

1 A. He did not.

2 Q. But he continued at Kansas City Power &
3 Light?

4 A. As far as I know, yes.

5 Q. Mr. Jones, did you work on the Pickering
6 return to service at Ontario Power Generation?

7 A. I did.

8 Q. And what was that project?

9 A. Pickering A, return to service, was a --
10 if I may describe briefly Pickering A. Pickering has
11 two buildings that support their power plant
12 operations, and those two buildings each contain four
13 units of nuclear units, Pickering A and Pickering B.
14 So that's the way it's built out. Pickering A had
15 been mothballed -- I may have the dates wrong, but
16 back in the early '90s, maybe the late '80s,
17 mothballed meaning the units were shut down, work was
18 no longer being -- and electricity was no longer being
19 produced.

20 In 1999, 1998, they undertook a
21 restoration of the -- two of the units at the
22 Pickering A site.

23 Q. Okay. And excuse me, you may have said
24 this, was Pickering a nuclear unit?

25 A. Nuclear unit, yes.

1 Q. When you were working at Pickering, was
2 Schiff Hardin working the Pickering project also, do
3 you know?

4 A. They were there, yes.

5 Q. Were you working with Schiff Hardin at
6 the Pickering project?

7 A. When I got to the Pickering project, they
8 were already there, yes. I was there prior to that.
9 I was on their -- what they called their hydro side of
10 the business, which was their fossil fleet, which was
11 three fossil power plants and then 114 hydro-electric
12 plants. And my boss at that time, the VP of supply
13 chain, had brought up Schiff Hardin to do some work on
14 the nuclear site.

15 Q. Was a Mr. Terry Murphy working on the
16 Pickering project?

17 A. He was.

18 Q. Did Mr. Murphy also work on the Iatan
19 construction project?

20 A. He did.

21 Q. Okay. Do you know what time frame
22 that -- that was?

23 A. It was from -- I believe it was late 2005
24 through summer of 2006. He left shortly after I was
25 hired.

1 Q. Do you know if Mr. Maiman also worked on
2 the Pickering return-to-service project?

3 A. Mr. Maiman did.

4 MR. DOTTHEIM: Okay. If I could have a
5 moment, please.

6 JUDGE PRIDGIN: Certainly.

7 BY MR. DOTTHEIM:

8 Q. Mr. Jones, do you know who Pegasus Global
9 Holdings, Inc. is, what that organization is?

10 A. I do.

11 Q. Could you identify that organization?

12 A. Pegasus provides consulting services to
13 many different owners of different businesses on
14 operations of those companies.

15 Q. Okay. And they are -- Dr. Chris Nielsen
16 is providing testimony on behalf of Kansas City Power
17 & Light in this proceeding, is he not?

18 A. He is.

19 Q. Were you interviewed by Pegasus Global
20 Holdings for purposes of their prudence review in this
21 proceeding?

22 A. I don't know if it was for the purposes
23 of this prudence review. I was interviewed by
24 Pegasus.

25 Q. Do you recall whether the interview was

1 an in-person interview?

2 A. Actually, it was -- I believe it was
3 April of 2009. I was on the phone. They were at site
4 with a number of other people in the room. I know
5 Brent was in the room -- Mr. Davis was in the room,
6 and there were others in the room, but I'm not sure
7 who else was there off the top of my head.

8 Q. Do you recall how long the interview
9 took?

10 A. Couple hours, two and a half hours maybe.

11 Q. Do you recall what the interview covered?

12 A. It covered pretty much the life cycle of
13 my time span at the Iatan site and on the CEP
14 projects.

15 Q. Do you recall in general what the subject
16 matter was that the interview inquired into?

17 A. We talked about pretty much everything.
18 We talked about the project execution plan, staffing
19 plans. We talked about contractor performance, change
20 management, notice and notification, commercial -- we
21 talked about very many subjects. It wasn't -- it
22 wasn't brief.

23 Q. Okay. What was your understanding that
24 the purpose of the interview was for, do you recall?

25 A. I had just been invited to a meeting with

1 Pegasus to discuss overall the Iatan project and my
2 experiences on the Iatan project. I don't recall
3 there being an actual topic, like just an interview.

4 Q. Yeah. Did you prepare for the interview?

5 A. I didn't.

6 Q. Was there any follow-up to the interview,
7 do you recall?

8 A. I don't recall that there was.

9 Q. Was there more than one interview?

10 A. I don't recall a second interview after
11 that one. I mean, I have been interviewed by them, I
12 believe, before, a few years earlier, but I might even
13 be wrong about that. I may be giving the wrong
14 vendor. But the one specific one I'm talking to,
15 which was April of 2009, is the one that I recall.

16 Q. The interview that you just referred to
17 that may have occurred before, was that in regards to
18 the Iatan construction project?

19 A. It was in regards to how we were doing
20 procurement back in -- and it was back in 2008, and
21 I'm not sure if it was Pegasus or another company. It
22 was a company that was brought in to do a review of
23 commercial and operations of procurement and how we
24 were operating as an organization. It was somebody --
25 it was independent. It was somebody from outside the

1 company.

