

1 ask counsel if they actually want hard copies of the  
2 schedules for Mr. Drabinski's testimony? You've got them  
3 electronically, and I'm going to bring them in at some stage.  
4 I'm in the process of vetting them for the company's HC  
5 markings. Do you want -- the direct and rebuttal are about  
6 260 pages altogether, and I'll bring in copies of those  
7 together.

8 But does anybody want hard copies of  
9 schedules? Do Commissioners want hard copies of schedules?  
10 It's about two, three feet.

11 JUDGE PRIDGIN: Before we go off the record, I  
12 think Ms. Ott made an offer.

13 MR. FISCHER: No objection, Your Honor.

14 JUDGE PRIDGIN: No objection. It is admitted  
15 and I'm sorry, thank you very much. We'll go off the record.

16 (Exhibit No. 252 was received into evidence.)

17 (A break was held.)

18 JUDGE PRIDGIN: We're back on the record. I  
19 understand Mr. Downey is our next witness and he's at the  
20 witness stand. He needs to be sworn in. Is there anything  
21 before I administer an oath and he stands examination? All  
22 right, hearing nothing, Mr. Downey, if you'll raise your  
right hand to be sworn, please.

(The witness was sworn.)

JUDGE PRIDGIN: Thank you very much, sir.

FF  
Appendix

1 Mr. Fischer or Mr. Hatfield?

2 MR. FISCHER: Mr. Hatfield.

3 DIRECT EXAMINATION

4 QUESTIONS BY MR. HATFIELD:

5 Q. Could you state your name for the record,  
6 please?

7 A. William Downey.

8 Q. And Mr. Downey, are you the same William H.  
9 Downey who's filed testimony in this case?

10 A. I am.

11 Q. And you filed -- did you file both direct and  
12 rebuttal?

13 A. Yes, I did.

14 Q. Is that the only testimony you filed?

15 A. Yes.

16 Q. And your direct testimony has been marked for  
17 the record as Exhibit 21 and your rebuttal as Exhibit 22. Is  
18 the testimony you gave in those exhibits still true and  
19 accurate today?

20 A. Yes.

21 Q. Do you have any -- do you need to update or  
22 change that testimony in any way?

23 A. I do not.

24 Q. And are there exhibits attached to your  
25 testimony?

1 A. There are.

2 Q. Do they accurately reflect what you were  
3 trying to depict with those exhibits?

4 A. Yes.

5 MR. HATFIELD: Judge, I'm sure there's no  
6 cross, but I'll tender him anyway.

7 JUDGE PRIDGIN: Mr. Hatfield, thank you.

8 MR. HATFIELD: Did I offer the exhibits?

9 JUDGE PRIDGIN: I don't believe you did.

10 MR. HATFIELD: Let's offer them.

11 JUDGE PRIDGIN: Exhibit 21 and 22, both NP and  
12 HC are offered. Any objections?

13 MR. SCHWARZ: No objections from the MRA,  
14 Judge.

15 JUDGE PRIDGIN: Hearing none --

16 MR. WILLIAMS: Let me make an inquiry first.

17 JUDGE PRIDGIN: Yes, you may.

18 MR. WILLIAMS: Is this the only time that  
19 Mr. Downey will appear in the hearing?

20 MR. HATFIELD: what's that?

21 MR. WILLIAMS: Is this the only time Mr.  
22 Downey's testifying? He's not going to be testifying again  
23 later?

24 MR. HATFIELD: I believe that's correct. He's  
25 only listed on schedule for this portion of the hearing.

1 MR. WILLIAMS: I have no objection.

2 JUDGE PRIDGIN: All right. No objections

3 being voiced. 21 and 22-NP and -HC are admitted.

4 (Exhibit Nos. 21 and 22, both NP and HC, were  
5 received into evidence.)

6 JUDGE PRIDGIN: He's been offered for cross.

7 Mr. Schwarz?

8 MR. SCHWARZ: Thank you, Judge.

9 CROSS-EXAMINATION

10 QUESTIONS BY MR. SCHWARZ:

11 Q. Good afternoon, sir.

12 A. Good afternoon.

13 Q. You were here yesterday afternoon for

14 Mr. Jones's testimony?

15 A. Yes, I was.

16 Q. And I thought it was very helpful he explained

17 that there can be, like, a matrix for reporting, some for

18 governance and then some for specific operational or

19 functional activities. Do you recall that? So he reported

20 to Ms. Cheatum for governance and to Mr. Easley, I think it

21 was, for the project purposes?

