

1 EO-2005-0329. In that stipulation the Company agreed to “develop and have a cost  
2 control system in place that identifies and explains any cost overruns above the definitive  
3 estimate” during the construction of the Iatan Unit 2 project. Staff defines the cost  
4 overrun to be the “amount of actual costs incurred that exceed the sum of (1) the budget  
5 plus (2) the contingency, plus (3) other cost areas, where the actual costs incurred were  
6 less than the budget.” [Staff’s report at page 3]. The Staff requested a list of all cost  
7 overruns and an explanation of each cost overrun. KCP&L responded that the  
8 information requested was included in reports that had been provided to Staff, including  
9 the Cost Portfolio. Pegasus-Global has reviewed the available cost data and has  
10 determined that the information requested by Staff is available and can be understood by  
11 knowledgeable construction cost professionals.

12 Each month KCP&L project management produced a Cost Package that provided  
13 detailed information regarding the budget as it currently stood and cost tracking to show  
14 actual costs and any pending or approved Change Orders. The Cost Package was detailed  
15 by major cost category, as well as, by budget line item within each major cost category.  
16 In addition there are details of the Change Orders showing the reason for the change and  
17 the amount of cost impact.

18 The major changes to the budget were implemented throughout the reforecast process as  
19 discussed above. In that process there is detailed justification for each revision to the  
20 CBE over time. The monthly reports described above showed changes from the then  
21 current approved budget level.

22 **Q: On page 35 of the Missouri Staff report they state that KCP&L did not respond**  
23 **properly to Staff Data Request Nos. 969 and 970 which asked for a listing and**

1 description and explanation of all overruns from the Control Budget Estimate. In its  
2 response to these data requests, KCP&L advised Staff how it could track budget  
3 variances. Have you attempted to make such an analysis and what were the results?

4 A. Yes, I have. As I discussed in my deposition by the Staff on April 21, 2010, there was a  
5 period of time when the Pegasus-Global team first started working on this audit that we  
6 had some questions about how the cost tracking and budget analysis system worked. To  
7 remedy this situation we conducted interviews of project personnel and reviewed cost  
8 documents. We found it very easy once it was explained how the cost tracking system  
9 was setup for project management. As with any complex project cost system, if the  
10 auditor doesn't understand how the system works, you ask. That is standard audit  
11 procedure. After reviewing the documentation and conducting discussions within our  
12 team Pegasus-Global met with the project team and explained our understanding of the  
13 process and were assured that our understanding was correct. It is one of those occasions  
14 that occur in an audit when the light bulb comes on and everything makes sense.

15 [REDACTED]

16 [REDACTED]

17 A: [REDACTED]

18 Q: \*\* [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]\*\*

22 A: \*\* [REDACTED]  
23 [REDACTED]

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[REDACTED]

16 **Q: In Pegasus-Global's opinion, which of the cost estimates represent the baseline**  
17 **budget estimate for the Iatan Unit 2 project?**

18 **A:** The CBE issued in December 2006 represents the first baseline control budget for the  
19 Iatan Unit 2 project. The CBE was based upon an estimate completed by KCP&L and  
20 B&McD, with assistance from other KCP&L advisors, and the Staff is in agreement with  
21 this [Page 34, line 20].

<sup>84</sup> PDR, August 2004, Section 1.1 page 1.2

[REDACTED]

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1 Q: Why does Pegasus-Global believe the Control Budget Estimate of December 2006 is  
2 the first baseline budget for the Iatan Unit 2 project?

3 A: Pegasus-Global reviewed the December 2006 CBE and determined that it conformed to  
4 the factors used in an AACEI Class 3 estimate. According to AACEI, Class 3 estimates  
5 typically form the initial Control Budget Estimate against which actual cost will be  
6 monitored. According to AACEI Class 3 estimates use more deterministic estimating  
7 methods rather than stochastic methods used in Class 4 and 5 estimates. Pegasus-Global  
8 found that the estimate performed in 2006 was based in part on actual locked in costs for  
9 two of the primary pieces of engineered equipment, the turbine generator and the boiler  
10 island. The boiler island was awarded on a fixed price contract approach and the turbine  
11 generator was on a lump sum price for provision of the turbine equipment. \*\* [REDACTED]

12 [REDACTED]  
13 [REDACTED]\*\* In addition, once those two decisions were made,  
14 the work on the detailed project definition was progressed to the point where the total  
15 definition (engineering) had increased significantly from the project definition which  
16 existed prior to the 2004 PDR estimate. The 2006 CBE estimate included unit costs for  
17 commodities and estimates of commodity quantities based on preliminary engineering.  
18 After review, Pegasus-Global determined that the 2006 CBE estimate was an AACEI  
19 Class 3 estimate and therefore an acceptable estimate from which to establish the first  
20 Iatan Unit 2 project CBE. Further, the Kansas Commission in its November 22, 2010  
21 Order also confirmed that the CBE was the definitive estimate and the original cost  
22 estimate upon which the measure cost variances: *"the Commission finds and concludes  
23 that KCP&L's figure of \$1.685... is the original cost estimate because it is the "definitive*

1        *estimate*” [Kansas Commission November 22, 2010 Order, page 21]; *“The Commission*  
2        *finds that this comparison* [original cost estimate to final estimated cost of the plant]  
3        *indicates that KCP&L will have exceeded the “definitive estimate”, which means the*  
4        *“original cost estimate”, by 18%, or \$288 million (whole plant). Given the magnitude of*  
5        *the project, the timeline under which the project was constructed, and the range*  
6        *permitted for a definitive type of estimate, the Commission finds that this factor does not*  
7        *indicate imprudence on the part of KCP&L”* [Kansas Commission November 22, 2010  
8        Order, page 22]

9        Q:    \*\* [REDACTED]  
10        [REDACTED]  
11        [REDACTED]  
12        [REDACTED] \*\*

13        A:    \*\* [REDACTED]  
14        [REDACTED]  
15        [REDACTED]  
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[REDACTED]

[REDACTED]

**Q: Did Pegasus-Global reach any general conclusions relative to KCP&L's cost management system?**

**A: Pegasus-Global understands why it would be preferable to have a single, fully integrated cost control and cost accounting system, and, for utilities which are not subject to FERC**

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1 regulations, systems, such as Skire, can be modified to meet both project and corporate  
2 needs. However, FERC regulations are prescriptive and there is no leeway in how  
3 regulated utilities must maintain their corporate accounts. Every regulated utility faces  
4 this same dilemma and, as reported in the KCP&L report to the EOC in June 2007, most  
5 of those utilities have ultimately used the same system in place at the Iatan Unit 2 Project.  
6 Pegasus-Global found that KCP&L's actions in searching for a single integrated project  
7 and corporate cost accounting program were reasonable and prudent. However, Pegasus-  
8 Global also found KCP&L's ultimate decision to keep and maintain the matrix  
9 integration process already in place reasonable in light of the unknown amount of time or  
10 the ultimate cost to modify Skire system to take the place of a system that, while not  
11 optimal, was meeting the needs of the project and the corporation. Further, the Kansas  
12 Commission in its November 22, 2010 Order also confirmed that the CBE and the  
13 reforecasting demonstrated that KCP&L was effectively managing costs: "*The control*  
14 *budget estimate and the reforecasting process demonstrate KCP&L was effectively*  
15 *managing costs. The fact that the project was over budget for this mega-project by only*  
16 *18% indicates that these tools, among others, such as, internal audits, are the best*  
17 *evidence of this effectiveness during the relevant periods"* [Kansas Commission  
18 November 22, 2010 Order, page 28]

19 **Q: What did Pegasus-Global conclude with respect to the Iatan Project's Schedule**  
20 **Management?**

21 A: Pegasus-Global's review of KCP&L Iatan Project scheduling illustrates the process,  
22 reporting and decision making process relative to the Iatan Project schedule were

1 appropriate and evolved with the evolution of the Iatan Project and project management  
2 needs.

