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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0089

REBUTTAL TESTIMONY

OF

STEVEN JONES

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
March 2009

"[redacted]**" Designates "Highly Confidential" Information Has Been Removed. Certain Schedules Attached To This Testimony Also Contain Confidential Information and Have Been Removed Pursuant To 4 CSR 240-2.135.**

REBUTTAL TESTIMONY

OF

STEVEN JONES

Case No. ER-2009-0089

Q: Please state your name and business address.

A: My name is Steven Jones. My business address is Iatan 2 Station, 20256 Hwy 45 North Weston, Missouri 64098.

Q: By whom and in what capacity are you employed?

A: I am an independent contractor currently working for Kansas City Power & Light Company ("KCP&L" or the "Company") as Senior Procurement Director of KCP&L.

Q: What are your responsibilities?

A: I am responsible for all procurement activities for the Comprehensive Energy Plan ("CEP") for KCP&L. My focus has been primarily on the Iatan project for the last two years. At Iatan, I am also responsible for the commercial management of all contracts and contract administration, as well as material management and distribution.

Q: How long have you been in this position?

A: Since March 16, 2006.

Q: Please describe your education, experience and employment history.

A: I have a BA in management from Aurora University. In 1998 I received certification as a Supply Chain Professional from APICS, the Association for Operations Management. I began my employment with Commonwealth Edison Company in Chicago, Illinois, in June of 1976. I worked my way through the different ranks of the organization, including operations, maintenance, technical services and engineering, construction procurement,

and I ultimately left Commonwealth Edison ("ComEd") in 2001 as the Vice President of Supply. From 2002 until 2005, I took a position at Ontario Power Generation ("OPG") to redesign its supply chain for its fossil operations. I spent my first 18 months at OPG redesigning the fossil operations supply chain for its construction activities. I then moved to the position as the Vice President of Supply for the construction activities for the nuclear program, specifically focusing on the Pickering A return to service. I left OPG in the fall of 2005. I took my current position at KCP&L in the spring of 2006.

Q: Have you previously testified in a proceeding at the Missouri Public Service Commission or before any other utility regulatory agency?

A: I have not previously testified at a proceeding at the Missouri Public Service Commission ("Commission"). However, I participated in a meeting with the Commission's Staff and Signatory Parties to the Stipulation and Agreement in Case No. EO-2005-0329 ("Signatory Parties") during the first quarter of 2008 on behalf of KCP&L and responded to specific inquiries that MPSC Staff and Signatory Parties had with respect to the CEP program. I testified in 1999 before the Illinois Commerce Commission on behalf of ComEd with respect to the merger of PECO Energy Company and Unicom (who owned ComEd) and creation of Exelon. I also testified before the Illinois Commerce Commission regarding a retrofit program around 1990.

Q: What is the purpose of your rebuttal testimony?

A: The purpose of my rebuttal testimony is to: (1) address issues and concerns related to the Company's CEP construction program raised by Mr. Jatinder Kumar in his Direct Testimony filed on behalf of the United States Department of Energy, the National Nuclear Security Administration and the Federal Agencies; and (2) address similar issues

and concerns raised by Mr. James R. Dittmer in his Direct Testimony filed on behalf of the Hospital Intervenors. Finally, I also address the comments of the Commission Staff witness Cary G. Featherstone regarding the true-up proceeding and higher costs that should be reflected in the revenue requirement during the true-up proceeding.

Q: On page 44 of his Direct Testimony, Mr. Kumar recommends that "the Commission should investigate the details and reasonableness of the increase in [the Air Quality Control System or "AQCS"] costs." Do you agree with this recommendation?

A: Yes. I agree with Mr. Kumar that it is appropriate and reasonable for the Commission to investigate the details and reasonableness of the AQCS costs in this case since the Company is seeking to have these prudent costs included in rate base in this proceeding.

Q: Mr. Kumar also recommends in his Direct Testimony on page 44 that the Commission "set a cap on the AQCS cost equal to $484.2 million." Do you agree with this recommendation?

