

Exhibit No.:  
Issue: Procurement  
Witness: Steven Jones  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2010-\_\_\_\_  
Date Testimony Prepared: June 4, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2010-\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**STEVEN JONES**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
June 2010**

**Certain Schedules Attached To This Testimony Designated “(HC)”  
Have Been Removed  
Pursuant To 4 CSR 240-2.135.**

**DIRECT TESTIMONY**

**OF**

**STEVEN JONES**

**Case No. ER-2010-\_\_\_\_\_**

1 **Q: Please state your name and business address.**

2 A: My name is Steven Jones. My business address is 233 S. Wacker Drive, Suite 6600  
3 Chicago, Illinois 60606.

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

5 A: I am an independent contractor currently working with Schiff Hardin on behalf of Kansas  
6 City Power & Light Company (“KCP&L” or the “Company”).

7 **Q: What was your last position?**

8 A: From March 16, 2006 through March 2009, I was the Director of Comprehensive Energy  
9 Plan (“CEP”) Procurement for KCP&L. This meant that I was responsible for all  
10 procurement activities for the Comprehensive Energy Plan (“CEP”). During that period  
11 of time, my focus was primarily on the Iatan projects due to their size and complexity.  
12 At Iatan, I was also responsible for the commercial management of all contracts and  
13 contract administration, as well as material management and distribution.

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

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

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

8 **Q: Have you previously testified in a proceeding at the Missouri Public Service**  
9 **Commission or any other regulatory body?**

10 A: Yes. I have previously filed testimony in KCP&L’s last rate case, Case No. ER-2009-  
11 0089 (“0089 Docket”). I have also filed testimony before the Kansas Corporation  
12 Commission in Docket Nos.09-KCPE-246-RTS and 10-KCPE-415-RTS. I have also  
13 testified before the Illinois Commerce Commission on two occasions. The first was on  
14 behalf of ComEd with respect to the merger of PECO Energy Company and Unicom  
15 (who owned ComEd) and creation of Exelon. The second occasion was regarding a  
16 retrofit program and sale of Exelon’s Fossil Generating Fleet.

17 **Q: Does that testimony remain accurate today?**

18 A: Everything except that my position as the Director of CEP Procurement ended in March  
19 of 2009. As I previously stated, I am currently an independent consultant to Schiff  
20 Hardin.

21 **Q: What is the purpose of your testimony?**

22 A: The purpose of my testimony is to discuss the following: 1) the processes and procedures  
23 that I helped to develop for KCP&L’s CEP projects and in particular for the Iatan Unit 2

1 project (the “Project”) to ensure timely procurement of major equipment and contractor  
2 services and resolution of contractor claims; 2) the procurement of the contract for Kiewit  
3 Power Constructors Co. (“Kiewit”) for the bulk of the Balance of Plant construction  
4 work.

### 5 **PROCUREMENT PROCESSES AND PROCEDURES**

6 **Q: What are the CEP projects?**

7 A: Company witness Chris Giles testifies to KCP&L’s plan for increasing generation and  
8 providing environmental controls on many of its existing coal-fired units. The  
9 supply-related CEP projects undertaken by the Company include: the Iatan Unit 1 and  
10 Unit 2 projects, the LaCygne Unit 1 Selective Catalyst Reduction (“SCR”) addition and  
11 the Spearville Wind Project in Spearville, Kansas.

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

13 A: The CEP Cost Control System is a guidance document that outlines the governance  
14 considerations, management procedures and cost control protocols that govern the CEP  
15 projects (“Cost Control System”). A copy is attached as Schedule SJ2010-1. The Cost  
16 Control System was developed in the second quarter of 2006 with the intention of  
17 providing guidelines for the CEP projects.

18 **Q: Do you believe the guidance provided by the Cost Control System assisted KCP&L  
19 in the management of the Iatan Unit 2 Project?**

20 A: Yes. The processes and procedures that were prepared on the basis of the guidelines  
21 discussed in the Cost Control System are commensurate with best practices that I have  
22 observed in my career. Based upon my experience, the Cost Control System provided a

1 starting framework for the project management tools appropriate for KCP&L's project  
2 team and corporate leadership to manage a project of this size.

3 **Q: Were you involved in developing some of the procedures and protocols discussed in**  
4 **the Cost Control System?**

5 A: Yes. Under my direction, the KCP&L procurement team used the guidelines in the Cost  
6 Control System to create procedures and protocols that were used for the Iatan Units 1  
7 and 2 Project.