22 A. He reported to the project director to

23 implement the purchasing function.

24 Q. Right.

25 A. He reported to Ms. Cheatum, who was in charge

1 of corporate purchasing for purchasing, process, procedure,  
2 governance.

3 Q. Right. And in your direct testimony, you  
4 defined executive management as the chairman, the president,  
5 the chief operating officer, chief financial officer and the  
6 executive vice-presidents. And I'd like to ask you, and my  
7 frame of reference will be the first quarter of 2006, okay?  
8 How many executive vice-presidents were there?

9 A. At that point, there may have been none.

10 Q. Okay. And when is the first time that you  
11 recall that you had an executive vice-president?

12 A. Probably 2008.

13 Q. Okay. And who -- executive vice-president,  
14 I'm not much of a corporate kind of guy, so executive  
15 vice-presidents are typically executive vice-presidents of  
16 HR, some kind of functional --

17 A. Actually, often those are senior  
18 vice-presidents. The executive vice-president, our company  
19 has a broader operational role across --

20 Q. would the title just be executive  
21 vice-president?

22 A. It could be.

23 Q. Well, going to the first quarter of 2008, how  
24 many executive vice-presidents did you have?

25 A. One.

1 Q. And what was that title?

2 A. Executive vice-president, utility operations;  
3 John Marshall was the individual.

4 Q. Okay. And then the senior management was the  
5 same individuals plus the other vice-presidents. How many  
6 other vice-presidents -- and going back to the first quarter  
7 of 2006, how many other vice-presidents would there be?

8 A. Are you referring to the company in total --

9 Q. I --

10 A. -- or the executive oversight committee?

11 Q. I'm talking about company. I'm trying to  
12 figure out who constitutes senior management.

13 A. The senior management is the group that you  
14 just mentioned. The vice-presidents would not be considered  
15 senior management. They might have been included -- some  
16 vice-presidents, as I think I've indicated before, may have  
17 been included on the executive oversight committee for  
18 specific reasons.

19 Q. Well, I'm looking at page 2 of your direct,  
20 and it says, "Senior management consists of the same  
21 individuals plus the company's other vice-presidents." It's  
22 line 17, I think.

23 A. I see what you're saying. The officer group  
24 constitutes the senior group of executives in the company and  
25 we -- we subdivided a bit.

1 Q. Let me rephrase. I think I'm getting a little  
2 better feel. In the first quarter of 2006, who constituted  
3 senior management?

4 A. I believe my statement there indicates the  
5 chairman and myself, the CFO. And it says executive  
6 vice-presidents. Could have said senior vice-presidents.  
7 That's probably a correction.

8 Q. Okay. That's the --

9 A. Mr. Easley was a senior vice-president at the  
10 time.

11 Q. Right. So you would have considered him  
12 executive management?

13 A. Yes.

14 Q. And who would have been considered senior  
15 management? I take it that's a step lower?

16 A. Yes, so that would include the other corporate  
17 officers who might be corporate vice-presidents. Lora  
18 Cheatum was a vice-president.

19 Q. How many vice-presidents? And I'm not going  
20 hold you to it.

21 A. I don't remember the exact number, six to  
22 eight.

23 Q. Okay. That's helpful. And then the executive  
24 oversight committee would have been drawn from that group?

25 A. That's correct.

1 Q. And was there a finite number of people on  
2 the -- I mean, on the executive oversight committee?

3 A. No, and it adjusted over time depending on the  
4 roles people played, changes that were made in management.

5 Q. On page 4, you state that in the summer of  
6 2005, you named Steve Easley, who is the senior  
7 vice-president of supply -- actually, you say you place the  
8 CE projects under his control. For purposes of the CEP  
9 projects, as the head of that, would he have had -- would he  
10 have been chair of the project team? How would he have been  
11 referenced as -- as head of the CEP projects?

12 A. He had direct line authority over the  
13 functional -- or the people who were doing the project.

14 Q. Okay. And in his capacity as head of the CEP,  
15 to whom did he directly report?

16 A. He was not head of the CEP. I chaired the  
17 CEP. CEP was a policy-level oversight group. Mr. Easley had  
18 direct authority -- direct line authority for the work.