2 Q. Were you given any instructions about the
3 interview beforehand?

4 A. Just to be completely open and honest.
5 The first interview Jerry Reynolds was actually in the
6 room,
7 so --

8 Q. And the first interview -- which
9 interview are you referring to when you say the first
10 interview?

11 A. The one in 2008.

12 Q. Were you provided any documents for the
13 interview?

14 A. I provided a few for review.

15 MR. DOTTHEIM: May I approach the
16 witness?

17 JUDGE PRIDGIN: You may.

18 BY MR. DOTTHEIM:

19 Q. Mr. Jones, I'm going to hand to you a
20 copy of Dr. Nielsen rebuttal testimony in this
21 proceeding where he lists the individuals that Pegasus
22 Global Holdings interviewed. And I'm going to -- I've
23 got it turned to page 41 where you're listed.

24 And I'd like for you to just look at that
25 page. And in particular, I'd like to direct you to

1 where he has you identified as senior procurement
2 director.

3 A. Okay.

4 Q. Do you see where I'm referring to?

5 A. I do.

6 Q. And when I look at your direct testimony
7 on page 1 and I look at lines 8 and 9 where you, I
8 think, identify your job title as director of
9 comprehensive energy plan --

10 A. On page 1 of my testimony?

11 Q. Yes.

12 A. Do I have that right?

13 Q. I'm looking at page 8 to 9 -- lines 8 to
14 9.

15 A. Yep, that's correct.

16 Q. Okay. Does he have your title correct?
17 I'm just wondering that -- but I also see that on
18 page -- on page 2, you've got -- you say -- you've got
19 on line 18 that your position was director of CEP
20 procurement of your direct testimony.

21 A. I believe it's a confusing -- I was the
22 senior director of procurement for the CEP projects,
23 and then I was the director of procurement for the
24 Iatan project. It's the matrix organization thing.

25 Q. Okay. It's an inconsequential -- what

1 you're indicating is an inconsequential difference in
2 designation?

3 A. Absolutely.

4 Q. Okay. Mr. Jones, is there any reason
5 that you couldn't appear as contracted by -- here
6 today as -- by Kansas City Power & Light as opposed
7 to -- in this capacity as opposed to appearing as --
8 under contract with Schiff Hardin?

9 A. I'm not sure I --

10 Q. Well, you -- as an independent
11 contractor --

12 A. Okay.

13 Q. -- to KCP&L, you charged one hourly rate,
14 a certain hourly rate, did you not?

15 A. I did.

16 Q. Okay. And as the contractor to Schiff
17 Hardin, Schiff Hardin is charging Kansas City Power &
18 Light for your services a higher hourly rate, are they
19 not?

20 A. They are.

21 Q. Or are you aware?

22 A. I am.

23 Q. Okay. Did you have any discussions with
24 Kansas City Power & Light about continuing for
25 purposes of these pending rate cases as an independent

1 contractor to Kansas City Power & Light?

2 A. I did not.

3 Q. Is there any reason that you can identify
4 why?

5 A. Just as I explained earlier about leaving
6 the project, leaving the project as I was, I wanted to
7 go and pursue other opportunities, projects of a
8 Greenfield site like that. They have a -- they
9 take -- they take a lot out of you. You're working
10 50, 60, sometimes 70 hours a week, longer, at night.
11 It was time to move on.

12 In talking with Lora, we just chose to do
13 it this way. It was my preference because I would no
14 longer have direct ties with KCP&L, and if something
15 came along in the interim and other work that I would
16 get at Schiff, I would work on that.

17 Q. Are you employed by Schiff Hardin at the
18 behest of Kansas City Power & Light?

19 A. I am working as an independent contractor
20 to Schiff Hardin, and I have done work, obviously, up
21 until August of this year, much work for Kansas City
22 Power & Light, but from a substantial amount of work
23 for other clients of Schiff Hardin.

24 MR. DOTTHEIM: If I could have a moment,
25 please.

1 JUDGE PRIDGIN: Certainly.

2 BY MR. DOTTHEIM:

3 Q. Mr. Jones, did you develop the cost for
4 the common facilities at the Iatan construction
5 project?

6 A. I led a team of individuals that
7 developed
8 the -- that portfolio.

9 Q. Did you submit any testimony in this case
10 on that topic?

11 A. I'm getting my cases -- I don't believe I
12 did for this particular case.

13 Q. Do you know who has submitted testimony
14 on the cost for the common facilities at the Iatan
15 construction project for KCP&L?

16 A. For this particular case, I'm not a
17 hundred percent sure, no.

18 Q. Do you know whether the calculation for
19 the common facilities assigns any of the costs
20 overruns to the common facilities?

21 A. The common cost valuation, I do not know
22 how it was booked, so to speak, financially, by the
23 financial folks. The effort that I -- I undertook on
24 behalf of the company was to lead a team of
25 individuals to just develop what those assets of

1 values were worth. Once the product was created,
2 other folks treated it for accounting purposes as they
3 did. So I'm not sure who that would be.

4 MR. DOTTHEIM: A moment, please.

5 BY MR. DOTTHEIM:

6 Q. Mr. Jones, have you got a copy of your
7 deposition still in front of you?

8 A. I do.

9 Q. Okay. I'd like to direct you to page 76.

10 A. I have the page.

11 Q. Okay. I'd like to refer you to pages 76,
12 77, and 79, please.

13 A. I have those pages.

14 Q. And there's a question from me.

15 "QUESTION: Are you familiar with the
16 letter itself?