3 KCP&L utilized Primavera (P6) scheduling software, which is widely used in the  
4 industry, to plan and manage the Iatan Project design, procurement and construction.

5 In the initial phase of the Iatan Project KCP&L relied upon B&McD to develop an Iatan  
6 Unit 1 master schedule. This master schedule included engineering specifications for the  
7 major equipment, site preparation, construction activities and outage start. Thus KCP&L  
8 had a detailed master schedule on which to plan and manage the Iatan Unit 1 project  
9 many months prior to the start of major construction activity.

10 As the Iatan Project evolved KCP&L integrated contractor's schedules, including  
11 B&McD and vendors, into the master schedule. Overall, KCP&L ultimately issued level  
12 1, 2 and 3 schedules for management of Iatan Project construction, which integrated up to  
13 25 separate detailed schedules.<sup>86</sup> An example of early identification of potential Iatan  
14 Unit 1 project schedule issues and the options available to KCP&L is the chimney  
15 foundation, a critical path activity. Use of the project schedule facilitated KCP&L  
16 decision without compromising the overall project schedule.

17 It was use of the integrated schedule that was the basis of KCP&L's negotiations with  
18 Alstom which resulted in obtaining Alstom's commitment to support the Revised Iatan  
19 Unit 1 schedule and the Final Iatan Unit 1 project schedule.

20 KCP&L's schedule management concept was to set contractor and project milestones  
21 based on the critical path schedule early dates, thereby ensuring the float in the schedule

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<sup>86</sup> CEP EOC Presentation 2007-05-23 Level 1 Schedules



1 was available as a contingency for the inevitable issues that arise on complex projects. As  
2 the Iatan Project progressed KCP&L initiated daily critical path meetings where schedule  
3 issues were reviewed and actions promulgated with contractors and other parties.  
4 Throughout the project, schedule status reports were issued to construction and senior  
5 management were informed on timing of important project events and milestones.

6 The master schedule was periodically updated which integrated contractor progress. This  
7 integrated master schedule facilitated overall management of the project, including  
8 development of "work around" plans that inevitably are required on a project of this  
9 complexity.

10 In early 2008, KCP&L developed for Iatan Unit 1 a resource loaded critical path start-up  
11 schedule integrating construction completion with the outage activities, an important tool  
12 in the management of this critical transition period.

13 The initial Iatan Unit 2 project Level 1 schedule was developed by B&McD and included  
14 in the August 2004 PDR. This schedule was based on the plant characteristics and  
15 assumptions identified in the PDR and included key milestone dates, procurement and  
16 construction durations.<sup>87</sup> This schedule included a commercial operating date (COD) for  
17 the Iatan Unit 2 project of October 10, 2009, start of engineering November 1, 2004 and  
18 start of construction May 1, 2006. Thus, this initial schedule provided a 42-month plan  
19 for construction and start-up preceded by 18 months for design engineering, vendor  
20 engineering and procurement for a project schedule of 60 months. Permitting efforts were  
21 considered to be conducted parallel with the other project activities. The schedule critical

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<sup>87</sup> Iatan Unit 2 Project Definition Report, KCP&L, August 2004, page 1 – 3, Appendix C

1 path was through boiler island procurement and foundations. KCP&L modified this  
2 initial schedule routinely as additional information was gathered throughout the planning,  
3 engineering and procurement efforts progressed throughout the project. This level of  
4 schedule is what Pegasus-Global would have expected at this point in time of a project  
5 and represents prudent utility practice.

6 KCP&L continued to rely upon B&McD during this initial phase of the Iatan Project to  
7 develop an Iatan Unit 2 Schedule until KCP&L hired a Project Controls Project Director  
8 in August 2006<sup>88</sup> who then assumed responsibility for the development, management and  
9 reporting on the Iatan Unit 2 project schedule.

10 Preparation of the Master Schedule continued throughout 2006 with developments of  
11 both Level 2 and Level 3 schedule culminating in issuance of the Unit 2 integrated  
12 baseline schedule in April 2007.<sup>89</sup>

13 In the spring of 2006, when KCP&L retained the Iatan Procurement Director, Steve  
14 Jones, the procurement group updated the B&McD procurement schedule, which became  
15 the final procurement program for the Iatan Project, [Steve Jones, Unit 1 rebuttal  
16 testimony, page 5, lines 8 - 22] and was issued in September 2006 and later integrated  
17 into the Level 3 Unit 2 schedule issued in April 2007. This April 2007 baseline Level 3  
18 schedule incorporated the evolution of the project since issuance of the Level 1 schedule  
19 in early 2006, the September 2006 procurement schedule, the Alstom and Toshiba  
20 contract schedules, and the then current civil contractor schedules. In addition, "place

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<sup>88</sup> Terry Foster hire August 2006; Iatan Station Weekly Status Update, August, 11, 2006, page 1

<sup>89</sup> Iatan Status Report, April 7 - 20, 2007, page 3

1 holders” for BOP construction contracts that had not yet been executed; Start-up and  
2 Commissioning were also included. Additionally, as the work progressed and KCP&L  
3 monitored the progress this Level 3 schedule was re-baselined.

4 Thus, by September 2006 KCP&L had a detailed procurement schedule for all  
5 engineered long delivery equipment and materials ensuring their availability to support a  
6 June 1, 2010 Provisional Acceptance date and by April 2007 KCP&L had a level 3 Unit 2  
7 baseline schedule on which to plan and manage the Iatan Project, including BOP  
8 construction activities which did not start until late 2006.

9 **Q: Did KCP&L continue to update the April 2007 Iatan Unit 2 baseline schedule after**  
10 **April 2007?**

11 A: Yes. KCP&L’s Project Control Director had responsibility for maintenance of the  
12 baseline schedule. This maintenance of the schedule included incorporation of the  
13 contractor’s schedules as they were awarded, integration of Change Orders as they were  
14 approved for the various contractors and consideration of contractor progress.

