

Exhibit No.:
Issue: La Cygne Environmental Project
Witness: Forrest Archibald
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2014-0370
Date Testimony Prepared: May 7, 2015

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2014-0370

REBUTTAL TESTIMONY

OF

FORREST ARCHIBALD

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
May 2015**

*** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed.

REBUTTAL TESTIMONY

OF

FORREST ARCHIBALD

Case No. ER-2014-0370

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

2 A: My name is Forrest Archibald. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

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

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or the “Company”)
6 as Director of Project Controls for the Large Capital Projects assigned to the Construction
7 Management department; including the La Cygne Environmental Retrofit Project.

8 **Q: On whose behalf are you testifying?**

9 A: I am testifying on behalf of KCP&L.

10 **Q: Please summarize your role with respect to the construction of La Cygne
11 Environmental Retrofit Project (“La Cygne Environmental Project”)?**

12 A: I have been working on the La Cygne Environmental Project since it was first assigned to
13 the Construction Management department; in 2011. I was initially assigned as the Senior
14 Manager of Cost and in April 2014, I was promoted to my current position, Director of
15 Project Controls. My responsibilities have been consistent since my promotion. I am
16 responsible for the policies and procedures encompassing both planning and scheduling
17 and cost control. I am also accountable for managing the team that processes and
18 maintains the cost records for the La Cygne Environmental Project that affect the
19 La Cygne Project’s budget. I also manage the team that provides oversight for the project

1 master schedule. I am responsible for all of the various project controls metrics;
2 including but not limited to: Earned Value Management Reports, Level 1 Schedules, and
3 cost reports (including ancillary logs) that are generated on the La Cygne Project.
4 Further, I am responsible for reporting the La Cygne Project's cost and schedule trends to
5 Project's senior leadership team, KCP&L's Senior Management and KCP&L's joint
6 owners. I have also prepared and provided similar reports to the Kansas Corporation
7 Commission ("KCC") and provided copies within the Monthly Compliance filing per the
8 KCC's Predetermination Order. The Missouri Public Service Commission ("MPSC")
9 receives copies of the KCC Monthly Compliance filings providing the same level of
10 detail to the MPSC. I have provided cost information requested by the MPSC and KCC
11 Staffs in response to data requests propounded by each, and I have met on multiple
12 occasions with members of each Staff to respond to questions regarding planning &
13 scheduling and cost controls for the La Cygne Project. Finally, I am responsible for all
14 cost forecasts, estimates-to-complete and estimates-at-completion for the La Cygne
15 Project.

16 **Q: Have you ever testified before the Missouri Public Service Commission ("MPSC")?**

17 A: Yes, I testified in the 2010 rate cases for KCP&L and KCP&L-Greater Missouri
18 Operations Company (respectively, Case No. ER-2010-0355 and ER-2010-0356).

19 **Q: Could you please describe your work history?**

20 A: Yes. I have over 16 years experience in managing various aspects of cost control systems
21 including technical teams associated with controlling and reporting on costs. My
22 experience in construction management includes: development and implementation of
23 cost tracking systems; forecasting and estimating project costs; contract negotiation,

1 interpretation and management; and execution of general cost engineering
2 responsibilities. I have field construction experience at various organizational levels
3 including management. My first construction experience was in 1993 as an iron worker
4 for Wichita Steel and Precast Erection Company. In 2004, my focus shifted exclusively
5 to cost engineering. Prior to joining KCP&L, from 2004 to 2005, I was a Cost
6 Supervisor for American Electric Power Company (AEP) where I was accountable for
7 tracking and reporting costs for projects ranging in size from \$25 million to \$600 million.
8 In 2006, I was hired on contract to KCP&L as a lead cost analyst for the Iatan Projects. I
9 was promoted to the Cost Manager in 2008, and hired direct to KCP&L in 2010 as the
10 Senior Manager of Cost over the same projects. I have provided project controls services
11 and oversight on multiple projects for KCP&L while I have been employed within this
12 capacity, until my promotion to Director of Project Controls in 2014.