17 "ANSWER: I am.

18 "QUESTION: That goes out to the vendors.
19 And in the letter it states" -- this is me speaking --
20 "We do not accept gifts of more than nominal value.
21 Did I read that correctly?

22 "ANSWER: You did.

23 "QUESTION: What is meant by gifts of
24 nominal value in the letter?

25 "ANSWER: There's not a definition of

1 'nominal' that I know of in the company documents.

2 "QUESTION: How do you define 'nominal
3 value?'

4 "ANSWER: well, I think the nominal value
5 is simply trinket-type items, maybe an occasional
6 lunch or an occasional dinner, sporting event, but
7 it's not excessive. There's not a dollar value you
8 put on it. I've never been in a company that has put
9 a dollar value on it in the four that I've been with,
10 so it's really discretionary on the individual
11 department manager to manage what nominal means and
12 how far people will or will not go with the gift
13 policy.

14 "QUESTION: How many people come to you
15 looking for guidance as to how to apply that policy?

16 "ANSWER: In procurement, in my area
17 specifically, we hold -- I hold my entire staff,
18 whether it be the buyers, the contract administration,
19 or the commercial team, I hold them to a higher
20 standard, so we have a general zero tolerance, and we
21 also have a reciprocity rule that we apply as well.
22 And so I am -- by my staff, I am -- I'm exclusively
23 asked on every event or every occasion as to whether
24 or not it's an acceptable practice to take something.

25 "QUESTION: When you say you have a zero

1 tolerance, what do you mean by that?

2 "ANSWER: Fundamentally, in order, from
3 my experience in procurement organizations, you're
4 dealing so much with -- you become the gatekeeper for
5 the company's expenditures with the supply base, and
6 so it's easy for people to try to manipulate that. So
7 when I say zero tolerance, that doesn't mean I always
8 say no. What it means is that the staff knows that
9 it's no unless approved, and they will talk to me
10 about, you know, if they have been invited to a dinner
11 or a ball game, you know, they're getting a set of
12 trinkets or whatever it may or may not be.

13 "QUESTION: Have you been asked about
14 tickets to Chiefs games or Royal games in the last
15 years by members of your organization that have been
16 offered by vendors?

17 "ANSWER: I have.

18 "QUESTION: What has been your response?

19 "ANSWER: It's happened no less than a
20 handful of occasions that I recall in the last two
21 years, and my response has been -- has been yes. But,
22 again, we do deploy a reciprocity piece to that as
23 well, so --

24 "QUESTION: And how do you define a
25 handful of cases?

1 "ANSWER: Three or four times, maybe
2 five, but I've got quite a large staff, so I don't
3 recall, but --

4 "QUESTION: Missouri football games,
5 Kansas football games?

6 "ANSWER: I've not heard of any Kansas or
7 Missouri football games.

8 "QUESTION: Dinners?

9 "ANSWER: 2007, I remember one dinner
10 with a vendor. It was a celebration dinner after an
11 award of a contract that we negotiated.

12 "QUESTION: Vacations?

13 "ANSWER: Not heard of. Not heard of
14 vacations.

15 "QUESTION: Golfing events?

16 "ANSWER: Not for my staff, no.

17 "QUESTION: Wine?

18 "ANSWER: No, no wine.

19 "QUESTION: How about yourself, sporting
20 events, meals?

21 "ANSWER: The meals part, I've completely
22 done the reciprocity with. I've had with vendors, I
23 believe, two meals and two sporting events in two
24 years.

25 "ANSWER (SIC): What have been the two

1 sporting events?

2 "ANSWER: One baseball game and recently
3 one of the Big 12 basketball games. I have been to a
4 few -- I think two specifically dinners with Burns &
5 McDonnell. In September of last year, October, not
6 sure of the exact time frame, we took the entire --
7 Dave Price and project leadership team took the entire
8 Burns & McDonnell staff out for dinner as well.
9 That's the reciprocity piece.

10 "QUESTION: And the reciprocity is Kansas
11 City Power & Light or GPE?

12 "ANSWER: Absolutely.

13 "QUESTION: Do you ever get questions
14 from other departments at KCP&L or GPE, or do you just
15 -- do you just get questions from your own, from your
16 own staff?

17 "ANSWER: I've gotten questions from the
18 corporate purchasing group, which is under my -- my
19 area of control, but I've gotten questions from them
20 and given advice in the past."

21 Did I read that accurately?

22 A. You did.

23 MR. HATFIELD: Object. It's improper
24 impeachment.

25 JUDGE PRIDGIN: Overruled.

1 MR. DOTTHEIM: Thank you, Mr. Jones.

2 JUDGE PRIDGIN: Other questions,

3 Mr. Dottheim?

4 MR. DOTTHEIM: No.

5 JUDGE PRIDGIN: Bench questions.

6 Commissioner Jarrett?

7 COMMISSIONER JARRETT: Yes.

8 EXAMINATION

9 QUESTIONS BY COMMISSIONER JARRETT:

10 Q. Good afternoon, Mr. Jones.

11 A. Good afternoon, Commissioner.

12 Q. Do you have a copy of your direct

13 testimony there?