A: No, I do not. The Company believes that the Commission should include all prudently incurred costs associated with the AQCS. The Company's testimony will demonstrate that the costs incurred related to the AQCS were prudently incurred and should be included in rate base in this case.

Q: In the Direct Testimony of Mr. James R. Dittmer, he indicates that he was requested to compare and contrast the original estimates related to the Company's construction program with KCP&L's current costs estimates for Iatan and other capital projects associated with the CEP. Do you have comments related to Mr. Dittmer's Direct Testimony related to the Company's construction program?

A: Yes. Mr. Dittmer raises concerns regarding cost increases that have occurred related to

the construction projects associated with the CEP, including Iatan 1 and Iatan 2 costs. I will address the these concerns and explain what steps that KCP&L's management has taken to ensure that the costs incurred are reasonable and prudent. In particular, my testimony addresses: (i) the processes and procedures that I helped to develop to ensure timely procurement of major equipment and contractor services and resolution of contractor claims; (ii) the Kiewit Balance of Plant Contract; and (iii) the ALSTOM settlement related to the economizer delay. I will also respond to comments of Staff witness Cary Featherstone related to the plant additions that will be reflected in the true-up proceeding, and provide a detailed explanation of how KCP&L derived the costs of the Common Facilities of the Iatan Project including: (i) the definition of Common Facilities and description of the component costs and (ii) an explanation of the methodology and process that KCP&L used to value the Common Facilities.

PROCUREMENT PROCESSES AND PROCEDURES

Q: What is the Cost Control System applicable to CEP projects?

A: The CEP Cost Control System is a document that outlines the governance considerations, management procedures and cost control protocols that govern the CEP projects. A copy is attached as Schedule SJ-1 (HC).

Q: Were you involved in developing some of the procedures and protocols included in the Cost Control System?

A: Yes.

Q: Which ones?

A: The Procurement Plan, including the vendor evaluation criteria and selection process, and change order management.

Q: How has the Cost Control System helped KCP&L manage the Iatan Project?

A: The Cost Control System helps KCP&L manage the CEP projects, including the Iatan Unit 1 project, by establishing processes for tracking schedule, costs and cash flow and the development of information that can help to predict future cost and schedule issues. For example, the Change Management procedure identifies the various ways in which changes that occur on the Project are documented and addressed. Not only does this help to track increased costs, but it also focuses on documenting the changes and providing the context and reasons for such changes during the life cycle of the Project. Over time, these changes can establish trends for increased costs that may be used to either predict future costs or allow the owner to institute measures that can mitigate adverse trends.

Q: Do you believe the procedures discussed in the Cost Control System were adequate for the Iatan Unit 1 Project?

A: Based upon my experience, the cost control measures in the Cost Control System provided all of the measures necessary to run a project of this size.

Q: What is the Procurement Plan?

A: The Procurement Plan identifies what, when and how goods and services are purchased from external suppliers. It is a means of identifying an acceptable pool of bidders, the sequencing of all of the procurements, and making sure the procurement team is accountable to the schedule for each procurement. These accountabilities include the development of the technical specification, the evaluation of the bids and the contract negotiation. The Procurement Plan is then integrated into the master schedule and is intended to support critical engineering and construction milestones.

Q: When you were hired by KCP&L, did you develop a Procurement Plan for the Iatan Project as discussed in the Cost Control System?

A: When I arrived in the Spring of 2006, I reviewed the procurement schedule that had been developed by Burns & McDonnell. Burns & McDonnell had developed a preliminary schedule based on information it received from ALSTOM in February of 2006. This information allowed Burns & McDonnell to sequence the procurements in order to support the Project's execution. However, I had some concerns with respect to the timing and sequencing of the procurements. Furthermore, I had some concerns about the procurement schedule's ability to support the balance of plant activities. In my experience, engineers are inclined to dedicate more time in the schedule to complete the technical specifications, which often results in less time for procurement and construction. I modified Burns & McDonnell's schedule, and with the assistance of Jim Wilson of Schiff Hardin, developed the final schedule of procurements. This revised procurement schedule reallocated the engineering and procurement activity durations and deadlines to strengthen KCP&L's ability to manage the engineering and procurement for the project. We published the procurement schedule in September of 2006. Prior to that time, engineering and procurement activities were being driven by the strategic schedule that was jointly developed by the project team, Burns & McDonnell and Schiff (the "Strategic Schedule").