8 **Q: Which portions of the Cost Control System did you assist in developing?**

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

11 **Q: How has the Cost Control System helped KCP&L manage the Iatan Unit 2 Project?**

12 A: The Cost Control System provides guidance with respect to the management of the Iatan  
13 Unit 2 project by establishing processes for developing and tracking schedule, project  
14 cost, earned value performance and cash flow. This information provides a basis for  
15 KCP&L to forecast future cost and schedule issues, among other key trends necessary to  
16 manage a large utility construction project. The Cost Control System also discusses  
17 development of Change Management procedures.

18 **Q: What are Change Management procedures?**

19 A: As stated in the Cost Control System Document, Change Management procedures  
20 include, but are not limited to:

- 21 • Monitoring the scope of requested changes to insure that they indeed  
22 comprise extras to the contract;
- 23 • Ensuring that requested changes are promptly considered and addressed;

- 1 • Preventing incorrect, inappropriate, or unapproved changes from being
- 2 executed and incurred within the project cost base;
- 3 • Implementing necessary changes as seamlessly as possible into the
- 4 respective Project's current performance schedule so as to minimize
- 5 schedule disruption and associated costs;
- 6 • Recording all appropriate changes accurately against the Control Budget
- 7 (including amending the Control Budget, when necessary);
- 8 • Informing appropriate stakeholders of approved changes;
- 9 • Evaluating necessary rework to affect the change in scope.

10 Schedule SJ2010-1 at p. 9. Not only does this help to track increased costs, but it also  
11 focuses on documenting the changes and providing the context and reasons for such  
12 changes during the life cycle of the Project. Over time, these changes can establish  
13 trends for increased costs that may be able to either predict future costs or allow the  
14 owner to institute measures that can mitigate adverse trends.

15 **Q: Did you develop Change Management procedures for Iatan based upon the Cost**  
16 **Control System Document?**

17 A: Yes. When a change to a contractor's contract has been identified by either: 1) KCP&L;  
18 2) an authorized representative of KCP&L; or 3) the contractor, a change notice is  
19 created. That change notice describes the nature of the change and the reason for the  
20 change. The change notice is reviewed by the contract managers to determine if the  
21 nature of the change is an "extra." If it is a change 'extra', then the change order process  
22 is initiated. Once a change order is created from the change notice, it is reviewed by the  
23 contract manager. It then is routed through multiple departments including, but not

1 limited to, the contract manager, estimating for an analysis on the proposal to ensure that  
2 the amount is not excessive, and cost so that it can be recorded in the cost portfolio and  
3 tracked against the Control Budget. The contractor then reviews the change order for  
4 accuracy. If the contractor agrees, its authorized agent signs the change order. The  
5 change order is then routed for review and execution.

6 **Q: Does KCP&L document the reason or reasons for change orders to the Iatan Unit 2**  
7 **Project?**

8 A: Yes. A narrative of the reasons for each change order is required as part of the  
9 documentation for each change order. Additionally, KCP&L has written a supplemental  
10 justification for many of the change orders in excess of \$50,000. After a while,  
11 supplemental justifications were no longer necessary because through training and  
12 experience, the project personnel responsible for writing the change order descriptions  
13 increased the level of detail and explanation included in the original description of the  
14 change and the reasons for the change order so that the supplemental justifications were  
15 not necessary on all change orders.

16 **Q: Who on the KCP&L project team is responsible for reviewing and vetting claims**  
17 **received from the Iatan Unit 2 Project's contractors?**

18 A: KCP&L has a commercial team that reviews and resolves contractor claims. The  
19 commercial team is comprised of members of procurement, the KCP&L legal  
20 department, as well as outside legal counsel from Schiff Hardin. As a group, this team  
21 reviews every commercial document or "claim" that is submitted by any contractor  
22 (either by change order request, commercial correspondence, email or otherwise) during  
23 the bid process and throughout the course of each contract's execution. The commercial

1 team's review includes all notices and notifications under each of the contracts, requests  
2 by vendors for change orders and change management, as well as any claims or disputes  
3 that may arise after the contract is awarded.

4 **Q: What do you mean by notices and notifications?**

5 A: In general, this refers to the formal written correspondence between KCP&L and its  
6 contractors that provide notice, or warning of potential commercial issues under their  
7 contracts. KCP&L developed a Notice and Notification Procedure that governs the  
8 contractors.