14 A. I do, sir.

15 Q. Along with the schedules that were

16 attached?

17 A. I do, sir.

18 Q. Your Schedule SJ 2010-1 is labeled a

19 comprehensive energy plan, construction projects cost

20 control system; is that correct?

21 A. It is.

22 Q. Do you know when that was prepared?

23 A. It was prepared over a period of time, I

24 would say three months. I began in March of 2006. We

25 began working on this probably in late April or early

1 May for submittal to the Commission when it was
2 finally finalized. And we worked over at that -- the
3 few people that were on the project team at that time,
4 Brent Davis, myself, Jeff Flenor, Schiff Hardin
5 supported us. We pulled it together after the
6 stipulation and agreement had been signed in support
7 of getting it submitted to the Commission Staff.

8 Q. So about when was it submitted to Staff?

9 A. I don't recall the exact date, but around
10 September 1st, I would believe.

11 Q. Of what year?

12 A. 2006.

13 Q. Okay. I have some questions about this.
14 I note that it's marked highly confidential. Let me
15 say -- let me describe to counsel what I'm going to
16 talk about, and then you can tell me if I'm -- if we
17 need to go in-camera. Specifically, I wanted to look
18 at, I believe, pages 8 and 9 under 3.1, cost control.

19 MR. HATFIELD: There's no need to go into
20 HC for that.

21 BY COMMISSIONER JARRETT:

22 Q. Okay. Have you found that?

23 A. I have, sir.

24 Q. The -- I guess the first heading there is
25 budgeting and forecasting, and then the first sentence

1 to that section is, "The project team will develop a
2 definitive estimate for each project that will be
3 provide" -- I assume that's supposed to be provided --
4 "an analytical baseline" -- should probably say "will
5 provide an analytical baseline for evaluating project
6 costs." The term "definitive estimate," I know you
7 talked about that a little bit with Mr. Dottheim.

8 Could you -- could you give me your
9 definition of "definitive estimate?"

10 A. I can, I hope. I know there's been a lot
11 of discussion about the difference between definitive
12 estimate and control budget estimate. I believe this
13 document helps with that.

14 Back in 2006, we were all trying to
15 interpret -- when I say "we all," the project
16 leadership team and the few staff that we had were
17 trying to interpret how we were going to need to
18 manage the project based on the stipulation and
19 agreement and the things that -- like Exhibit Q that
20 were discussed the other day. And I believe Bob Bell
21 hit the nail on the head this morning and made note
22 that they're interchangeable. The construction
23 industry tends to use control budgets or budgets, and
24 those words are generally what you use.

25 Definitive estimate, at that time, we

1 were using it as -- as an interchangement (sic) --
2 interchangeable with the control budget estimate. And
3 I think, sir, if you -- you might go to page -- in the
4 same document, page 29 of 30.

5 Q. Okay.

6 A. And if you look at B, development of
7 project estimate, one, commitments to Commission, and
8 you read that paragraph, it talks to the definitive
9 estimate by August 1, KCP&L external consultants are
10 refining that. And as it goes on, the last sentence
11 kind of brings it back together.

12 And so from the project leadership team
13 and the project team perspective, we saw them both as
14 one in the same.

15 Q. Yeah. In that last sentence, you talk
16 about there in that paragraph, the project team is
17 currently engaging in two critical steps regarding the
18 cost estimate. One, finalizing the definitive
19 estimate; and two, establishing a controlled budget
20 for detailed tracking of the Iatan budgets costs.

21 A. Yes. So from a budgeting perspective and
22 from a control budget perspective, all of the same
23 numbers that were in the control budget would become,
24 if it needed to be called the definitive estimate for
25 the purposes of the stipulation and agreement, then

1 that's what it would be called. But for our purposes
2 of managing the project, it was the control budget
3 estimate.

4 Q. And in your mind, was it intended to be,
5 here's what the fixed cost of the project is going to
6 be and there's going -- you know, that's it, no cost
7 overruns, nothing?

8 A. No, sir, it was not -- it was never
9 thought to be that at all. In June, July, August time
10 frame of 2006, we really only had two contracts in
11 place and then two other contracts that we had brought
12 in, put out on the street for RFPs and brought back as
13 bids that we knew numbers on. Out of the 130 or so
14 major procurements that we were going to have -- and
15 when I say major, I'm talking about procurements that
16 were going to be over \$5 million. When you have that
17 many contracts and you only have two contracts in
18 place, granted, one very big one and one quite large,
19 we knew that those other estimates were going to take
20 some work.

21 And we tried, by using the contingency,
22 to come up with the best number that we could in order
23 to get that estimate completed for Staff and get the
24 control budget estimate done by the end of the year.
25 But we knew at the time, 25 percent completion on

1 engineering, it just -- it doesn't -- you can't be
2 there because there's just too many variables.
3 There's too many things that can happen.

4 Q. Now, to your knowledge, was Staff aware
5 that you had only let very few of the contracts and
6 that only a small portion of the engineering had been
7 done?

8 A. I had not attended the meetings with
9 Staff. Mr. Giles will be the better person to answer
10 as to what -- as we would get bids back, Mr. Giles,
11 being on the EOC and seeing what we were getting,
12 would see these reports and see different things, but
13 I don't know what was shared with Staff. I wasn't
14 part of those meetings.