15 **Q: Describe KCP&L’s actions with respect to the development of the Master Schedule.**

16 A: KCP&L’s actions in its development of the integrated Master Schedule, including the  
17 discussions among the various stakeholders and parties completing the project, were  
18 typical of what Pegasus-Global would expect on a project the size and complexity of the  
19 Iatan Project. BOP contracting strategy decisions were determined by KCP&L to be a  
20 key factor before freezing the Project Baseline Schedule, a decision that Pegasus-Global  
21 found to be prudent and consistent with the need to have stakeholder buy-in. Once the  
22 BOP contracting strategy had been agreed, KCP&L proceeded to finalize the Project  
23 Master Schedule. Line-by-line schedule reviews were held with the schedule stakeholders

1 and the KCP&L PMT. The KCP&L PMT approved the integrated Master Schedule.<sup>90</sup>  
2 KCP&L continued to integrate and incorporate additional information as received, as  
3 evidenced by the BOP schedule integration which began in June 2007 and continued  
4 through the fall of 2007 when the Kiewit contract was signed. Consistent with the  
5 approach undertaken in its cost estimate update, KCP&L acted prudently in its actions  
6 and decisions to update the Master Schedule in conjunction with the May 2008  
7 Reforecast. A rebaselining of the Master Schedule was presented to the CEP EOC on  
8 November 24, 2008<sup>91</sup> and was agreed to by Alstom and Kiewit in December 2008.<sup>92</sup>  
9 KCP&L continued to review and update the Master Schedule in conjunction with its cost  
10 revalidation in 2009, again involving all the Project stakeholders in the process, which  
11 exhibited good practice and fell within the zone of reasonableness.

12 Level 3 schedules were developed by each major contractor for their respective scope of  
13 work, including B&McD, Toshiba, Kissick, Alstom and Kiewit. KCP&L used these  
14 schedules to update the overall Master Project Schedule. KCP&L evaluated and assessed  
15 how the various stakeholder schedules integrated with the overall Master Schedule and  
16 provided the expected oversight required to ensure all stakeholders were progressing  
17 towards the Provisional Acceptance date.

18 Beginning in January 2009, KCP&L, Alstom and Kiewit developed the project schedule  
19 impact team, charged with reviewing the scheduled activities and developing a set of  
20 agreed upon milestone completion dates for the Iatan Project while maintaining the  
21 Provisional Acceptance date of June 1, 2010. Throughout March 2009, the scheduling

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<sup>90</sup> Schiff Report, February 28, 2007, page 3; Schiff Report, May 2, 2007, page 2

<sup>91</sup> CEP EOC presentation, Iatan 2 Level 1 Schedule, November 24, 2008

<sup>92</sup> Iatan Unit 2 Status Report, December 2008, page 4

1 team continued working with the Iatan Project's major contractors to reach a re-baseline  
2 schedule maintaining the June 1, 2010 Provisional Acceptance while providing adequate  
3 time for start-up and commissioning activities.

4 By June 2009, the Iatan Project team held a series of schedule interface meetings with  
5 Alstom and Kiewit to review and reach agreement on all construction turnover (CTO)  
6 dates for the remainder of the Iatan Unit 2 project. Both Kiewit and Alstom reached  
7 tentative agreements that aligned with their respective construction deliverables and dates  
8 with the individual systems that will be turned over to the start-up and commissioning  
9 teams in support of the project schedule.<sup>93</sup> KCP&L worked closely with both Alstom and  
10 Kiewit to formalize these tentative agreements. Pegasus-Global finds the schedule  
11 monitoring process undertaken by KCP&L to fall within a zone of reasonableness  
12 specifically due to:

- 13 • The contract approach taken by KCP&L and the other project control tools in  
14 place to monitor overall Iatan Project Progress against the Provisional Acceptance  
15 date;
- 16 • KCP&L's ability to use all the project control tools available to them; and,
- 17 • KCP&L's ability to hold individual contractors accountable to their own detailed  
18 Level 3 schedules.

19 KCP&L's schedule management concept was to set contractor and project milestones  
20 based on the critical path schedule early dates, thereby ensuring the float in the schedule  
21 was available as a contingency for the inevitable issues that arise on mega-projects. As

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<sup>93</sup> For example, Iatan Unit 2 Status Reports, Executive Summaries from January 2009, March 2009, June 2009

1 the project progressed, KCP&L initiated meetings where schedule issues were reviewed  
2 and actions promulgated with contractors and other parties. Throughout the Iatan Project  
3 schedule status reports were issued to construction and senior management were  
4 informed on timing of important project events and milestones.

5 **Q: What did Pegasus-Global conclude regarding whether KCP&L's exercised prudent**  
6 **management over the schedule and scheduling process?**

7 A: Pegasus-Global found that KCP&L, based on the conditions at the time and weighing all  
8 its options and advice presented to it, took a prudent management approach in its  
9 monitoring of the project schedule as a whole and with respect to each individual  
10 contractor. Pegasus-Global found that the Iatan Project schedule management decisions  
11 and the decision making process were reasonable and prudent.

12 **Q: \*\*** [REDACTED]  
13 [REDACTED]  
14 [REDACTED] \*\*

15 **A: \*\*** [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
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[REDACTED]

<sup>94</sup> Kansas City Power & Light Co., Strategic Infrastructure Investment Status Report, Second Quarter, 2009, page 32

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[REDACTED]

[REDACTED]\*\*<sup>95</sup> Based on its review of the project records, Pegasus-Global concluded that KCP&L decisions on work-arounds, contractor negotiations, incentives, etc., and ultimate decision to extend the PAD were appropriate and consistent with prudent utility management practices.

\*\* [REDACTED]

[REDACTED]

- [REDACTED]\*\*

**Q: Did Pegasus-Global evaluate KCP&L's processes and decision making in regard to Project Scope and Change Management for the Iatan Project?**

A: Yes.

**Q: Why is Scope and Change Management an important part of the Management of a Project such as the Iatan Project?**

A: In any construction project and especially a mega-project like the Iatan Project, clarity as to the responsibilities that each party has is necessary to complete the project. As changes in the project are identified the identification of the responsibility for implementing the

<sup>95</sup> Form 8-K filed by KCP&L on January 13, 2010



1 change and incorporating it into the project schedule and cost is required in order that  
2 delays and costs can be minimized. Changes can be the result of scope changes in the  
3 contracting process or in the management of Change Orders as cost and schedule impacts  
4 are recognized during the construction execution period. If scope changes are not  
5 understood by the appropriate parties, the number and amount of Change Order requests  
6 will also be increased. If scope change and Change Orders are not proactively managed,  
7 projects experience submission of claims at the end of the project when the chance to  
8 mitigate the impact on project cost is limited.

9 **Q: What did Pegasus-Global's review regarding the Management of Scope and Change**  
10 **Processes on the Iatan Project disclose?**

11 A: Pegasus-Global reviewed extensive project documentation that identified numerous  
12 examples of efforts to identify and respond to scope changes and to deal with Change  
13 Order issues. As an example, in May 2006 during the negotiations of the Alstom contract,  
14 the project team insisted that Alstom identify pricing of subcontractor services instead of  
15 utilizing the Change Order process as Alstom was proposing. The project team stated its  
16 desire to avoid Change Orders to the extent possible.