19 Q. Okay. And who were his direct reports, say in  
20 the first -- late 2005, early 2006?

21 A. Mr. Grimwade, who was senior director for the  
22 comprehensive energy planned projects would have reported  
23 directly to Mr. Easley.

24 Q. And would that have been his only direct  
25 report, with respect to the projects?



1 A. I believe so.

2 Q. Would Mr. Easley at that stage still have had  
3 other people as direct reports who weren't project related?

4 A. Yes, he would.

5 Q. Okay. And would that have included other  
6 vice-presidents?

7 A. I can't recall his exact organization, but  
8 very likely, yes.

9 Q. Okay. So if I understand the EOC was -- I  
10 don't want -- it changed as time went on and as circumstances  
11 warranted, is that safe to say?

12 A. Yes.

13 Q. I also understand that it -- the membership  
14 was not determined ex-officio, that is if you were the VP of  
15 this or the VP of that, you were on the EOC. That was  
16 something -- people were selected individually for their  
17 individual strengths and so forth to be on the EOC; is that  
18 correct?

19 A. Yes.

20 Q. Okay. Now, in -- I didn't notice in your  
21 testimony any definition or description of the project team,  
22 the Iatan project team. I have in front of me a March 31,  
23 2006, comprehensive energy plan report where some names are  
24 listed. If it's not HC -- but it lists, for instance, John  
25 Grimwade as senior director of construction projects.

1 A. Yes.

2 Q. And when was Mr. Grimwade a member of the  
3 project team, his dates?

4 A. I don't recall the exact dates, although he  
5 was part of the initial organization as we were launching it.  
6 He would have been the first head of the projects.

7 Q. Okay. And operationally, anyone working -- he  
8 was at the top of the chain of command of anyone who was  
9 working on the Iatan projects?

10 A. Yes.

11 Q. Okay. It lists Terry Murphy as director of  
12 construction, Iatan 2. When was Terry Murphy there?

13 A. Pardon me, I'm -- keeping dates in my head is  
14 interesting. Mr. Murphy would have joined us in February of  
15 2006.

16 Q. Okay. And he didn't stay for the entirety of  
17 the project?

18 A. No, he was there briefly.

19 Q. And when he left, would it have been likely he  
20 would have been replaced on the project team?

21 A. That's correct.

22 Q. And would it -- whoever replaced him also have  
23 been director of construction?

24 A. Yes.

25 Q. Okay. Jeffrey Fleenor, when -- was he there

1 the entire project time?

2 A. No, he was initially the head of  
3 engineering --

4 Q. Okay.

5 A. -- for the project.

6 Q. Steven Jones, procurement manager, and we've  
7 had him yesterday, I don't need -- David Darevan (phonetic),  
8 who's identified as the start up manager of Iatan 2. I  
9 wouldn't assume he was very active at that stage.

10 A. No.

11 Q. Okay.

12 Q. But he was on the team?

13 A. Yes.

14 Q. And then it has remaining staff positions,  
15 project controls manager, cost engineer, lead scheduler,  
16 major project leads, electrical, mechanical, et cetera, and  
17 safety manager, those would have been people who reported to  
18 one of the above, one of the earlier, Mr. Murphy, Mr.  
19 Fleenor, Mr. Jones and Mr. Darevan?

20 A. Yes.

21 Q. Okay. So, the impression that I have is that  
22 Grimwade, Murphy, Fleenor, Jones, Darevan were the management  
23 level -- senior management level of the project and then  
24 there were other managers of individual functions who  
25 reported to them and likely people under those, would that be

1 accurate?

2 A. Yes.

3 Q. Okay. And on the same page, it says Burns &  
4 McDonnell owners engineers, but Burns & McDonnell was never  
5 considered part of the project team, were they?

6 A. They were owners engineer for the project and  
7 they also provided additional supplemental staff.

8 Q. Right, but the KCP&L project was KCP&L  
9 employees?

10 A. That's correct.

11 Q. Okay. Thank you. I'm not done, but thank  
12 you.

13 A. That was a good fake, though.

14 Q. I got your hopes up. Do you have your  
15 testimony with you?

16 A. I do.

17 Q. Sorry. Now would you look at page 77?

18 A. Of my direct?

19 Q. Of rebuttal. I'm in rebuttal. What you say  
20 on line 16 is -- and I'll read it -- "The CBE has been the  
21 basis for comparing the Project's cost velocity and variances  
22 since that time that," time being December of 2006?