15 Q. Okay. If you could go back to page 8
16 again. And I read the first sentence there. I want
17 to read the second sentence as well and get your
18 thoughts on that.

19 "This estimate will establish anticipated
20 costs for individual work activities in all
21 procurements." What do you think "anticipated costs"
22 means?

23 A. That would be our internal estimate based
24 on either market knowledge or information that we
25 received from vendors or from our engineer at the

1 time, Burns & McDonnell on similar procurements. We
2 would put a number in as an estimate.

3 Q. And, again, to your mind, is that
4 estimate to be a -- since the word "anticipated" is
5 used, does that mean that the definitive estimate was
6 a -- sort of like a living number, it's going to
7 change as the project goes forward?

8 A. Yes. We felt that the number was going
9 to change. We all, obviously, hoped that it wouldn't.
10 I think if you look at page 16, it will kind of give
11 you a balance of -- of all the different procurements
12 that we were looking at, at the time. There's another
13 part of this same document at the end that does that
14 as well.

15 And we were -- a lot of these, we were
16 trying to get as best -- the best available
17 information we could at the time in order to get an
18 estimate into that control budget estimate for the
19 December 2006 control budget estimate. And like I
20 said, we had the boiler under wraps, and we knew the
21 number there, and we had the turbine generator. But
22 everything below, other than the chimney which we had
23 received bids on and the foundations in Cybil, which
24 we had received bids on, everything else was an
25 unknown. Even though we put a number to it, we didn't

1 have hard numbers back from vendors to say, okay, we
2 can now lock this in with a good level of contingency
3 that will support the final number.

4 Q. I'm looking at -- since you went to page
5 16, I'm looking at page 17. And, Counsel, again, if I
6 get into areas, please tell me, we can go in-camera.

7 About halfway down, there's a subheading
8 B, control budget and then the Number 1, general?

9 A. Yes, sir.

10 Q. And then the first sentence there says,
11 "The Iatan project team will develop a control budget
12 for managing each of the project's costs. The control
13 budget will be established once the definitive
14 estimate is accepted."

15 I thought you had said that those were
16 used interchangeably. Is that --

17 A. When we were writing this, I believe we
18 assumed it needed to be approved.

19 Q. Okay.

20 A. And so that meant by somebody other than
21 the project team.

22 Q. All right. "Because of the nature of the
23 Iatan project, the control budget will not be
24 comprehensive of all committee contract costs as of
25 that time. As KCP&L buys out the work, the contract

1 value and expected cost at completion in the control
2 budget will be modified to reflect these values."

3 And was the control budget, in fact,
4 modified throughout the project?

5 A. Yes. Forrest Archibald can speak more to
6 that in detail. But basically, sir, what that means
7 is that if we had to buy a pump and it was a \$10
8 million pump in our estimate and we sent out the RFPs
9 and we received three or more qualified bids back,
10 evaluated those bids and it came in at \$8 million, we
11 adjusted it down and money would move -- he would
12 handle the money the way he treats it, or if it came
13 in at \$12 million, we would then put that number in
14 the cost portfolio.

15 That's why the recommendation to award
16 letters are quite important because what they do is
17 they take what the estimate was, what the procurement
18 actually became, and if there's a variance, it needs
19 to be explained in the recommendation to award letter
20 as to why there's a variance and whether or not
21 there's a contingency draw on other factors.

22 Q. Let's go back to page 8 again, the last
23 paragraph there on page 8. The first sentence of that
24 paragraph reads: "KCP&L's project cost control system
25 involves continually monitoring the accumulation of

1 actual costs compared to the control budget so as to
2 determine whether the initial assumptions in the
3 project's definition are still valid."

4 Again, does that go to the fact that the
5 original control budget estimate is going to change
6 over time depending on circumstances?

7 A. Yes.

8 Q. And the last sentence there on page 8,
9 "The project team will compile and analyze the actual
10 cost of" -- "the actual cost information and
11 periodically prepare a forecasted cost at completion
12 based on this analysis."

13 Again, does that go to the fact that this
14 is changing and you're going to reforecast your costs
15 or the estimates?

16 A. It does, sir. And as, you know, once
17 again, Forrest and Dan Meyer can tell you from an
18 industry perspective, Forrest can tell you from a
19 project perspective, it was meant to know that we were
20 always going to be -- procurement and costs works very
21 close together because as we do the procurements, we
22 need to get costing information to update their
23 portfolio so that they're always realtime accurate.
24 And that -- what Mr. Vont talked about the other day,
25 the last paragraph of that section and those two

1 together talk about the way the project would
2 reforecast the work based on the milestones we decided
3 on later on.

4 Q. Right. Now, you indicated that KCP&L
5 gave this schedule, gave this report to Staff in
6 approximately September of 2006?

7 A. I believe that's around the time it was,
8 yes.

9 Q. All right. And that was -- was that
10 around the same time that the definitive estimate was
11 given to Staff as well?