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

14 **A:** The purpose of my testimony is to address a portion of the direct testimony (Table 2 on p.
15 29) of Sierra Club witness Rachel Wilson where she alleges avoided cost levels that
16 would have resulted from cancellation of the La Cygne Environmental Project. In this
17 regard I would note that Sierra Club witness Wilson admits that:

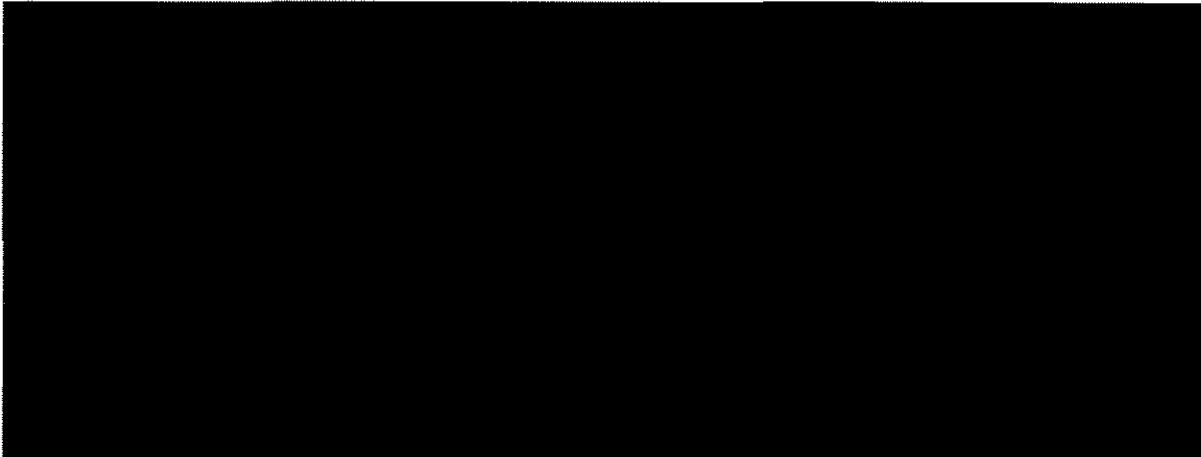
18 the estimates of costs that could have been avoided simply subtract the
19 spending incurred from the total cost of the retrofits. KCP&L may only
20 have been able to avoid some percentage of these costs due to the specific
21 cancellation clauses contained in their contracts for equipment. Due to
22 time limitations, I was unable to obtain and review all of the Company's
23 individual cancellation clauses and did not evaluate the penalties that
24 might have been incurred due to cancellation. (Wilson Direct, p. 29, ll. 3-
25 9)

1 Q: Do you agree with Sierra Club witness Rachel Wilson's assertions regarding the
2 costs of the La Cygne Project in Confidential Table 2?

3 A: No. Ms. Wilson's testimony inaccurately presents both the amounts spent and the
4 potential avoided costs associated with cancelling the La Cygne Environmental Project at
5 various points in time. The La Cygne Environmental Project required substantial early
6 engineering services and the early procurement of major equipment and long-lead items.
7 As of January 2012, KCP&L had executed written contracts and work had already
8 commenced for approximately ** [REDACTED] ** in direct and indirect costs, which
9 represents ** [REDACTED] ** of the total Project costs. The chart below is an accurate illustration
10 of the committed Project costs from January 2012 to January 2013. The chart includes a
11 breakdown of the "Direct Costs Committed", "Indirect Costs Committed", and "Total
12 Dollars Committed", which are the amounts listed in Columns H and I of Exhibit B to the
13 following monthly reports to the Kansas Corporation Commission in Docket No. 12-
14 KCPE-258-CPL (courtesy copies of the monthly reports are also provided to MPSC
15 Staff):

- 16 • March 2012 monthly report (containing actual cost data
17 through January 31, 2012)
- 18 • August 2012 monthly report (containing actual cost data
19 through June 30, 2012)
- 20 • March 2013 monthly report (containing actual cost data
21 through January 31, 2013)

**



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1

2 **Q: What does this chart demonstrate regarding the potential costs avoided if KCP&L**
3 **elected to cancel the La Cygne Project sometime in 2012?**