9 **Q: What is the Notice and Notification Procedure?**

10 A: The Notice and Notification Procedure requires that any commercial impact be  
11 documented and registered through a notice from the contractor. A commercial impact is  
12 any occurrence that may cause the contractor to claim either more time to the schedule or  
13 more money. The Notice and Notification Procedure requires that the contractors send  
14 all commercial notices to a central location in the procurement office. A notice may be  
15 an actual change request, or may simply be a notification of an incident that has occurred  
16 though the commercial impacts are not yet fully known. Under most of the contracts,  
17 however, the contractor is required to notify KCP&L of any such event within fifteen  
18 (15) days of its occurrence. The contractor then has an additional thirty (30) days to  
19 provide KCP&L with the final cost or schedule impacts, if any. Over the course of the  
20 Iatan Project, KCP&L has received over 2800 such notices over the course of the Iatan  
21 Project—approximately 1900 from Kiewit and 850 from ALSTOM alone.



1 **Q: Based upon this Procedure, what does KCP&L do when it receives a notice from a**  
2 **contractor?**

3 A: The procurement office logs every notice that is received, and the contract managers,  
4 with KCP&L's legal department, determine whether a response is necessary. Responses  
5 to contractor notices are then drafted, reviewed by the contract manager and legal and  
6 then logged prior to sending. If a contractor sends a letter stating that it believes that it  
7 has been delayed by KCP&L, we log that letter, review it, analyze it against the contract  
8 requirements, and then we respond to that letter in kind with a letter transmittal back to  
9 the contractor as to our position.

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

12 A: Yes. For example, contractors have sent claim letters directly to the engineers or to the  
13 contract managers rather than to the procurement office.

14 **Q: And what happened in those instances?**

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

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

21 A: The benefits are the ability to document and track open issues with contractors. This  
22 leads to quicker resolutions of disputes, and makes it less likely that a contractor will  
23 submit a large claim at the end of the project that is a surprise to everyone. In my

1 experience, contractors will usually try to wait until their work is done before making a  
2 claim because it is harder for the owner to properly evaluate and respond to such claims.  
3 By forcing the contractors to submit their claims during the course of the project,  
4 KCP&L is rigorously enforcing its rights under the contracts. This also allows  
5 commercial disputes to be resolved quickly, before they can interfere with the  
6 contractor's performance of its work.

7 **Q: What other Cost Control System recommendations did you implement as the**  
8 **Director of CEP Procurement?**

9 A: Another example would be implementation of the Procurement Plan.

10 **Q: What is the Procurement Plan for the Iatan Project?**

11 A: The Procurement Plan identifies what, when and how goods and services are purchased  
12 from external suppliers. It is a means of identifying an acceptable pool of bidders, the  
13 sequencing of all of the procurements (i.e. the procurement schedule), and making sure  
14 the procurement team is accountable to the schedule for each procurement. The  
15 procurement schedule includes the development of the technical specification, the  
16 evaluation of the bids and the time for negotiation and award of the contract. The  
17 Project's detailed Level 3 schedule reflects the Procurement Plan which is intended to  
18 support critical engineering and construction milestones.

19 **Q: When you were hired by KCP&L, did you develop a Procurement Plan for the**  
20 **Iatan Project?**

21 A: When I arrived in the spring of 2006, I reviewed the procurement schedule that had been  
22 developed by Burns & McDonnell. I reviewed the schedule and identified ways to  
23 improve the timing and sequencing of the procurements. Therefore, with the assistance

1 of Jim Wilson of Schiff Hardin, I modified Burns & McDonnell's schedule and  
2 developed the final procurement schedule. This revised schedule reallocated the  
3 engineering and procurement activity durations and deadlines to strengthen KCP&L's  
4 ability to manage the engineering and procurement for the project. We published the  
5 procurement schedule in September of 2006.

6 **Q: What was the scheduled duration of each procurement?**

7 A: The procurement schedule was based upon what I call a "T-45 Schedule." A T-45  
8 Schedule allows for the procurement process to be planned and sequenced in a way so as  
9 to go from the issuance of the Request for Proposals to a negotiated contract within  
10 45 days on average. Different procurements have different levels of complexity that  
11 require the procurement schedule to lengthen or shorten depending on the type of  
12 equipment, amount of work needed to prepare and/or evaluate the bid. However, for  
13 purposes of the Procurement Plan, the average procurement should be able to be  
14 completed in 45-50 days.