12 A. Again, Mr. Giles would be the best person
13 to ask. I don't know what was actually given at that
14 point.

15 Q. Now, as these costs were being tracked
16 and they were, like you say, going up or down
17 depending on circumstances, do you know, were you or
18 anyone from KCP&L having regular meetings with Staff
19 to inform them of -- of the situation?

20 A. As leadership team -- and I believe Brent
21 mentioned that he would be going to the meetings with
22 Mr. Giles. But in any event, the leadership team did
23 get briefed on -- at that time in 2006, we were
24 briefed on things that might have been said at Staff
25 that might affect the project or things that

1 transpired during those meetings, but I really was not
2 part of those.

3 Q. Who would have been part of those?

4 A. Mr. Giles primarily at that time and then
5 later Mr. Blanc and, of course, Brent Davis -- I
6 mentioned him earlier -- he was part of them as well,
7 off and on.

8 Q. Okay. And then I want to go to the next
9 page, page 9. The third paragraph down it starts,
10 "The project team will periodically update the
11 forecasted cost contingency usage cash flow and
12 monthly budgets. Such efforts will be conducted and
13 reported not less than quarterly, and the frequency of
14 these reports must take into account the magnitude of
15 the scope of work then under construction."

16 To your knowledge, were these quarterly
17 meetings, quarterly reports done?

18 A. I think you've heard them referred to
19 quite often today with the K Reports and the quarterly
20 reports. We have a copy of the K Reports in them.

21 Q. All right.

22 A. And those were submitted to the
23 Commission, I believe.

24 Q. That was my next question. These were
25 provided to the Commission contemporaneously when they

1 were issued?

2 A. Yes.

3 Q. So if they were quarterly, staff got them
4 every quarter?

5 A. Yes. And Mr. Giles will be the one to
6 confirm that with, but that's how we understood it as
7 a project team.

8 Q. Okay. And then it goes on there at the
9 end of that paragraph, it talks about the EAC, the
10 estimate at completion.

11 Is that -- we've been talking about there
12 was the reforecasting and then there was like a final
13 estimate done at the end?

14 A. Right.

15 Q. Is that what the EAC is?

16 A. It is. Earlier in my testimony this
17 afternoon, we were talking about when you would do
18 reforecasts traditionally, and I said 25, 50, 75, and
19 then at the end -- or 90 percent, or in my earlier
20 testimony on the rate case. The 90 percent would be
21 an estimate at completion, and now you know your
22 engineering's done, your construction is very high up
23 there in being done, you're really not spending a lot
24 more money with new contracts and procurements, and so
25 it's a manage of finishing out the project than just

1 managing things. So you put an estimate at completion
2 together at that time.

3 COMMISSIONER JARRETT: Thank you,
4 Mr. Jones. I appreciate your testimony.

5 JUDGE PRIDGIN: All right. I have no
6 questions. Any recross based on bench questions?
7 Mr. Schwarz?

8 MR. SCHWARZ: Yes, I do.

9 RECROSS-EXAMINATION

10 QUESTIONS BY MR. SCHWARZ:

11 Q. And it concerns the reliability in your
12 opinion of the controlled budget estimate. Mr. Davis
13 and
14 Mr. Bell have said that there are hundreds of these
15 kind of plants, plants like Iatan 2, supercritical
16 coal plants that have been built.

17 Do you have any reason to doubt that,
18 that there are hundreds of supercritical coal
19 generating plants in the world?

20 A. No. I know that for a fact myself. I've
21 been in the business for 34 years. I would not
22 disagree with that at all.

23 Q. So there's quite a bit of engineering
24 background and knowledge on -- on the construction of
25 these kinds of plants; would you agree?

1 A. Well, they're never cookie cutter, but
2 there is baseline engineering that's -- there's
3 boilerplate engineering on many of these plants, yes.

4 Q. And Burns & McDonnell has specifically
5 got experience in this area; is that correct?

6 A. I do not know how much experience has --
7 Burns & McDonnell has in supercritical boilers. I
8 know that they have engineering experience on new
9 power plants.

10 Q. That's fine. And certainly, Kansas City
11 Power & Light proposed great confidence in Burns &
12 McDonnell in this project; is that correct?

13 A. They selected them as their engineer, so
14 I would say that's correct.

15 Q. And at the time that the final control
16 budget estimate was generated, Burns & McDonnell had
17 done a Monte Carlo analysis of the project. Do you
18 recall that?

19 A. I've heard that, yes.

20 Q. And they had done a top-down and
21 bottom-up cost estimate on the project?

22 A. They had.

23 Q. And Burns & McDonnell said that there was
24 a 95 percent probability that the project would come
25 in at \$1.685 billion; is that correct?

1 A. I don't recall Burns & McDonnell saying
2 that.

3 Q. But -- well, the -- if Burns & McDonnell
4 said that in the CBE, then that would be their
5 representation; is that correct? I don't have a copy
6 of the CBE with me. My recollection is that they said
7 95 percent probability that it would come in at 1.685
8 billion.

9 If that's the case, would you say that
10 Burns & McDonnell was pretty comfortable with the
11 estimate, the control budget estimate?

12 MR. HATFIELD: Judge, I'd just like to
13 object. We've already crossed generally, and now I
14 think we're limited to questions from the bench, and I
15 think counsel's exceeding the scope of questions from
16 the bench.