17 Management attention to the Change Order process is found in a review of CEP EOC  
18 meeting presentations regarding both the Iatan Units 1 and 2 projects. In each of the  
19 presentations the EOC was provided a listing of Change Orders that were under review or  
20 had been resolved. This informed KCP&L management about the issues that were being  
21 addressed by the Iatan PMT and insured that KCP&L Senior Management was aware of  
22 the importance of the change process through the CEP EOC presentations.

1 **Q: What were your observations and conclusions pertaining to Change Order**  
2 **Management for the Iatan Project?**

3 A: Pegasus-Global concludes that the KCP&L management of the cost and scope change  
4 process at the Iatan Project was appropriate in a project of this nature and falls squarely  
5 within a zone of reasonableness and thus is prudent. Further, the Staff in its report, also  
6 concluded that there were no issues with the Change Order process on the Iatan Project  
7 [Staff Report at page 28, lines 11 - 12].

8 **Q: Is there additional evidence of the attention KCP&L Management was paying to the**  
9 **Change Process?**

10 A: Yes. In each of the cost audits that were conducted for the combined two unit project by  
11 the Company with the assistance of E&Y, the Change Order process was reviewed and  
12 improvements were recommended. In subsequent audit reports it became clear that  
13 improvements had resulted through management attention to the needs for changes in the  
14 processes, which is an indication of responsive management, which is evidence of  
15 prudent management. Additionally, in early 2007, as construction was ramping up in  
16 earnest on Iatan Unit 2, the project team contacted Skire to investigate the feasibility of  
17 utilizing the vendors "unifier" software product to manage the Change Order process and  
18 to allow all parties on the project to review documents and analysis supporting each  
19 Change Order. This system would also allow for real time status updates on all Change  
20 Orders. In this way there is less uncertainty about the status and disposition about  
21 individual Change Orders. This provided transparent availability of data that was  
22 integrated with other management tools utilized on the project. While the project  
23 management was using the Change Order program they were also loading information

1 generated in the early stage of the project in order for all data to be available in one  
2 location for the entire construction period.

3 [REDACTED]

4 [REDACTED]

5 A: \*\* [REDACTED]

6 [REDACTED]\*\*

7 Q: \*\* [REDACTED]

8 [REDACTED]\*\*

9 A: \*\* [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]\*\*

19 Q: \*\* [REDACTED]

20 [REDACTED]\*\*

21 A: \*\* [REDACTED]

22 [REDACTED]

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4 Q:

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6 A:

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[REDACTED]\*\*

22 Q: What conclusions has Pegasus-Global reached about the Scope and Change  
23 Management Process on the Iatan Project?

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1 A: Pegasus-Global has concluded that KCP&L decisions and the decision making process  
2 regarding the Iatan Scope Management and Change Management exhibited good  
3 management and was reasonable. Pegasus-Global concluded these decisions and decision  
4 making processes were prudent.

5 **Q: Did Pegasus-Global evaluate Quality Management for the Iatan Project?**

6 A: Yes.

7 **Q: What did Pegasus-Global find?**

8 A: KCP&L's project management assumed an oversight role of the quality assurance  
9 function, as Pegasus-Global would expect of a utility overseeing construction of a project  
10 the size and complexity of Iatan. Quality Control was the contractual responsibility of the  
11 specific contractors. As quality issues were identified over the course of the Iatan Project,  
12 KCP&L continually monitored those issues and, consistent with what would be expected,  
13 participated in identification of root causes, evaluations of impacts to project cost and  
14 schedule, and consistently held responsible contractors accountable.

15 \*\* [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]

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<sup>96</sup> Iatan Construction Project Quality Control / Quality Assurance Audit, January 2008

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[REDACTED]

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1 **Q: What did Pegasus-Global conclude regarding the prudence of KCP&L's**  
2 **management of the quality process for the Iatan Project?**

3 A: Based on Pegasus-Global's review, KCP&L management actions with respect to quality  
4 assurance were reasonable and prudent.

5 **V. PEGASUS-GLOBAL RECOMMENDED DISALLOWANCE**

6 **Q: What is your ultimate opinion regarding the Missouri Staff's disallowance**  
7 **recommendations?**

8 A: For all of the reasons identified throughout this testimony, Pegasus-Global disagrees with  
9 all of the Staff's and Mr. Drabinski's recommended disallowances with the exception of  
10 two issues raised under the Iatan Unit 2 project:

- 11 • Alstom WSI Welding Services; and
- 12 • Temporary Auxiliary Boiler (in part)

13 Pegasus-Global noted that the Staff identified and adopted those two disallowances from  
14 Pegasus-Global's testimony given in the Kansas Commission Docket No. 10-KCPE-415-  
15 RTS. While Pegasus-Global's opinions relative to imprudence have not changed since the  
16 filing of that testimony, the recommended disallowance for the Temporary Auxiliary  
17 Boiler has been modified by Pegasus-Global using final actual cost amounts for that  
18 equipment, which were not available at the time the testimony was filed with the Kansas  
19 Commission.

1 Q: \*\* [REDACTED]  
2 [REDACTED] \*\*<sup>97</sup>  
3 A: \*\* [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
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12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
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16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

<sup>97</sup> Rebuttal Testimony of Dr. Kris R. Nielsen before the Kansas Corporation Commission Docket No. 10-KCPE-415-RTS, page 241, line 7 through page 244, line 10  
<sup>98</sup> Letter Thomas Kelly, Alstom to Brent Davis, KCP&L, January 20, 2009  
<sup>99</sup> Letter, Carl Churchman, KCP&L to Steve Iyer, Alstom, January 20, 2009  
<sup>100</sup> Contract between KCP&L and Alstom Power, Inc. for Engineering, Procurement and Construction Services for the Pulverized Coal-Fired Boiler at Iatan Generating Station Unit 2, August 10, 2006, Article 8.1, page 17  
<sup>101</sup> KCP&L Strategic Infrastructure Investment Status Report, First Quarter 2009, Section 6.3.1, pages 25 – 26, May 2009

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19 [REDACTED]  
20 [REDACTED]

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<sup>102</sup>Letter Thomas Kelly, Alstom to Brent Davis, KCP&L, January 20, 2009

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7 [REDACTED]  
8 [REDACTED]\*\*

9 **Q: Have Pegasus-Global's findings, conclusions or opinions changed from that**  
10 **provided above relative to the Alstom WSI welding disallowance?**

11 **A: No.**

12 **Q: \*\* [REDACTED]**  
13 [REDACTED]\*\*103

14 **A: \*\* [REDACTED]**  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]

<sup>103</sup> Rebuttal Testimony of Dr. Kris R. Nielsen before the Kansas Corporation Commission Docket No. 10-KCPE-415-RTS, page 244, line 11 through page 247, line 3