Q: What was the scheduled duration of each procurement?

A: The procurement schedule was based upon what I call a "T-45 Schedule." A T-45 Schedule allows for the procurement process to be planned and sequenced from the issuance of the Request for Proposals to a negotiated contract within 45 days on average.

I recognize that different procurements have different levels of complexity that would require the procurement schedule to lengthen or shorten depending on the type of equipment, amount of work to prepare and/or evaluate the bid, etc., but the average procurement should be completed in 45-50 days.

Q: What are the series of events within your 45-day schedule?

A: The development of the Request for Proposals (including the technical specifications, instructions to bidders and contract, collectively, the "RFP"), the bid period, bid evaluation, and negotiation of the contract and technical specifications.

Q: How was the Procurement Plan managed?

A: KCP&L's project leadership team recognized the need to aggressively pursue the procurement of engineered equipment and materials that were being impacted by the marketplace, as well as advancing the front-end engineering work. The procurement schedule was managed on a daily basis and reported on a weekly basis. The buyers, the legal representatives, and the engineers met weekly at Burns & McDonnell's offices to discuss the status of each procurement. If certain activities were at risk of not being completed on time, the Project's master schedule was consulted to make sure that all critical dates were met. If an issue arose that would require an adjustment to the T-45 Schedule Procurement Plan to be made on any given procurement, the risk associated with extending the schedule would be evaluated, including the potential impact to construction, additional costs, whether the prospective vendors required more time to bid, and a number of other factors. KCP&L would then make a determination whether a change to the Procurement Plan would adversely impact the schedule. We also had on-going conversations with the bidders to make sure that if the procurement

schedule was extended, especially during the bid evaluation and contract negotiation phase, the milestone dates that support the construction schedule could be maintained. If a bidder indicated that it could not hold the dates, we discussed internally what mitigation efforts we could employ. Sometimes this meant issuing a limited notice to proceed to the contractor. This would allow the contractor to begin its work (*e.g.* submit structural load information to Burns & McDonnell to allow it to design foundations) while the final contract documents were being prepared.

Q: Do you believe that the Procurement Plan was successful?

A: Yes. The Procurement Plan allowed KCP&L to timely procure all of the necessary equipment and materials to support construction. In addition, the Procurement Plan allowed for us to properly assess the marketplace for materials and services that were scarce, thus were considered long-lead items.

Q: As a part of your Procurement Plan, have you put into place a standardized process for contractor evaluation and selection?

A: Yes. Once KCP&L receives the proposals from the bidders, the buyer prepares unpriced copies of the proposal that go to the technical evaluating team, whether that would be engineering, construction, or the owner's engineer. That unpriced copy is then reviewed to determine if the bid is compliant with the technical requirements of the RFP and technical specification, including whatever drawings, prototypes, or samples that may have been submitted and, if applicable, ensure compliance to the applicable codes and standards. The commercial team also reviews the proposal to see what exceptions the bidders have taken from KCP&L's terms and conditions, if any, and to determine the risk around any of those exceptions. The commercial team then develops a negotiation

strategy around those exceptions. Some bidders have been commercially disqualified for non-compliance. KCP&L considers some commercial exceptions taken by bidders to be "deal-breakers" whereby the bidder wants to shift too much risk to KCP&L. Finally, of the technically and commercially acceptable bidders, KCP&L will perform an evaluation of the price, finally choosing the best option.

Q: You have referenced the commercial team. Can you describe who is a part of the commercial team for procurement purposes?

A: The commercial team is comprised of members of procurement, the KCP&L legal department, as well as outside legal consulting from Schiff Hardin. As a group, we review every commercial document that is put in front of us by any contractor during the bid process and throughout the course of each contract's execution. The commercial team's review includes all notices and notifications under the contract, requests for change orders and change management, as well as any claims or disputes that may arise after the contract is awarded.