17 JUDGE PRIDGIN: Mr. Schwarz?

18 MR. SCHWARZ: Well, Mr. Jones, in
19 answering Commissioner Jarrett's questions, went
20 through the items on page 16 and has basically said
21 that he didn't have much confidence in a control
22 budget estimate that was generated when there was only
23 25 or 30 percent of the engineering completed. I
24 think I'm entitled to point out that that is at odds
25 with the position that Burns & McDonnell provided to

1 the company and which the company has apparently
2 adopted in adopting the CBE.

3 JUDGE PRIDGIN: I'll overrule.

4 BY MR. SCHWARZ:

5 Q. So if Burns & McDonnell was comfortable
6 suggesting that the 1.685 billion was 95 percent
7 probable to be adequate for the project, that would
8 reflect considerable confidence in the CBE, would it
9 not?

10 MR. HATFIELD: Object that it calls for
11 speculation on what Burns & McDonnell thought.

12 JUDGE PRIDGIN: I'll sustain that.

13 BY MR. SCHWARZ:

14 Q. The representation by Burns & McDonnell
15 in their CBE report that they were 95 percent -- there
16 was a 95 percent probability it could come in at 1.685
17 billion is Burns & McDonnell's representation, is it
18 not?

19 A. You're referring to a CBE report, and I
20 don't know what that is, and so I've never seen it.

21 Q. You've never seen the CBE?

22 A. You're referring to a report?

23 Q. No. The CBE -- if I said report, I
24 apologize. Burns & McDonnell represented in the CBE
25 that it was 95 percent probable, subject to check.

1 And that would -- that is Burns &
2 McDonnell's representation of their confidence, is it
3 not?

4 A. And I'm not -- I'm trying to understand.
5 The control budget estimate was completed by Kansas
6 City Power & Light personnel. It wasn't generated by
7 Burns & McDonnell. And so when it was submitted to
8 the executive oversight committee in December for
9 approval as the control budget estimate, it was done
10 by Terry Foster and people like Forrest Archibald and
11 Brent Davis and others.

12 And this is where I'm getting confused on
13 the 95 percent number of the CBE.

14 MR. SCHWARZ: I withdraw the question.
15 Nothing further.

16 JUDGE PRIDGIN: Mr. Mills?

17 RE-CROSS-EXAMINATION

18 QUESTIONS BY MR. MILLS:

19 Q. Mr. Jones, let me sort of go through
20 the -- the cost control assistance document and see if
21 I can maybe pin this down a little better because I
22 think there's
23 still -- at least in my mind, there's some confusion
24 between the control budget estimate and the definitive
25 estimate.

1 Page 8 of 30, the language that
2 Commissioner Jarrett had you look at, the last
3 sentence in the first paragraph under 3.1 says, "The
4 definitive estimate will be used to establish each
5 project's control budget."

6 Does that not imply that there are two
7 stages, that first you have a definitive estimate and
8 then you have a control budget?

9 A. Well, if I may, this document is for all
10 of the CEP projects. And what it's meant to be is
11 scaleable to the project, so it's not built for just
12 Iatan. It takes into consideration the wind projects
13 and La Cygne. And so when it talks about that and
14 says for each project's control budget, if there were
15 three projects going on at the same time, then it
16 would be -- the definitive estimate would -- there
17 would be a control budget estimate for each one of
18 those projects. So that's what that means.

19 Q. So let's focus just on Iatan.

20 A. Okay.

21 Q. Does that sentence not indicate that a
22 definitive estimate would come first in time and then
23 be used to establish Iatan's control budget?

24 A. I don't believe that that's -- that's
25 what it's meant to say.

1 Q. Okay. Let's -- let's move on. Let's
2 look at page 29 of 30 and the paragraph that
3 Commissioner Jarrett had you look at. It's paragraph
4 B-1 on that page, and the last sentence talks about
5 two critical steps, the first being the definitive
6 estimate, and the second being the control budget for
7 Iatan project's costs.

8 Does that sentence not indicate that
9 those are two separate steps?

10 A. Again, I believe that was for finalizing
11 the definitive estimate for the Commission. Because,
12 again, the section is commitments to the Commission.
13 And then establishing based on that number, that
14 becomes the control budget estimate. And so in
15 December of 2006, our commitment to Commission was to
16 give them a definitive estimate. We gave it to them
17 in December of 2006. And that established the control
18 budget that we would then be monitored to for the rest
19 of the project's life cycle.

20 Q. Okay. Well, let's go back to that. So
21 on page 29 of 30 at the beginning of that paragraph we
22 were just looking at, does it -- do you agree that
23 KCP&L had at that point committed to establishing a
24 definitive estimate by August 1st, 2006?

25 A. I agree with that, yes.

1 Q. Was that commitment met?

2 A. You'd have to ask Mr. Giles as to what
3 was submitted on August 1st or if there was an
4 extension given. I don't know if it was actually met.
5 I know the control budget estimate was established in
6 December.

7 Q. Okay. Did you see anything that was
8 referred -- that you would have considered a
9 definitive estimate on or before August 1st, 2006?

10 A. No.

11 Q. Okay. Did you -- have you ever seen a
12 document that's -- that's titled "Definitive
13 Estimate?"

14 A. Not that I recall.

15 Q. So regardless of what this cost control
16 document says, in your mind, the definitive estimate
17 and the control budget estimate are one in the same?