4 **A:** This chart demonstrates that Ms. Wilson's assertion that KCP&L could have avoided
5 between ** [REDACTED] ** of the costs of the La Cygne Environmental Project is not accurate.
6 As of January, 2012, contracts were in place and work had commenced for ** [REDACTED] ** of
7 the total cost of the Project. In the event that KCP&L elected to cancel the Project,
8 KCP&L would have to invoke the termination provision for each contract on the Project
9 and pay all contractually required cancellation costs. The exact termination costs will
10 vary by contract, scope, and progress of the work. For example, counsel advises that
11 Article 24.6 of the contract with La Cygne Environmental Partners ("LEP") provides that
12 KCP&L would have to pay for the following:

**

13

• [REDACTED]

14

• [REDACTED]

15

16

• [REDACTED]

- 1 • [REDACTED]
- 2 [REDACTED]
- 3 • [REDACTED]
- 4 [REDACTED]
- 5 • [REDACTED]
- 6 • [REDACTED]
- 7 • [REDACTED]**

8 **Q:** Are you able to provide a reasonable estimate of the costs to cancel the LEP
9 contract between January 2012 to January 2013?

10 **A:** No. The LEP contract is a firm fixed price contract. Because KCP&L does not have an
11 open book arrangement, it would be speculative for KCP&L to attempt to calculate
12 LEP's termination costs for a hypothetical cancellation scenario. That said we do have
13 information regarding the major subcontracts for highly engineered equipment, the
14 cancellation of which would likely be a significant portion of the termination costs. As of
15 January 2012, the value of the long-lead time engineered equipment that LEP had been
16 purchased through subcontracts, including the major components of the air quality
17 control systems (AQCS) systems, is estimated to be approximately ** [REDACTED] **.
18 This represents the bare minimum estimate of cancellation costs under the LEP contract
19 had the contract for the La Cygne Environmental Project been terminated as of January
20 2012. In addition, KCP&L had already incurred approximately ** [REDACTED] ** for
21 goods and services received from all vendors, including LEP, supporting the La Cygne
22 Environmental Project. LEP's portion of this incurred cost was approximately

¹ Direct Costs is defined in Article 1.43 and means ** [REDACTED] **

1 ** [REDACTED] **, of which, approximately ** [REDACTED] ** would have been subsumed
2 within the ** [REDACTED] ** referenced above. Subtracting the ** [REDACTED] ** from the
3 ** [REDACTED] ** incurred through January 2012, would leave a balance of
4 ** [REDACTED] **, which also could not have been avoided had the contract with LEP been
5 terminated at that time. Subtracting the sum of these unavoidable cost figures
6 (** [REDACTED] ** + ** [REDACTED] ** - ** [REDACTED] **), from the budget for the
7 La Cygne Environmental Project results in avoided costs (prior to actually building a
8 replacement generating station that would be necessary in that scenario) of no more than
9 ** [REDACTED] ** which is ** [REDACTED] ** lower than the avoided costs of
10 ** [REDACTED] ** that Sierra Club Wilson alleges would have been available at that
11 time. By failing to reasonably estimate contract cancellation costs, Sierra Club witness
12 Wilson has significantly over-estimated avoided costs associated with termination of the
13 La Cygne Environmental Project. A review of the categories of costs that would have
14 been payable upon KCP&L's cancellation of the Project and the amount of material and
15 equipment purchased through January 2012 clearly demonstrates that Ms. Wilson's
16 testimony regarding the level of avoidable costs is not reasonable or accurate.

17 **Q: Does that conclude your Rebuttal Testimony?**

18 **A: Yes.**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Kansas City Power & Light)
Company's Request for Authority to Implement) Case No. ER-2014-0370
A General Rate Increase for Electric Service)

AFFIDAVIT OF FORREST ARCHIBALD

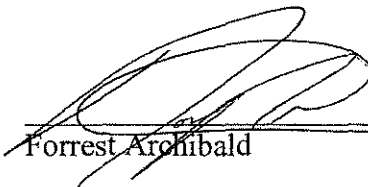
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Forrest Archibald, being first duly sworn on his oath, states:

1. My name is Forrest Archibald. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director of Project Controls.

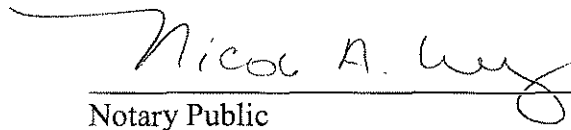
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of Seven (7) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



Forrest Archibald

Subscribed and sworn before me this 7th day of May, 2015.



Notary Public

My commission expires: Feb. 4, 2019