Q: How is the bid evaluation process documented?

A: The Procurement Plan requires that the evaluation team prepare a comprehensive Recommendation-To-Award ("RTA") letter. The RTA letter describes the process that was used to evaluate the bidders and the justification behind the award of the contract to a particular contractor. A copy of the RTA Procedure is attached to my testimony as Schedule SJ-2 (HC).

Q: What terms and conditions are used for the procurements for the Iatan Project?

A: KCP&L has developed a set of Terms and Conditions specifically for the CEP projects. Use of these Terms and Conditions allows KCP&L to streamline the procurement process

and provides KCP&L the ability to more easily manage and administer the contracts for the CEP projects. The Terms and Conditions serve as the foundation of the contract documents for each procurement and contain appropriate controls for mitigating risk to KCP&L.

Q: How do the Terms and Conditions allow KCP&L to manage and administer the contracts on the CEP projects?

A: The language used in each contract is the same, so that the individuals who have to manage the contractors to their contracts are aware of the intent and interpretation of a particular provision. Also, due to the fact that all of the contracts are organized in the same manner, the requirements for invoicing, payment, schedule, milestones, and change orders are easily located.

Q: What happens if a bidder submits its own terms and conditions as a part of its bid, rather than taking exception to KCP&L's Terms and Conditions provided with the RFP?

A: That contractor is deemed to be "commercially non-compliant." We will contact that contractor and request that it submit its exceptions to KCP&L's Terms and Conditions. In doing so, we ensure that KCP&L's risk on the CEP projects is properly mitigated.

Q: Have you developed a Change Management procedure?

A: Yes.

Q: Please describe the Change Management procedure.

A: Our Change Management Procedure is a two-part process. When a change to a contractor's contract has been identified by: (i) KCP&L; (ii) an authorized representative of KCP&L; or (iii) the contractor, a change notice is created. That change notice

describes the nature of the change and the reason for the change. The change notice is reviewed by the contract managers to determine if the nature of the change is an "extra." If it is a change "extra," then the change order process is initiated. Once a change order is created from the change notice, it is reviewed by the contract manager. It then is routed from the contract manager to estimating for an analysis of the proposal to ensure that the amount is not excessive. The contractor then reviews the change order for accuracy. If the contractor agrees, its authorized agent signs the change order. The change order is then routed through KCP&L for review and execution, first to the KCP&L contract manager, then to the Project Director, and finally to the Vice President of Construction. A copy of the Change Management procedure is attached as Schedule SJ-3 (HC).

Q: Is the reason for the change documented?

A: Yes. A narrative of the reasons for each change order is required as part of the documentation for each change order. Additionally, supplemental justification has been written for all change orders in excess of $50,000, which have been provided to the Commission Staff on an on-going basis.

Q: What other processes and/or procedures have you put in place for the CEP projects?

A: Additional procedures include the RTA and Change Management procedures discussed above, procurement procedures, and the Notice and Notification Procedure.

Q: What is the Notice and Notification Procedure?

A: The Notice and Notification Procedure requires that any commercial impact be documented and registered through a notice from the contractor. A commercial impact is

any occurrence that may cause the contractor to claim more time to the schedule and/or more money. The Notice and Notification Procedure requires that the contractors send all commercial notices to my attention in the procurement office. A notice may be an actual change request, or may simply be a notification of an incident that has occurred but the commercial impacts are not yet fully known. Under most of the contracts, however, the contractor is required to notify KCP&L of any such event within fifteen (15) days of its occurrence. The contractor then has an additional thirty (30) days to provide KCP&L with the final cost or schedule impacts, if any. We have received approximately 1400 such notices over the course of the Iatan Project—**[redacted]**.

Q: What does KCP&L do once it receives a notice from a contractor?