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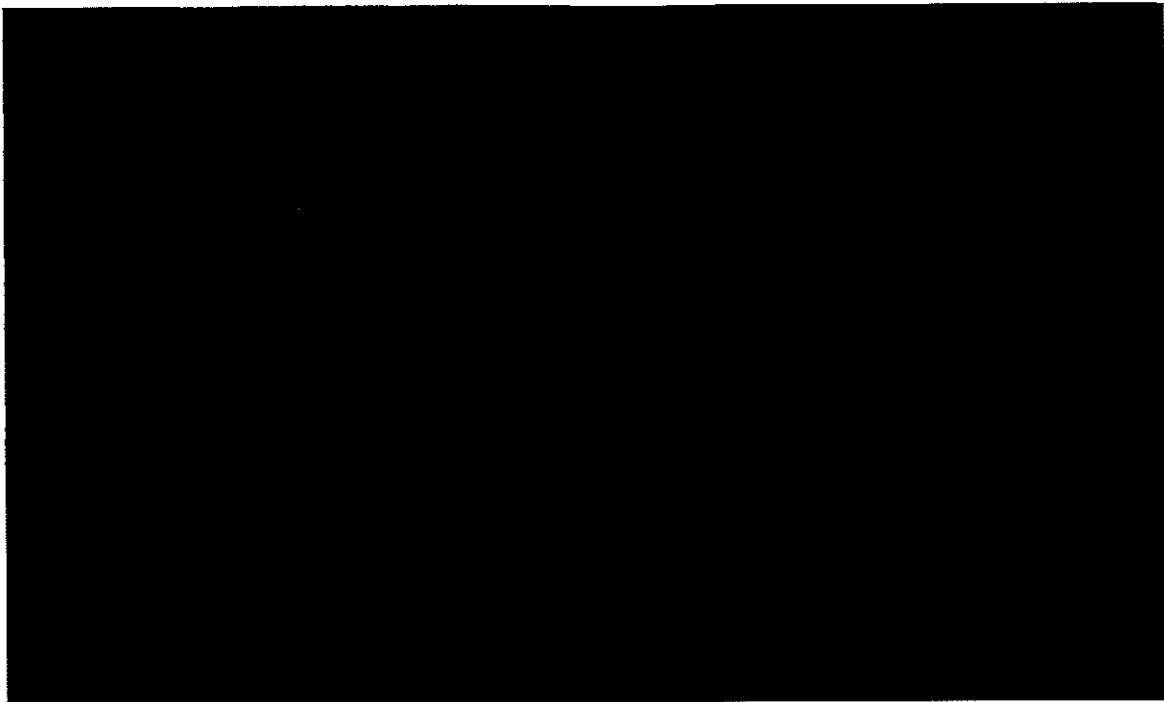
<sup>104</sup>\*E-mail, David White to Myra Burgess, February 22, 2010  
<sup>105</sup> Letter, Carl Churchman, KCP&L to Andre Aube, Kiewit, October 21, 2009

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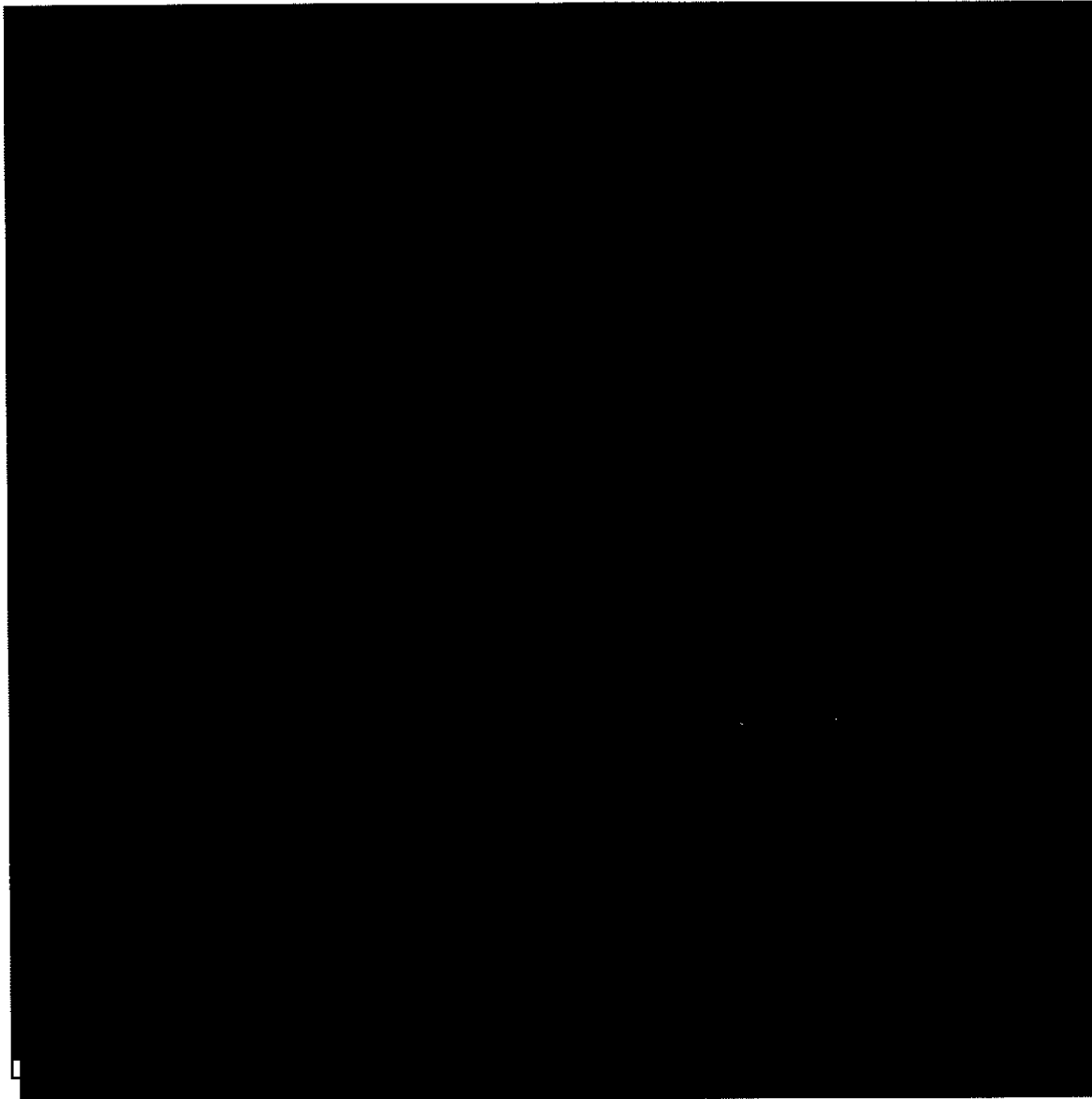
**Q: Have Pegasus-Global's findings, conclusions or opinions changed from that provided above relative to the Auxiliary Boiler disallowance?**

**A:** Pegasus-Global's findings and conclusions relative to KCP&L's imprudent decisions and action in regards to this issue have not changed since its testimony filing in the Kansas Commission Docket. However, at the time that testimony was filed KCP&L had not finished with the temporary auxiliary boiler equipment and so an estimate of the final cost was prepare for use in that proceeding. As reported above, Pegasus-Global's recommended disallowance was \$7,754,454. Since that testimony which was filed in July 2010, KCP&L has developed final cost data on this issue. After, examination of that data,

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1 Pegasus-Global's disallowance for the temporary auxiliary boiler was modified to  
2 \$5,346,049 (See Table 3 below).