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

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

19 **Q: How was the Procurement Plan managed?**

20 A: The procurement schedule was managed on a daily basis and reported on a weekly basis.  
21 KCP&L's buyers, legal representatives, and engineers met weekly at Burns &  
22 McDonnell's offices to discuss the status of each procurement. If certain activities were  
23 at risk of not being completed on time, the Project's detailed Level 3 schedule was

1 consulted to make sure that all critical dates were met. If an issue arose that would  
2 require an adjustment to the T-45 Schedule Procurement Plan to be made on any given  
3 procurement, the risk associated with extending the schedule would be evaluated. This  
4 evaluation included the potential impact to construction, additional costs, whether the  
5 prospective vendors required more time to bid, and the consideration of a number of  
6 other factors. KCP&L would then determine whether a contemplated change to the  
7 Procurement Plan would adversely impact the construction schedule. We also had on-  
8 going conversations with the bidders to make sure that if the procurement schedule was  
9 extended, especially during the bid evaluation and contract negotiation phase, the  
10 milestone dates that support the construction schedule could be maintained. If a bidder  
11 indicated that it could not hold the dates, we discussed internally what mitigation efforts  
12 we could employ. Sometimes this meant issuing a limited notice to proceed to the  
13 contractor. This would allow the contractor to begin its work (i.e., submit structural load  
14 information to Burns & McDonnell to allow it to design foundations) while the final  
15 contract documents were being prepared.

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

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

21 **Q: Do you have a document that shows the procurement process used for Iatan Unit 2?**

22 A: Yes. Attached to my testimony as Schedule SJ2010-2 is a flow chart I developed for the  
23 Iatan Project soon after I arrived at KCP&L. I instituted the corresponding procedure

1 almost immediately after my arrival, and that is the process that Procurement followed  
2 throughout the Project where it was prudent to do so.

3 **Q: Are there times when it was necessary for KCP&L to deviate from the procurement**  
4 **model identified in Schedule SJ2010-2?**

5 A: Yes. There were times when it was not possible or prudent to competitively bid a scope  
6 of work. That is why KCP&L's procurement procedures contemplate the possibility of  
7 sole-source procurements in some circumstances. The procurement of the Balance of  
8 Plant work, a contract executed with Kiewit, is a clear example.

9 **Q: Under what circumstances may work be sole-sourced to a single vendor?**

10 A: Usually sole-source procurements require unique circumstances such as: an emergency  
11 situation; unique capabilities of the vendor where there is no competition; safety  
12 considerations; insurance considerations; regulatory compliance issues; where the  
13 benefits of using a particular bidder outweigh the potential price advantage of  
14 competitive bidding; or where competitive bidding would be futile.

15 **Q: What unique circumstances applied to KCP&L's award of the remaining Balance of**  
16 **Plant work?**

17 A: Several of the circumstances I described above were applicable to the Balance of Plant  
18 contract. Prior to awarding the Balance of Plant contract to Kiewit, the KCP&L project  
19 team performed a market analysis and found very limited industry interest among large  
20 contractors for bidding work on large power plants.

1 **Q: What did the marketplace look like for balance of plant contractors in the spring of**  
2 **2006?**

3 A: In the spring of 2006, I did some market research with respect to potential balance of  
4 plant contractors. The goal was to determine whether any of the major contractors in the  
5 country, specifically Kiewit, Washington Group, Fluor Daniels, Bechtel and others would  
6 be interested in performing the balance of plant work for the Iatan Project.

7 **Q: What did you discover?**

8 A: At that time in 2006, the contractors who possessed the capability of performing this  
9 work had very little interest or capacity to do the remaining balance of plant work for the  
10 Iatan Project, especially on a fixed-price basis. The contractors were only bidding work  
11 at that time on a fixed-price basis in select circumstances (i.e. when part of an  
12 engineering-procurement-construct (“EPC”) contract). I surveyed the market by calling a  
13 number of large general contractor firms that had the capacity to perform this work.  
14 Washington Group was not interested in the Project in any respect due to its  
15 concentration on other markets and backlog of work. Fluor was similarly lukewarm, but  
16 was willing to consider the Project, though only on a time and materials basis. Bechtel  
17 was not interested in the Project due to its extensive backlog of work and the Iatan  
18 Project’s schedule. Kiewit made a presentation to the KCP&L procurement and  
19 construction teams in the spring of 2006, emphasizing that it had a very narrow window  
20 to commit to the Iatan Project, and was not interested in doing the work on a fixed-price  
21 basis. In 2007, after Kiewit expressed interest in the Iatan Unit 2 Project, we pulsed the  
22 market again and found the same response. Company witness Kenneth Roberts testifies  
23 regarding the utility construction market during the Iatan Unit 2 Project’s development.