A: The procurement office logs every notice that is received, and the contract managers, with KCP&L's legal department, determine whether a response is necessary. Responses to contractor notices are then drafted, reviewed by the contract manager and legal and then logged prior to sending. If a contractor sends a letter stating that it believes that it has been delayed by KCP&L, we log that letter, review it, analyze it against the contract requirements, and then we respond to that letter in kind with a letter transmittal back to the contractor as to our position. For claims related to delays or compression, we perform our own schedule analysis. If we agree with the contractor's position, we may write a letter noting that we agree and that we are creating a change order, or we may simply issue the change order. If we disagree, we issue a letter stating the reasons why the claim is being rejected.

Q: Have there been instances where the contractors have not followed the Notice and Notification Procedure?

A: Yes. For example, contractors have sent claim letters to the engineers rather than to the procurement office.

Q: And what happened in those instances?

A: The engineer typically sends procurement a copy of the letter so it can be logged into the process. Any time procurement has determined that a contractor has not followed the Notice and Notification Procedure, we notify the contractor that it has not followed the proper procedures. We also remind the contractor that any commercial claim is not valid unless the proper submission procedures are followed.

Q: And what are the benefits of having the Notice and Notification Procedure?

A: The benefits are the ability to document and track open issues with contractors. This leads to quicker resolutions of disputes, and makes it less likely that a contractor will submit a large claim at the end of the project that is a surprise to everyone. In my experience, contractors will usually try to wait until their work is done before making a claim because it is harder for the owner to properly evaluate and respond to such claims. By forcing the contractors to submit their claims during the course of the project, KCP&L is rigorously enforcing its rights under the contracts. This also allows commercial disputes to be resolved quickly, before they can interfere with the contractor's performance of its work.

Q: Have you ever been involved in a project where the owner did not require the contractors to comply with a similar notice procedure?

A: Yes.

Q: And what typically happened?

A: Generally speaking, projects that do not have a robust notice process and/or change management process will not be on time and will run over budget.

Q: Why?

A: Issues are not timely identified or discussed at the management level so that issues are not resolved in the most cost effective and efficient manner. Also, there is no accountability on the owner's side for changes that are being made out in the field to the contractor's contract.

THE BALANCE OF PLANT CONTRACT

Q: What work is referred to as the balance of plant work on the Iatan Project?

A: In essence, it encompasses work outside of ALSTOM's contract for the Iatan Unit 2 boiler and Iatan Unit 1 and 2 Air Quality Control System ("AQCS"). The balance of plant scope would include, but not be limited to: (i) the erection of the turbine generator building; (ii) the erection of equipment within that building including the turbine generator itself and the condensers; (iii) electrical wiring of all devices, foundations and substructures under all major equipment; (iv) the erection of the cooling tower for Iatan Unit 2; (v) the erection of the multiple tanks and water treatment facility that would be common to both Iatan Unit 1 and Iatan Unit 2; and (vi) the Zero Liquid Discharge ("ZLD") building. Balance of plant contractors in the power utility industry are often also referred to as "general contractors."

Q: What did the marketplace look like for balance of plant contractors in the spring of 2006?

A: In the spring of 2006, I did some market research with respect to potential balance of

plant contractors. The goal was to determine whether any of the major contractors in the country, specifically Kiewit, Washington Group, Fluor Daniels, Bechtel and others would be interested in performing the balance of plant work for the Iatan Project.

Q: What did you discover?

A: At that time in 2006, the contractors who possessed the capability of performing this work had very little interest or capacity to do the remaining balance of plant work for the Iatan Project, especially on a fixed-price basis. The contractors were only bidding work at that time on a fixed-price basis in select circumstances, *i.e.,* when part of an engineering-procurement-construct ("EPC") contract. I surveyed the market by calling a number of large general contractor firms that had the capacity to perform this work. Washington Group was not interested in the Project in any respect due to its concentration on other markets and backlog of work. Fluor was similarly lukewarm, but was willing to consider the Project, though only on a time and materials basis. Bechtel was not interested in the Project due to its extensive backlog of work and the Iatan Project's schedule. Kiewit made a presentation to the KCP&L procurement and construction teams in the Spring of 2006, emphasizing that it had a very narrow window to commit to the Iatan Project, and was not interested in doing the work on a fixed-price basis.

Q: Ultimately, did KCP&L and Kiewit enter into a contract for the Balance of Plant work?