3 \*\*



4

5 \*\*

6 After reviewing the revised final cost data Pegasus-Global has accepted this data and, as  
7 a result, has modified its recommended disallowance to \$5,346,049.

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1 Q: Did the Missouri Staff adopt those disallowances as testified to by Pegasus-Global in  
2 the Kansas Corporation Commission Docket No. 10-KCPE-415-RTS?

3 A: Yes. At pages 100 to 102 of its report the Staff adopted both disallowances pending its  
4 own "true-up" audit of the temporary auxiliary boiler costs.

5 Q: Allowing for the change in the disallowance for the temporary auxiliary boiler, what  
6 is the current total disallowance Pegasus-Global is recommending as direct result of  
7 KCP&L imprudent decisions or actions?

8 A: After adjusting for the final actual cost of the temporary auxiliary boiler, the total  
9 disallowance recommended by Pegasus-Global is \$18,060,645.40.

10 Q: \*\* [REDACTED]  
11 [REDACTED]  
12 [REDACTED] \*\*

13 A: \*\* [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED] \*\*

18 Q: Have you personally reviewed the Missouri Staff and Mr. Drabinski's testimony  
19 regarding prudence?

20 A: I have.

21 Q: Is there anything in that testimony that would cause you and Pegasus-Global to  
22 change your mind and recommend additional disallowances?



1 A: No, nothing at all. Everything raised by the Staff and Mr. Drabinski was already  
2 considered by Pegasus-Global as part of its comprehensive review.

3 **Q: Has the Kansas Corporation Commission issued its conclusions relative to a**  
4 **disallowance for imprudence on the Iatan Unit 2 project?**

5 A: Yes. The Kansas Commission found that Pegasus-Global's examination and analysis  
6 *"correctly identified the precise decisions lacking prudence, when they were made, how*  
7 *they were made, and did not employ hindsight, change assumptions, or recast the*  
8 *circumstances surrounding the decision. ... Therefore, the Commission concludes that*  
9 *these two management decisions made in constructing Iatan Unit 2 stemmed from a lack*  
10 *of prudence. These decisions lacked carefulness, precaution, attentiveness and good*  
11 *judgment. Therefore, the costs identified by Dr. Nielsen should not be included in the rate*  
12 *base."* [Kansas Commission Order, November 22, 2010, page 28] The Kansas  
13 Commission also decided that *"Staff's claim concerning Iatan 2 that \$231 million (whole*  
14 *plant) \$57.7 million (Kansas jurisdictional) should be excluded from rate base due to*  
15 *KCPL's lack of prudence is denied in toto. CURB's claim as filed is likewise denied. The*  
16 *proposed adjustment for lack of prudence by KCPL's own witness in the amount of*  
17 *\$20,469,050 or \$5,110,791 (Kansas jurisdictional) is adopted and shall be excluded from*  
18 *the rate base accordingly."* [Kansas Commission November 22, 2010 Order, page 139]  
19 In summary, the Kansas Commission confirmed Pegasus-Global's findings relative to  
20 imprudence and adopted Pegasus-Global's disallowance recommendation.

21 **VI. MISSOURI STAFF AND DRABINSKI COST DISALLOWANCE**  
22 **QUANTIFICATION**

23 **Q: Are you familiar with the Missouri Staff's recommended disallowance?**

1 A: Pegasus-Global has reviewed the Missouri Staff report and has found it difficult to  
2 ascertain exactly what the Staff is recommending for a disallowance based on KCP&L  
3 alleged imprudence. At page 34, lines 19 – 23 the Staff stated that: “*The Staff did*  
4 *calculate the amount of cost overruns at June 30, 2010 (calculated as actual June 30,*  
5 *2010 cost less the Control Budget Estimate) to arrive at a cost overrun amount of*  
6 *\$129,953,322, or approximately \$130 million [Iatan Unit 2]. The cost overrun amount at*  
7 *June 30, 2010 for Iatan 1 is \$69,676,748, or approximately \$70 million”. That statement*  
8 *is followed by two tables which demonstrate how the Staff calculated those overruns.*

9 And at page 38, lines 20 – 22 of its report, the Staff notes: “... *because KCPL cannot*  
10 *identify and explain its cost overruns, the Staff recommends that the Commission not*  
11 *allow KCPL to charge the \$200 million in cost overruns to KCPL’s retail customers”.*

12 From those statements Pegasus-Global has assumed that the Staff is recommending a  
13 disallowance of \$200 million.

14 **Q: What is the Missouri Staff’s basis for this recommended disallowance?**

15 A: Per the citation quoted immediately above, it appears that the Staff has recommended that  
16 disallowance simply because there is a difference between the December 2006 CBE and  
17 the actual Iatan Project costs through June 30, 2010 and apparently because KCP&L has  
18 not identified and explained those cost overruns to the Staff’s satisfaction. From that  
19 testimony, Pegasus-Global could assume that if the KCP&L staff identified and explained  
20 those cost overruns the Staff would remove the recommendation to disallow \$200 million  
21 from the rate base.

22 **Q: Do you agree with the Missouri Staff’s position that all costs overruns to the CBE**  
23 **should be disallowed?**

1 A: No. First, at this point in the Missouri Staff report, the disallowance is not linked to any  
2 specific imprudence for which the Staff holds KCP&L responsible. Although later in its  
3 report, the Staff alludes to decisions and actions taken by KCP&L which it finds  
4 questionable, nowhere within the body of the Staff's report did the Staff cite a clearly  
5 imprudent decision or action, and then calculate a specific dollar amount flowing from  
6 that imprudent decision or action which should be disallowed by the MPSC. Pegasus-  
7 Global reviewed the Missouri Staff report closely for any mention of "imprudent",  
8 "imprudently" or "imprudence", and expect for definitional references, found the  
9 following examples:

- 10 • At page 1, lines 7 through 12: *"The objective for the audit addressed in this*  
11 *Report was to determine whether the Iatan Construction Project ... contain*  
12 *unreasonable, imprudent, inappropriate, or charges not of benefit to ratepayers*  
13 *and that no unneeded or extravagant facilities were built at the site causing*  
14 *unreasonable costs."* This statement of objective seems to significantly broaden  
15 the definition of imprudence to include a number of apparently subjective  
16 judgment factors such as *"unneeded and extravagant facilities"*. Pegasus-Global  
17 restricted its independent examination of the execution of the Iatan Project to  
18 answering a simple question: Following the Missouri and industry standards by  
19 which prudence is judged, did KCP&L make any decisions or actions which were  
20 imprudent. The secondary question Pegasus-Global sought to answer consistent  
21 with prudence evaluations was if there were such imprudent decisions or actions  
22 by KCP&L, was there a cost impact flowing directly from those imprudent

1 decisions or actions for which the ratepayers of Missouri should not be held  
2 responsible.

- 3 • At page 12, lines 4 – 9: *“The objective of Staff’s audit has been to determine*  
4 *whether the Iatan Construction Project ... contains*  
5 *inappropriate/unreasonable/not of benefit to Missouri ratepayer charges or*  
6 *unnecessary facilities.”* If such charges are found, then *“adjustments are to be*  
7 *developed to remove these costs from the Iatan Construction Project prior to*  
8 *these costs being included in the costs being charged to the Missouri ratepayers*  
9 *of KCPL and GMO.”* There is nothing which addresses findings of imprudence or  
10 linking imprudent decisions or actions by KCP&L to specific disallowance  
11 amounts.