1 **Q: What other unique circumstances would you say applied to the sole source**  
2 **awarding of the Kiewit contract?**

3 A: The interest, availability, and experience of Kiewit, one of the country's most successful  
4 industrial contractors; and recognition of the inherent difficulties of managing multiple  
5 small and medium-sized contractors while maintaining progress in the Project's schedule,  
6 safety and quality all justified the sole source of the Balance of Plant work to Kiewit.

7 **Q: When did Kiewit first approach KCP&L regarding the Balance of Plant Work?**

8 A: In September 2006, KCP&L issued a Request for Proposal ("RFP") for the foundations  
9 and substructures package. Kiewit was identified as one of the potential bidders for that  
10 package. The bids were returned at the end of October, and Kiewit declined to provide a  
11 compliant bid, stating that it did not want to provide unitized pricing as required by the  
12 RFP. About a month after declining to bid on the Foundations and Substructures  
13 package, Kiewit approached Brent Davis about the possibility of performing work on the  
14 Iatan Project.

15 **Q: Did Kiewit say why it wanted to perform work on Iatan after declining to bid on the**  
16 **foundations package?**

17 A: My understanding was that Kiewit had been involved with a project that had been  
18 cancelled, and at the end of 2006 it had a team of people who could take on new work.  
19 Kiewit knew that KCP&L did not have a general contractor for the remaining Balance of  
20 Plant work for the Iatan Unit 2 Project, and approached KCP&L to see if we were  
21 interested.

1 **Q: What was KCP&L's reaction to Kiewit's renewed interest?**

2 A: As Company witness Brent Davis testifies, KCP&L agreed to have Kiewit prepare an  
3 estimate for this work in order to evaluate its options. As noted above, KCP&L had just  
4 experienced some difficulty in competitively bidding the foundations and substructures,  
5 the first Balance of Plant work package, due to lack of interest from contractors who  
6 already had enough work. Additionally, under the multi-prime contracting strategy, the  
7 Balance of Plant work was divided into 13 separate scopes of work, each valued between  
8 approximately \$3 million to approximately \$90 million. Based on my experience as well  
9 as the issues discussed above from the foundations and substructures contracts, I believed  
10 that only smaller or medium-sized contractors would be interested in pursuing work in  
11 these amounts. As a result, I believed that KCP&L could experience the same lack of  
12 response to the other Balance of Plant packages that it received for foundations and  
13 substructures. Company witness Brent Davis testifies to his concerns regarding the  
14 potential for lack of competition for future Balance of Plant awards on a multi-prime  
15 basis.

16 **Q: What other reasons made Kiewit's proposal for the remaining Balance of Plant**  
17 **work an attractive option to KCP&L?**

18 A: KCP&L had just completed its Control Budget Estimate ("CBE") and presented it to the  
19 Board of Directors. Company witness Brent Davis testifies that KCP&L knew at that  
20 time that the Balance of Plant work was the biggest risk on the Project. Even if KCP&L  
21 decided not to pursue a contractual relationship with Kiewit for the Balance of Plant  
22 work, it would nonetheless be useful to have a contractor of such stature perform a  
23 thorough estimate of the work that was anticipated at that time as a back-check on



1 KCP&L's CBE for the Balance of Plant work. As Company witnesses Daniel Meyer and  
2 Brent Davis testify, the Kiewit estimate was vetted over the course of five months.

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

4 A: The contract with Kiewit is essentially a unit-priced construction services contract. The  
5 former Executive Vice President of Supply identified a goal of getting Kiewit to assume  
6 some level of risk in the contract. In addition, due to the timing of the contract, it was not  
7 practical for the parties to entertain a fixed-price contract because engineering was  
8 approximately 15-20% complete for the remaining balance of plant scope and the risk  
9 band around a fixed-price proposal from Kiewit would have been very large. Therefore,  
10 for a specific defined scope of work identified in the contract, Kiewit accepted labor  
11 productivity risk and price escalation on certain identified materials. For work that is  
12 outside of the defined scope, or any compression of Kiewit's schedule caused by KCP&L  
13 or its other contractors, KCP&L is at-risk for any additional costs.