A: Yes. The details and circumstances of the contract negotiations with Kiewit have been described by Company witness William Downey.

Q: What was the contracting methodology utilized for the Kiewit contract?

A: The contract with Kiewit is essentially a unit-priced construction services contract. The former Senior Vice President of Supply identified a goal of getting Kiewit to assume some level of risk in the contract. In addition, due to the timing of the contract, it was not practical for the parties to entertain a fixed-price contract because engineering was approximately 15-20% complete for the remaining balance of plant scope and the risk band around a fixed-price proposal from Kiewit would have been very large. Therefore, for a specific defined scope of work identified in the contract, **[redacted]**

Q: In what circumstances could the contract price for the Kiewit Contract increase?

A: When the Kiewit Contract was originally signed, KCP&L anticipated that contract price would increase under certain circumstances. Two of these circumstances included (i) increases in quantities from the base estimate; and (ii) changes to the schedule. With respect to quantities, the KCP&L project team vetted Kiewit's estimate between June and September of 2007. This vetting was an attempt to bound the quantities and understand the underlying methodology Kiewit used for establishing its price. Regarding the schedule, Kiewit's bid price was based upon a schedule which it presented with its proposal on April 13, 2007. KCP&L knew that Kiewit's activities would have to be integrated with the rest of the Iatan Unit 1 and Unit 2 baseline schedule.

Q: Was the Kiewit Contract ever modified?

A: Throughout the course of Kiewit's performance, KCP&L and Kiewit have agreed upon

various change orders to the contract. These change orders have, for the most part, modified Kiewit's scope of work under the contract, but did not change the methodology of the contract itself. On December 6, 2008, KCP&L and Kiewit entered into a

[redacted]

ALSTOM SETTLEMENT FOR THE ECONOMIZER DELAY

Q: Are you familiar with the economizer cracking issue that is discussed by Company Witness Brent Davis in his testimony?

A: Yes.

Q: Do you agree with his assessment of the impacts to ALSTOM's completion of its work on Unit 1 due to the latent condition found in the existing economizer?

A: Yes. ALSTOM had work in the air heater inlet and outlet ducts and duct banks that were tied to the economizer and just below the economizer. The cracking and subsequent repair of the economizer casing and installation of the strapping supports impacted ALSTOM's ability to complete its work by 32 days.

Q: In addition to an extension of time, did ALSTOM submit a claim based upon the delay?

A: Yes.

Q: What was the amount of ALSTOM's claim?

A: ALSTOM first approached KCP&L with a claim of approximately **[redacted]** This amount included **[redacted]**.

Q: Did you review ALSTOM's claim?

A: Yes. KCP&L agreed that ALSTOM was entitled to the 32 days of delay due to the economizer issue. **[redacted]**

Q: What information did ALSTOM provide to you to justify the amount of its claim?

A: **[redacted]**

Q: Based upon your review of ALSTOM's backup documentation do you agree with the amount of its claim?

A: No. We challenged the initial claim of **[redacted]**

Q: Based upon your review of ALSTOM's documentation, how much do you believe ALSTOM was entitled to receive?

A: My review indicated **[redacted]** After several weeks of negotiations, ALSTOM ultimately settled for this amount. **[redacted]**

Q: Based upon your observations of the KCP&L management effort related to the procurement activities associated with the construction projects of the Comprehensive Energy Plan, do you believe the concerns of Mr. Kumar and Mr. Dittmer related to cost increases on these projects are legitimate?

A: No. I believe that the KCP&L Management Team has prudently managed the procurement activities associated with the construction projects discussed by Mr. Kumar and Mr. Dittmer. As explained in this testimony, KCP&L Management Team has actively managed the procurement activities associated with these projects to ensure that costs were prudently incurred in the completion of these projects.

TRUE-UP PROCEEDING

Q: On page 31 of the Direct Testimony of Cary G. Featherstone, Mr. Featherstone testifies that "KCPL is expected to complete its construction of environmental plant

additions for Iatan 1, which involve very substantial costs. There are other plant additions than normally occur during the six months between the update period of September 30, 2008 and the true-up period of March 31, 2009 that will be included in the true-up." Do you have any comments about this statement?

