40	28MAR07	04APR07	28MAR07	04APR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC846													
CC847	Division Purtable Water System	20	20	02APR07	03APR07	02APR07	11APR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC847													
CC848	O2 Probes	40	40	18APR07	19APR07	18APR07	23APR07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC848													
CC849	Baght Recovery Ammonia	50	50	20APR07	27APR07	20APR07	01MAY07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC849													
CC850	System Startup Ammonia Yard	50	50	28APR07	02MAY07	28APR07	04MAY07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC850													
CC851	System Startup SCR	50	50	27APR07	03MAY07	03MAY07	07MAY07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC851													
CC852	AEG Turbin	50	50	19MAY07	21MAY07	19MAY07	23MAY07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC852													
CC853	SCR Performance Test A	150	150	01JUN07	27JUN07	05JUN07	28JUN07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC853													

Activity ID	Activity Description	D/C	Item	Qty	Start	Early	Late	Task	Flt	Comp	%	Budgeted	Manhours	to Date	Earned	Manhours	Predominant	Successors
CC854	SCR Performance Test B	150	150	01JUN07	27JUN07	05JUN07	28JUN07	20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	CC854	

KOVAL
Owner

IATAN NO. 1 UPGRADES
LEVEL 1 SUMMARY SCHEDULE

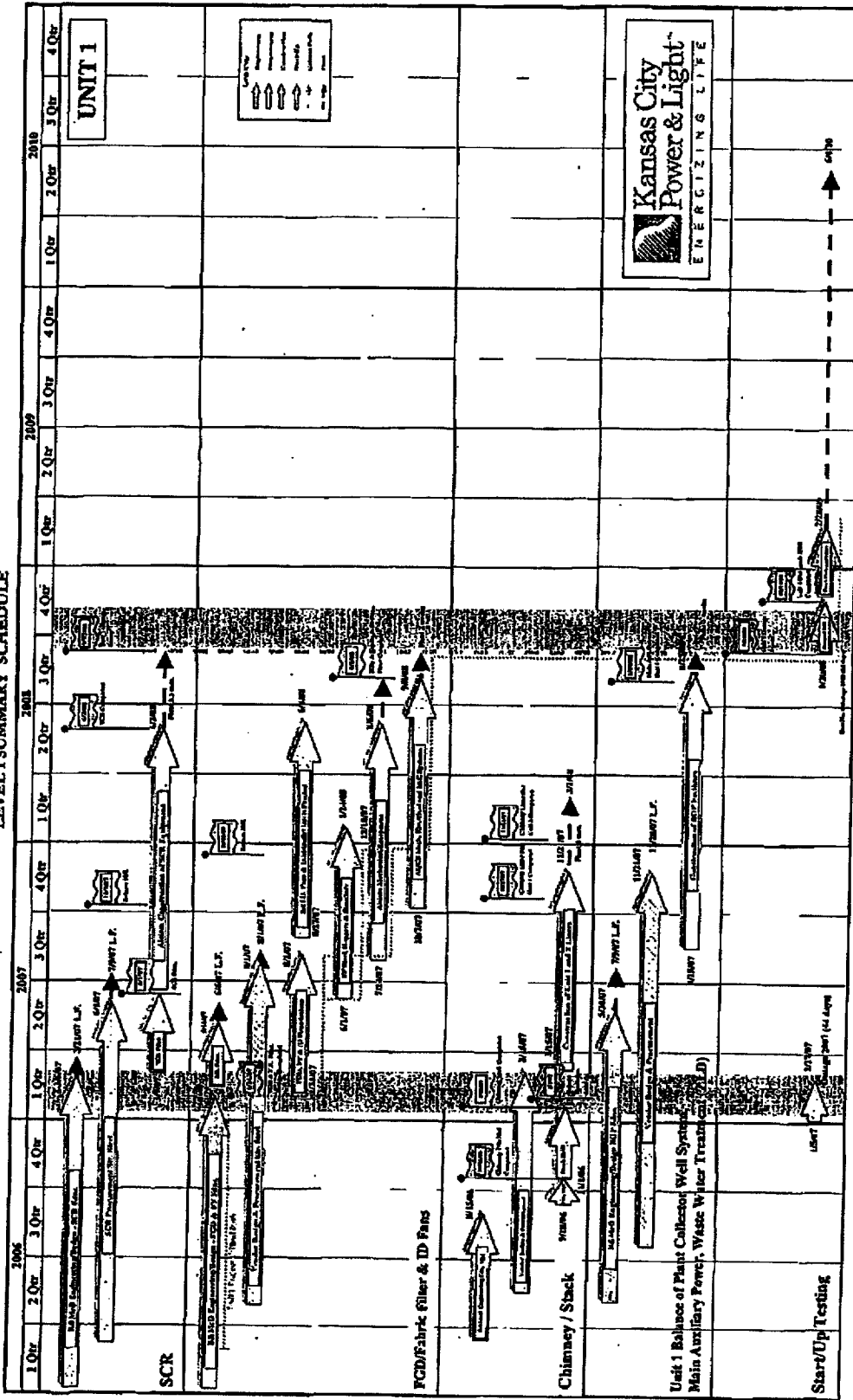


Chart No. 34 - Use 1 | Printed: 10/12/06
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KCP&L
Owner