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

15 A: When the Kiewit Contract was originally signed, KCP&L anticipated that contract price  
16 would increase under certain circumstances. Two of these circumstances included  
17 (1) increases in quantities from the base estimate (this was likely due to the fact that  
18 engineering was only 15-20% complete at the time of the estimate); and (2) changes to  
19 the schedule. With respect to quantities, the vetting of Kiewit's estimate that occurred  
20 between June and September of 2007 was an attempt to bound the quantities and  
21 understand the underlying methodology Kiewit used for establishing its price. Regarding  
22 the schedule, Kiewit's bid price was based upon a schedule which it presented with its

1 proposal on April 13, 2007. KCP&L knew that Kiewit's activities would have to be  
2 integrated with the rest of the Iatan Unit 1 and Unit 2 baseline schedule.

3 **Q: Have you documented the process of justifying the sole source award and**  
4 **negotiating and vetting the Kiewit Contract?**

5 A: Yes. Under my direction, KCP&L's site procurement team, with the help of Schiff  
6 Hardin, drafted a Recommendation to Award Letter for the Balance of Plant contract.  
7 (Attached as Schedule SJ2010-3). This document not only discusses the contract  
8 negotiations, vetting of the scope and bid price, but also evaluates risks mitigated by  
9 having a single general contractor for the Balance of Plant work rather than several  
10 smaller ones.

11 **Q: What risks did KCP&L assume as part of contracting with Kiewit?**

12 A: KCP&L was at risk for changes to the contract's price as design matured. In addition,  
13 Kiewit was not willing to undertake pricing risk for certain materials and labor escalation.  
14 However, I agree with the testimony of Company witness Brent Davis that the result of  
15 these risks would have been borne by KCP&L regardless of which contractor ultimately  
16 performed the work.

17 **Q: Do you believe changing the multi-prime strategy and sole-sourcing the Balance of**  
18 **Plant work to Kiewit was an appropriate commercial decision?**

19 A: Yes. During the prior year, KCP&L's management had asked for and received opinions  
20 from a number of different sources including Burns & McDonnell, Schiff Hardin, Black  
21 & Veatch and members of our own KCP&L project team. In addition, the process of  
22 developing the initial Control Budget Estimate in December 2006 highlighted the issues  
23 KCP&L faced that are inherent in the multi-prime method for Balance of Plant work.

1 KCP&L's management evaluated all of the Balance of Plant options available at the time.  
2 It carefully weighed the risks of each option, and determined that the benefits of  
3 contracting with Kiewit outweighed the risks of deviating from the multi-prime approach.

4 **Q: Have you had experience where late delivery of equipment or materials caused**  
5 **delays and increased costs to a project?**

6 A: Yes. Based upon my experience, this is a fairly common occurrence on large complex  
7 utility construction projects. In such cases, owners can become subject to large delay  
8 claims by the contractors.

9 **Q: Did the circumstances you describe occur on the Iatan Unit 2 Project?**

10 A: No. All of the major equipment for the Iatan Unit 2 Project was delivered in time to  
11 support the construction schedule.

12 **Q: At the time you left the position of Director of CEP Procurement, what percentage**  
13 **of Iatan Unit 2 had been procured?**

14 A: Approximately 98 percent.

15 **Q: Does that conclude your testimony?**

16 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 Tariffs to ) Docket No. ER-2010-\_\_\_\_  
Continue the Implementation of Its Regulatory Plan )

AFFIDAVIT OF STEVEN JONES

STATE OF ILLINOIS )  
) ss  
COUNTY OF COOK )

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

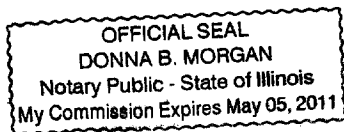
1. My name is Steven Jones. I work in Chicago, Illinois, and I am an independent contractor retained by Schiff Hardin LLP, who is a consultant for Kansas City Power & Light Company.

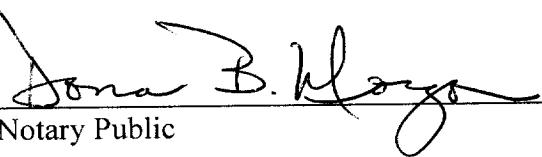
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of eighteen (18) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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 20th day of May, 2010.



  
\_\_\_\_\_  
Notary Public

My commission expires: 5/5/2011

**SCHEDULE SJ2010-1**  
**Through SJ2010-3**

**THESE DOCUMENTS CONTAIN  
HIGHLY CONFIDENTIAL  
INFORMATION NOT AVAILABLE  
TO THE PUBLIC**