18 A. That's correct.

19 Q. Okay. To your knowledge, when was the
20 control budget estimate or the definitive estimate
21 shared with the staff and the other parties to the
22 CEP?

23 A. You would have to ask Mr. Giles when it
24 was shared with staff and other partners in the CEP.

25 Q. When did you sign off on it?

1 A. The project completed the control budget
2 estimate in December of 2006.

3 Q. Okay. And when did KCP&L Great Plains
4 Management approve or okay that?

5 A. I'm not sure when they -- their board
6 signed off on that number.

7 MR. MILLS: Okay. That's all I have.
8 Thank you.

9 JUDGE PRIDGIN: Mr. Mills, thank you.
10 Mr. Dottheim?

11 MR. DOTTHEIM: No questions.

12 JUDGE PRIDGIN: Thank you. Mr. Fischer,
13 redirect?

14 MR. FISCHER: Yes.

15 MR. HATFIELD: Judge, you know how much I
16 enjoy that ELMO, so I'm going to move up here.

17 JUDGE PRIDGIN: Help yourself.

18 REDIRECT EXAMINATION

19 QUESTIONS BY MR. HATFIELD:

20 Q. Mr. Jones, thank you. We've covered --
21 touched on several topics, so I'm going to kind of go
22 backwards and go in reverse order, I think.

23 A. Okay.

24 Q. You were just having a little discussion
25 with Mr. Mills about control budget estimates and

1 definitive estimates, and you mentioned the board
2 signing off on a number.

3 So let me ask you this: The document you
4 were just reading from page 29, which is SJ 2010-1,
5 talks about the project team is currently engaged in
6 two critical steps, finalizing the definitive
7 estimate. So was it the project team that was doing
8 that?

9 A. We were finalizing the numbers to give to
10 regulatory for the -- the definitive estimate that's
11 mentioned.

12 Q. And then when that definitive estimate
13 was developed, did someone internally at KCP&L need to
14 look at that and adopt it?

15 A. It would have to be vetted through the
16 executives, and with that large of a number, through,
17 I'm sure, the board of directors.

18 Q. So did someone up above the project team
19 have the authority to alter the definitive estimate,
20 if they chose to do that?

21 A. If they chose to do that, sure.

22 Q. And so once that process was completed,
23 then what would happen?

24 A. That would become our control budget.

25 Q. All right. So first the project team's

1 going to develop a definitive estimate; is that right?

2 A. That's right.

3 Q. And then once it's approved, which might
4 take some period of time; is that right?

5 A. Yes.

6 Q. That would become the control budget
7 estimate?

8 A. That's correct.

9 Q. Now, regardless of how that process went,
10 there was a control budget estimate. I think we all
11 agree on that, right?

12 A. I think we all agree on that.

13 Q. December 2006?

14 A. That's right.

15 Q. Let me go back to some of the questions
16 Commissioner Jarrett asked you about. I think at one
17 point you mentioned that you thought this cost control
18 system was presented to Staff in September of 2006.

19 If Mr. Giles' testimony says July of
20 2006, would you defer to him on that?

21 A. I would.

22 Q. All right. And why is that again?

23 A. Why would I defer to Mr. Giles?

24 Q. Yes.

25 A. Again, we had worked on this, and it's

1 just -- it's a timing issue. I couldn't recall
2 exactly. It's five years ago, so I just didn't recall
3 exactly when it was. I just know that we were pulling
4 it together very quickly.

5 Q. Let's -- let me, to kind of shed a little
6 light on the discussion you were having with
7 Commissioner Jarrett about the document, in SJ 2010-1,
8 which is Schedule 1, let's -- let's start up at the
9 front for just a minute. The first section is
10 entitled "Overview." I'm looking at page 3 of 30; is
11 that right?

12 A. Yes.

13 Q. Entitled "Overview?"

14 A. I'm there.

15 Q. Let's go to Page 4 of 30. Project
16 controls?

17 A. Correct.

18 Q. And there's a definition there -- I'm
19 sorry. Let me ask that as a question. I see it -- a
20 word in bold, "Control Budget."

21 And what is the purpose of the sentence
22 that begins, "A control budget is?" what's the
23 purpose of that?

24 A. That particular sentence is meant to
25 include all the contingency and develop the estimate

1 for the project that the project will be maintained to

2 --

3 Q. Okay.

4 A. -- held to.

5 Q. And so it says, "A control budget is a
6 tool that details the expected costs of the work on
7 the project and includes appropriate contingency."

8 So, was such a thing, in fact, developed
9 for the Iatan project?

10 A. It was.

11 Q. And then it says, "The control budget is
12 balanced against the authorized expenditures from the
13 board of directors."

14 Did that, in fact, happen?

15 A. I believe it did.

16 Q. Now, then it talks about a baseline
17 schedule. Was a baseline schedule, in fact,
18 developed?

19 A. It was.

20 Q. And then the last sentence of that
21 paragraph says, "Once established, virtually all
22 critical project reporting information related to
23 either budget or schedule will emanate from the
24 control budget and the baseline schedule."

25 That's what was written in 2006. Did