- 12 • At page 13, lines 1 through 4: *“Another factor indicating a high risk of potential*  
13 *imprudent management was the fact that KCPL could not produce any*  
14 *documentation indicating that KCPL thoroughly assessed the risk and*  
15 *consequences of making the decision to initiate construction and enter into*  
16 *significant procurement contracts for Iatan 1 and Iatan 2 before design was*  
17 *substantially completed.”* The Staff does not definitively call the action to initiate  
18 construction prior to the completion of design an imprudent decision; it merely  
19 states that there may be *“a high risk of potential imprudent action”*. This is not a  
20 finding of imprudence on the part of KCP&L and has not addressed the issue of  
21 KCP&L’s fast tracking of the schedule as discussed by Pegasus-Global earlier in  
22 this testimony.

1           • At page 13, line 18 through page 14 line 19: in this section the Staff cites to Mr.  
2           Drabinski's direct testimony to the Kansas Commission and in particular noted  
3           that Mr. Drabinski found imprudent decisions and actions by KCP&L which  
4           resulted in a recommended disallowance of \$230,955,672. Pegasus-Global notes  
5           that the Kansas Commission concluded in its November 22, 2010 Order (Docket  
6           No. 10-KCPE-415-RTS) "*the "holistic" approach used by Staff's expert*  
7           *[Drabinski], which results in many attempts to "assess reasonable percentage*  
8           *disallowances", is prone to being speculative and arbitrary. Not only is the*  
9           *method far afield from a reasoned, auditable methodology, we agree with KCPL*  
10          *that it runs afoul of standards articulated by our Courts for expert testimony."*  
11          [Kansas Commission Order, November 22, 2010, page 32] Pegasus-Global has  
12          reviewed and compared Mr. Drabinski's testimony for both the Kansas  
13          Commission Staff and as filed on behalf of the Missouri Retailers Association in  
14          this docket and found that they are fundamentally the same. Where relevant,  
15          Pegasus-Global has noted the modifications made by Mr. Drabinski between his  
16          two testimonies.

17          • At page 100, line 27 through page 102, line 21: the Staff accepts without  
18          comment both of Pegasus-Global's findings of imprudence during the Kansas  
19          Commission proceeding, including accepting the disallowance amounts  
20          recommended by Pegasus-Global, pending a final true up of the costs in January  
21          2011.

22          In short, except for accepting and adopting certain imprudence allegations by Mr.  
23          Drabinski, which were not accepted by the Kansas Commission, and Pegasus-Global's

1 findings made before the Kansas Commission proceeding, which were accepted by the  
2 Kansas Commission, Pegasus-Global found nowhere in the Staff report where a specific  
3 decision or action by KCP&L was determined to be imprudent or where a specific  
4 disallowance amount had been linked to that specific imprudence.

5 The reason which the Staff has proffered for not linking its prudence evaluation to its  
6 recommended disallowances in its report is found the testimony filed by Mr. Hyneman on  
7 November 10, 2010:

8 *“While the Staff auditors have conducted their audit in accordance with the*  
9 *General Standards and Standards of Field Work listed below, they have not*  
10 *necessarily reviewed and applied all of the detailed specific interpretations of the*  
11 *individual SAS to this audit. Such an undertaking would require an extensive*  
12 *investment in training and personnel that has not been viewed as necessary for*  
13 *the specific work performed in this audit.” [Direct Testimony of Charles R.*  
14 *Hyneman, Missouri Public Service Commission File No. ER-2010-0355, page 5,*  
15 *lines 11 – 15]*

16 The GAAS, including the standards for Field Work, are the foundation of audits  
17 performed within the United States, and in some form or another, have generally been  
18 adopted world-wide. The GAAS not only set the standards for conducting financial  
19 audits, it sets the standards for other types of audits including, performance audits, such  
20 as a prudency/disallowance audit. If the Staff does not include individuals specifically  
21 trained to plan, execute and report such complex audits, then it would be understandable

1 that the Staff would limit its audit scope and plan to a pure financial audit, without  
2 addressing such issues as imprudence or industry standards of care.<sup>106</sup>

3 Second, it would appear that Staff's basis for its proposed "Net Unidentified/Unexplained  
4 Cost Overrun adjustment" disallowance is Staff's conclusion that KCP&L failed to meet  
5 its responsibility and terms and conditions under the Experimental Alternative Regulatory  
6 Plan Stipulation [p.33, lines 26 – 28]. Staff specifically refers to page 28, case No.EO-  
7 2005-0329, which states:

8 *III.B.1.q Cost Control Process for Construction Expenditures*

9 *KCPL must develop and have a cost control system in place that identifies and*  
10 *explains any cost overrun above the definitive estimate during the construction of*  
11 *the Iatan 2 project, the wind generation projects and the environmental*  
12 *investments.*

13 As Pegasus-Global discussed earlier in this testimony, KCP&L had such a cost control  
14 system in place throughout the construction period of the Iatan Unit 1 and 2 projects, and  
15 has shared this information with the Staff in a number different ways, for example:

- 16 • KCP&L has provided and continues to provide, quarterly reports to the Missouri  
17 Commission Staff and all signatory parties to the KCP&L Regulatory Plan  
18 Stipulation and Agreement which discuss the status of all aspects of the CEP,  
19 including expenditures and forecast costs for each of the CEP projects, including  
20 the Iatan Unit 1 and 2 projects.

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<sup>106</sup> During oral testimony before the Missouri Public Service Commission on April 28, 2010, Pegasus-Global addressed the fact that the GAO GAAS (Yellow Book) contains standards for conducting performance audits, which would include prudence audits, transcript of hearings held April 28, 2010 in File No. EO-2010-0259 (page 249, line 3 through 256, line 7)

- 1           • Throughout the audit period KCP&L provided and made available to Missouri  
2           Staff and other interested parties access to the Iatan Project cost reports and has  
3           responded in detail to Staff and other interested parties on all aspects of the Iatan  
4           Project, including actual cost expenditures and forecasted expenditures.
- 5           • KCP&L provided details of the CBE and all updates and reforecasts to the CBE.  
6           At no time prior to the audit has Staff or other interested parties expressed the  
7           opinion that the KCP&L cost control system failed to comply with the  
8           requirements of the Stipulation Agreement, which identified all changes to the  
9           CBE.