LATAN UNIT NO. 2
LEVEL 1 SUMMARY SCHEDULE

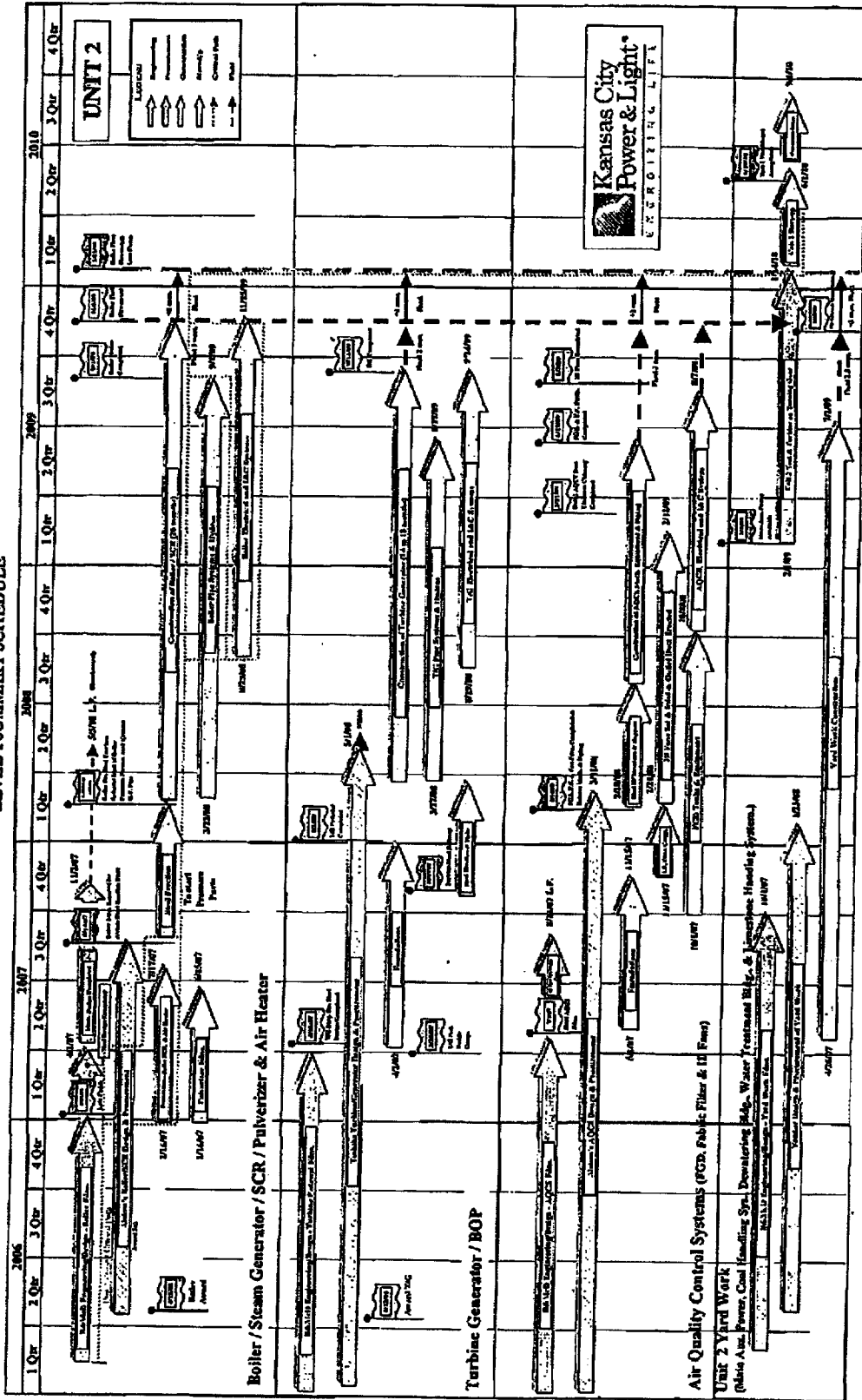


Chart No. 148 - Unit 2 | Revised: 10/12/08
Highly Confidential

NCPSd.
Owner

LATAM UNIT NO. 1 & 2 SUPPORT STRUCTURES
LEVEL 1 SUMMARY SCHEDULE

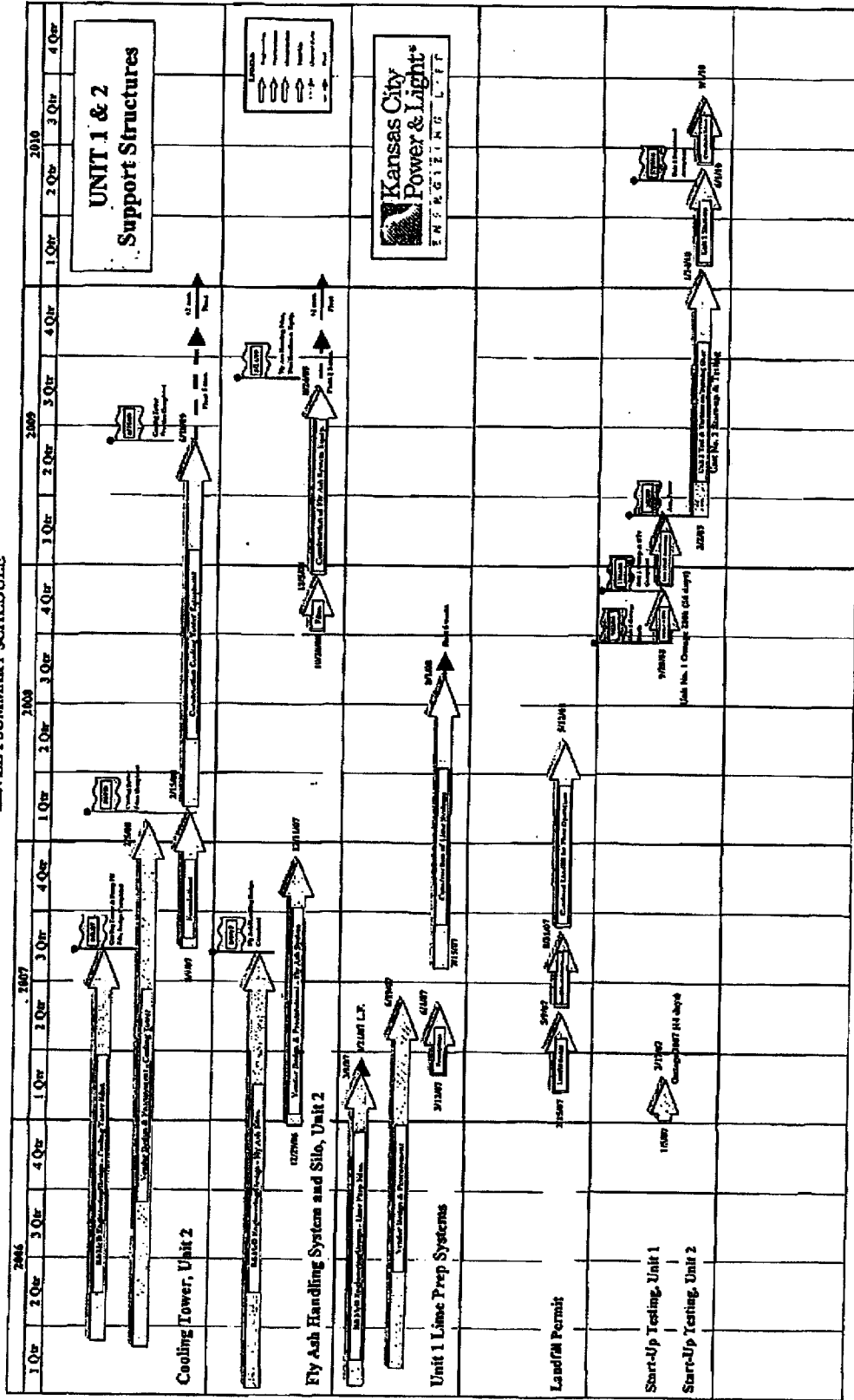


Chart No. 34 - Unit 1 & 2 | Printed: 10/13/06
Highly Confidential

**SCHEDULE 11 IN ITS ENTIRETY
CONTAINS HIGHLY CONFIDENTIAL
INFORMATION NOT AVAILABLE
TO THE PUBLIC
ORIGINAL FILED UNDER SEAL**

LEGAL AND ENVIRONMENTAL AFFAIRS

Curtis D. Blanc
Managing Attorney - Regulatory

WRITER'S DIRECT DIAL:
☎ (816) 556-2483
Facsimile: (816) 556-2787

May 15, 2008

Harold Stearley
Regulatory Law Judge
Missouri Public Service Commission

Re: Late-Filed Exhibit 209 (Case No. EM-2007-0374)

Judge Stearley:

During the recent evidentiary hearings in this case, counsel for the Office of Public Counsel requested of Company witness Terry Foster that the Company prepare updated risk and opportunity tables for its Iatan construction projects that include likelihood of occurrence percentages for each line item listed in the table, as well as the identity of the person or persons responsible for each item. Counsel for the Office of Public Counsel reserved exhibit number 209 for those tables.