A: Yes. Mr. Featherstone is correct. In particular, the Commission should be apprised that in addition of the Iatan 1 costs, there is a substantial investment in the Common Plant related to both Iatan 1 and Iatan 2 that will also be reflected in the true-up proceeding.

Q: Why are you bringing this matter to the attention the Commission at this time?

A: KCP&L believes that it important that the Commission understand that there will be a portion of the true-up proceeding discussed by Mr. Featherstone that will involve a substantial investment in the Common Plant associated with both Iatan 1 and Iatan 2. Theses costs are part of the plant additions that will cause the revenue requirement to increase at the time of the true-up proceeding.

Q: Please explain the nature of these common facilities that serve both Iatan 1 and Iatan 2 that will be included in the true-up proceeding.

A: The term "Common Work" is used to describe facilities, equipment, structures, and other associated construction costs that are shared in some manner by both Iatan Unit 1 and Iatan Unit 2. There are three categories of Common Work. The first category of Common Work are those facilities or structures that will be shared by both Units. The Iatan Project's chimney is an example of this category. The chimney shell houses two separate liners – one liner dedicated for Unit 1's emissions and a separate liner for Unit 2's emissions. Even though the Iatan Unit 2 chimney liner will not be utilized until 2010, the entire chimney stack must be put into service in order to facilitate start-up and

operations of Iatan Unit 1 AQCS.

Q: What is the second category of Common Work?

A: The second category of Common Work is those facilities or structures that provide operational redundancy. For example, portions of the reagent preparation building utilized for preparation of limestone slurry are required for Iatan Unit 1 operations and start-up, though ultimately will be utilized to process the slurry produced by both Units. Equipment in this building that ultimately will service both Units is being put into service with Unit 1 to provide redundancy in the event that the primary Unit 1 equipment is unavailable.

Q: What is the third category of Common Work?

A: The third category of Common Work includes those facilities or structures consisting of a structure that will ultimately house equipment used by both Units. The costs associated with the recycle pump building construction are an example of this category. The equipment contained within this building will be accounted for separately and within the context of the costs of each Unit, though the Common Work in this category is the building itself. The costs of the equipment within the building will be included in the costs for the individual Unit for which the equipment functions.

Q: What are the Common facilities for Iatan Unit 1 and Unit 2?

A: KCP&L identified the following facilities as Common and included them in the estimate of the Common Work:

1. The ZLD including equipment, piping, foundations and electrical construction contained within the building perimeter;
2. The Water Treatment Facility including equipment, piping, foundations and electrical

construction contained within the building perimeter;

3. The Ammonia Storage Facility including equipment, piping, foundations and electrical construction contained within the building perimeter;

4. The Limestone Handling Facility including equipment, piping, foundations and electrical construction contained within the building perimeter;

5. The Limestone Dewatering Facility including equipment, piping, foundations and electrical construction contained within the building perimeter;

6. The Vacuum Compressor Facility including equipment, piping, foundations and electrical construction contained within the building perimeter;

7. The Coal Handling Facility upgrades;

8. The Transformers including equipment, foundations and electrical construction;

9. The Chimney including equipment, foundations, continuous monitoring, elevator, and electrical construction;

10. The Landfill including earth moving, material, borrow and labor;

11. The Site preparation;

12. The Digital Control System;

13. The Warehouse Building including equipment, foundations and electrical construction contained within the building perimeter;

14. The Fabrication Shop including equipment, foundations and electrical construction contained within the building perimeter;

15. The Oil Storage Facility including equipment, foundations and electrical construction contained within the building perimeter;

16. The Tank Farm including equipment, foundations and electrical construction

contained within the farm footprint; and

17. The Fly Ash Silo;

18. The Batch Plant;

19. Fire Protection;

20. Flue Gas De-sulfurization;

21. The Railroad upgrades and bridges;

22. The Security Building; and

23. Prorated portions of the Project's indirect costs including, but not limited to campus, staffing, utility bills, site support services, etc.