10          It would appear that Staff's basis for its conclusion that KCP&L does not have a  
11          compliance cost control system or that KCP&L has failed to respond to the Missouri  
12          Staff's DRs in sufficient detail is the response to a number of Staff DRs (443; 969; 970)  
13          in which KCP&L provided an explanation of how the cost control system was structured,  
14          operated and the reports generated by that system. It was noted within the KCP&L DR  
15          responses that the KCP&L manager for Iatan Project cost control system (Forrest  
16          Archibald) talked the Staff through the portfolio in previous meetings and would be able  
17          to provide assistance again if necessary. Thus, Pegasus-Global disagrees with the Staff  
18          statement that "*KCPL decided to provide no explanation of any cost overrun*". Based on  
19          KCP&L's multiple responses to the Staff's various requests for information, through a  
20          variety of methods, Pegasus-Global has concluded that Staff's audit team either did not  
21          have the experienced personnel to understand the KCP&L cost control system, or was  
22          unwilling to take the time necessary to conduct its own of analysis of the cost reports  
23          made available to it. As the Staff's own report noted at page 37, lines 10 – 12 that



1           *“KCPL’s control budget is very detailed with hundreds of line items. It is clear that*  
2           *KCPL has the ability to track, identify and explain control budget overruns.”* The Staff  
3           seems upset primarily that KCP&L refused to provide a tracking and explanation of the  
4           Iatan Project cost overruns and a further refusal to provide the Staff with thousands of  
5           pages of requested documents and has thus concluded that these refusals *“indicates*  
6           *KCPL lack of transparency in its execution of the Iatan construction projects”* [Staff  
7           Report at page 37, lines 10 – 15]. Pegasus-Global has reviewed this portion of the audit  
8           and finds it confusing in that the Staff on the one hand talks of a “detailed control  
9           budget”, “hundreds of line items”, and thousands of pages of materials, yet then  
10          concludes that the KCP&L system is not transparent. From Pegasus-Global’s perspective  
11          it appears as if the Staff acknowledges that the information it seeks is there and available  
12          to them, but now expects KCP&L to conduct an audit of those hundreds of line items and  
13          thousands of pages of documents for the Staff, rather than the Staff conducting its own,  
14          independent audit.

15          Pegasus-Global has reviewed the cost portfolio, quarterly cost reports, and numerous  
16          other cost and financial records and agrees with the Staff’s findings that KCP&L’s  
17          control budget has hundreds of line items and using that system one has the ability to  
18          track, identify and explain control budget cost overruns. However, that review was  
19          conducted by Pegasus-Global itself; not by having KCP&L review its own system and  
20          give Pegasus-Global its opinion of the system and the various line item cost increases.  
21          Understandably, given the sensitivity of the information reviewed, those reviews took  
22          place at the offices of KCP&L and not at Pegasus-Global’s offices via a document  
23          request. Pegasus-Global not only determined that the proper cost control system was in

1 place, Pegasus-Global was able to determine that KCP&L actively used that system not  
2 just to track costs, but to forecast and manage costs on the Iatan Project. Based on  
3 Pegasus-Global's independent review of KCP&L's cost tracking system we found the  
4 Iatan Project cost tracking system entirely consistent with industry standards at today's  
5 juncture to other major capital projects. [Nielsen KCC Rebuttal Testimony at page 138,  
6 line 7 – page 159, line 21]

7 **Q: Why was Pegasus-Global able to perform its prudence audit, including its**  
8 **examination of the CBE variance and the reasons for those variances, yet the**  
9 **Missouri Staff indicated that it had been unable to complete its audit?**

10 **A:** From the Missouri Staff report it is not clear to Pegasus-Global why the Staff is having  
11 such difficulty in determining cost variances from the CBE and reasons for those  
12 variances.

13 An auditor, like the Staff must define what specifically it needs to perform its analysis,  
14 just as Pegasus-Global did, then seek the information necessary to perform its prudence  
15 audit, just as Pegasus-Global did. Pegasus-Global found that the information necessary  
16 was readily available within the KCP&L cost control system and the supporting project  
17 records. Using that information, there are a number of different approaches the Staff  
18 could take. For example, an auditor could decide that they only need to make a very high  
19 level analysis of the variances and the reasons for those variances. On page 35 of its  
20 report the Staff has included two tables, one relating to the Iatan Unit 1 project and the  
21 other relating to the Iatan Unit 2 project. In the Missouri Staff report at page 34, lines 19 -  
22 23 notes, "*Staff did calculate the cost overruns at June 30, 2010 ...*" and notes "*Both*  
23 *these calculations are shown in the tables below [at page 35]*". Those two tables show the

1 difference between the CBE and actual expenditures to June 2010, by activity, including  
2 procurement activities; Alstom and Non Alstom civil/structural; Mechanical and  
3 Electrical construction, BOP Contract [Kiewit]; Construction Indirects and  
4 Contingencies.

5 Thus, the Staff, presumably from the KCP&L June 2010 Cost Control System Cost  
6 Summation Report, has identified the cost differences they claim they cannot obtain from  
7 the KCP&L cost control system. The one page Cost Summation Report is supported with  
8 multiple back-up reports which provide further detail by contract; contingency variances,  
9 etc. plus Contingency Commitment and Internal Budget Transfer logs. To complete the  
10 analysis the Staff only needed to identify the root causes, or drivers for these differences  
11 for each of the line items in these tables and its analysis would be completed. This  
12 information is available from a variety of sources.

13 For example: the Staff has tracked the difference between the CBE of December 2006  
14 through to the cost report of June 2010. There have also been three updates to the Iatan  
15 Project estimates and budgets (May 2008 Control Reforecast, August 2009 Control  
16 Validation, March 2010 Control Update). Within each of these budget reforecasts  
17 KCP&L identified the major cost drivers, which Pegasus-Global has discussed elsewhere  
18 in this testimony, which include:

- 19 • Design maturation; quantity growth;
- 20 • Escalation greater than forecast;
- 21 • Labor costs and labor availability; and
- 22 • Owner Site management.

1 With each of these budget reforecast/updates KCP&L has identified the reason for the  
2 cost and contingency increase, which the Staff could have used to understand the reason  
3 for the cost overruns and contingency allocation.

4 Another approach open to an auditor would be at a more detailed level. Inspection of the  
5 two tables referenced previously [Missouri Staff Report at page 35] indicates that above  
6 the contingency line items (line three) account for a total of \$693 million, significantly  
7 greater than the total variance of \$200 million Staff has calculated, because the Staff has  
8 not considered transfer of cost between line items, such as the Mechanical/Electrical  
9 construction into the BOP Contract (Kiewit), or Contingency allocation, all of which are  
10 tracked in the cost control system. The three line items in Staff's table accounting for this  
11 difference are:

Activity	Unit 1	Unit 2	Iatan Total
Civil/Structural – Alstom	\$31,594,585	\$29,665,181	\$61,259,766
BOP Contract (Kiewit)	\$43,799,192	\$498,179,692	\$541,978,884
Construction Indirect	\$24,410,807	\$65,253,264	\$89,664,071
Total	\$99,804,584	\$593,098,137	\$692,902,721

12  
13 **Q: How could the information contained in the Missouri Staff table above have been**  
14 **used to assist it to determine the root cause of the cost increases?**

15 **A:** The reason for the differences in the first two line items (Civil/Structural and BOP  
16 Contract) can be readily identified from Change Orders issued against the contracts,  
17 information Staff has reviewed in the preparation of its report. Of the \*\* [REDACTED] \*\*  
18 difference in the Alstom Unit 1 contract, Staff has identified \*\* [REDACTED] \*\* related to