The Company has prepared those tables and they are attached hereto and marked as Exhibit 209. Please except the attached document as a late-filed exhibit in this case.

Please contact me if you need any additional information.

Sincerely,



Curtis Blanc

CDB/djs
Enclosure

cc: Parties of Record

**SCHEDULE 12, PAGES 12-2 THROUGH 12-5
CONTAINS HIGHLY CONFIDENTIAL
INFORMATION NOT AVAILABLE
TO THE PUBLIC
ORIGINAL FILED UNDER SEAL**

Classification Abbreviations:

DM - Design Maturation

DMS - Design Maturation - Scheduling

OCO - Operations & Construction Optimization

P - Pricing

PR - Permit & Regulatory

DATA REQUEST– Set MPSC_20090114
Case: ER-2009-0089
Date of Response: 02/03/2009
Information Provided By: Carl Churchman
Requested by: Schallenberg Bob

Question No. : 0430

Please provide copies of all documentation evaluating the decision to initiate construction and enter into significant procurement contracts for Iatan 1 and 2 before design was substantially completed.

Response:

There were risks and benefits associated with either 1) initiating construction and entering into procurement contracts after the design of Iatan 1 was substantially completed or 2) initiating construction and entering into procurement contracts before design of Iatan 1 was substantially completed. After considering the relevant information, including the timing of when KCPL and other joint owners needed additional base load generation, KCPL's obligation under the Stipulation, pricing trends, availability of experienced craftsmen, and lead time for equipment, KCPL elected to proceed with the construction and entering into procurement contracts before design of Iatan 1 was substantially completed. KCPL mitigated the risks associated with this approach by entering into an EPC agreement with the supplier of the boiler which was a major cost component for the Unit 1 work. No documentation exists.

Response provided by the Iatan Construction Project.

**SCHEDULE 14 IN ITS ENTIRETY
CONTAINS PROPRIETARY
INFORMATION NOT AVAILABLE
TO THE PUBLIC
ORIGINAL FILED UNDER SEAL**

**SCHEDULE 15 IN ITS ENTIRETY
CONTAINS PROPRIETARY
INFORMATION NOT AVAILABLE
TO THE PUBLIC
ORIGINAL FILED UNDER SEAL**