Q: Please describe the process that KCP&L used to create its estimate value of Common Facilities.

A: I compiled a team of people from various departments of the project team to identify the common assets and to estimate their value as described in the Iatan Construction Project Common Systems Asset Valuation Purpose and Methodology document attached as Schedule SJ-4 (HC).

The team first identified a definition for common assets as detailed above. To explain the process that the team followed to estimate the value of the identified list of assets, I first need to explain how the Common Work is included within the overall budgets for the Project. The costs for the entire Iatan Project were broken into two Control Budgets, one for the Iatan Unit 1 work and one for Iatan Unit 2. The costs of the Common Work were included within these two budgets; the Common Work was not segregated out into a separate budget. Currently available cost and accounting information for the Project does not possess a mechanism to easily discern the costs of

the Common Work. The cost portfolio for the Iatan construction project has hundreds of lines of data that correspond to the various contracts on the Project. The contracts address scopes of work by system (i.e. mechanical or electrical) but do not contain a breakdown of the costs by Unit 1, Unit 2, and Common Work. Accordingly, determining the value of the Common Work is more complicated than the sum of various contracts. Additionally, the majority of contracts were procured on a fixed-price basis and do not contain detailed line-item cost breakdowns of the component pieces of the work.

The team built a cost estimate for each Common Asset outlined above and used reasonable means and methods to determine the estimate of each Common Asset. The team used all information available from a number of systems to build up the estimates in order to provide the best available estimate for each given asset.

The team then developed a form that provides a description of the asset, its proximity to the plant, its intended use and other factors from the project design manual, cost portfolio and/or engineering drawings to value each asset. The team populated the estimate section with the built up costs for each asset yielding the final value. Most estimates include some or all of the following categories of estimated cost:

1. Engineering and design services;
2. Foundations required;
3. Pilings required;
4. Mechanical construction (installation) estimate;
5. Electrical construction (installation) estimate;
6. Primary mechanical equipment estimates;
7. Primary electrical equipment estimates;

8. Secondary equipment estimates (consumables);

9. Controls including systems and transmitters, etc.;

10. System finishing including painting, grouting, cleaning, etc.;

11. Maintenance equipment including in-service hoists, guardrails, coupling guards, etc.; and

12. Heating, ventilation and air conditioning equipment.

Q: Given the complexity of the process for valuing the assets, are you confident in the results of the process?

A: Yes. Using the data listed above as a foundation for the estimate, and data assembled from other systems, the team can reasonably assure the correct value of each common asset was determined within an acceptable range. Additionally, once the team completed its evaluation of the common assets, management reviewed each estimate with the team and rationalized the cost build up for adherence to the methodology.

Q: What is the total value of the estimated common assets?

A: Approximately $383 million excluding AFUDC and allocation to partners and Missouri jurisdiction. Attached as Schedule SJ-5 (HC) to my testimony is a summary of the estimated value of each common asset.

Q: Is this an increase to the cost of the Iatan Project?

A: No. As previously stated, the cost of the Iatan Project has not increased as a result of this valuation of common assets. The value of the common assets was previously included as part of the Control Budgets for Iatan Unit 1 AQC and for Iatan Unit 2. This valuation process merely reallocated the common asset value from the two Unit Control Budgets. The total estimated cost of the Iatan Project remains the same as before, the costs are

merely separated into three categories now (Unit 1, Unit 2 and Common) rather than only two.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company to Modify Its Tariff to Continue the Implementation of Its Regulatory Plan	)))	Case No. ER-2009-0089

AFFIDAVIT OF STEVEN JONES

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Steven Jones, being first duly sworn on his oath, states:

1. My name is Steven Jones. I work in Kansas City, Missouri, and I am an independent contractor currently working for Kansas City Power & Light Company as Senior Procurement Director of KCP&L.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of twenty-six (26) pages and Schedule(s) SJ-1 through SJ-5, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Steven Jones

Subscribed and sworn before me this 10th day of March 2009.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

SCHEDULES SJ-1 THROUGH SJ-5

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