23 A. Uh-oh. I think I've got the highly  
24 confidential version. What line, 16?

25 Q. Lines 16 and 17 on page 77 of your rebuttal.

1 A. And what's the sentence again?

2 Q. "The CBE," do you have that?

3 MR. HATFIELD: May I approach, Judge, just to  
4 make sure?

5 JUDGE PRIDGIN: You may.

6 THE WITNESS: Okay.

7 BY MR. SCHWARZ:

8 Q. So, that's your testimony there, "the CBE is  
9 the basis for comparing the Project's cost velocity and  
10 variance since" December of 2006?

11 A. Yes.

12 Q. Okay. Now, if you would turn to the last line  
13 on page 44 of that rebuttal testimony, carrying over to the  
14 second line.

15 A. Let me just get organized here.

16 Q. Well you're not a lawyer, it shouldn't take  
17 you as long. Are you a lawyer?

18 A. No, I am not.

19 MR. WILLIAMS: Mr. Schwarz, is what you're  
20 referring to designated as HC?

21 MR. SCHWARZ: It is indeed.

22 THE WITNESS: Page 44, line. --

23 BY MR. SCHWARZ:

24 Q. It's line 23, that sentence, and going over to  
25 the next page.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

MR. SCHWARZ: I'm going to ask a question, I think it involves HC material. I'd ask that we go in-camera.

JUDGE PRIDGIN: All right. Just a moment, please.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

JUDGE PRIDGIN: We are back in public forum,  
Mr. Schwarz, when you're ready.

MR. SCHWARZ: I do not have much more.

BY MR. SCHWARZ:

Q. You were here in the room when I went over the  
CBE with Mr. Giles, were you not?

A. I believe I was.

Q. And if I ask you those same questions, your

1 answers would be essentially the same as his?

2 A. I'm not quite sure how to answer that.

3 Q. Well, and that's a perfectly good answer.

4 Have you had a chance to look at it?

5 A. Yes.

6 Q. And would you agree that on line 10, the  
7 project costs without contingency and financing as of the  
8 December 6 CBE was 1 billion, 465 million?

9 MR. HATFIELD: And Judge, I'm sorry to  
10 interrupt. Just to keep our record clear, can we refer to it  
11 by exhibit number?

12 MR. SCHWARZ: This is the CBE that is in  
13 Mr. Grabinski's Schedule 2.

14 MR. HATFIELD: Thank you, Mr. Schwarz.

15 THE WITNESS: That's what this document says.

16 BY MR. SCHWARZ:

17 Q. Is there any doubt in your mind that this is  
18 the 2006 CBE that was provided to Mr. Drabinski by KCP&L?

19 A. I've none seen it before. It hasn't crossed  
20 my desk.

21 Q. You haven't seen the 2006 CBE?

22 A. I did, I haven't seen this piece of paper.

23 Q. Okay. And that's fine. All right.

24 A. I don't disagree with the number on it.

25 Q. Yes. And under number seven, it has



1 provisions for escalation of three items and it indicates  
2 that they're included in the numbers.

3 A. Yes.

4 Q. And the same for number eight down there,  
5 second from the bottom, it has an indication that escalation  
6 on indirects is included in that number?

7 A. Yes.

8 Q. And if you tot up the owner's contingency and  
9 low probability high impact contingency under number 10, that  
10 totals \$220 millions?

11 A. Yes.

12 Q. And the grand total is one billion, six  
13 hundred eight-five million?

14 A. Yes.

15 Q. And it is -- the buck stops with you as far as  
16 KCP&L is concerned, does it not, sir?

17 A. Yes.

18 Q. And it is the company's position, despite the  
19 various apparently personal positions espoused by other  
20 witnesses, it is the company's position this document is the  
21 definitive estimate required by the regulatory agreement?

22 A. The number is the definitive estimate.

23 Q. Do you recall when you alerted the partner --  
24 the partners in the Iatan project of the change from the  
25 partner closing to the December 6 estimate?

1 A. I do not recall those specific dates.

2 Q. Okay. Okay.

3 MR. SCHWARZ: I think that's all that I have.

4 Thank you, sir.

5 JUDGE PRIDGIN: Mr. Schwarz, thank you.

6 Mr. Mills.

7 MR. MILLS: Thank you.

8 CROSS-EXAMINATION

9 QUESTIONS BY MR. MILLS:

10 Q. Mr. Downey, just to follow-up with a couple of  
11 questions on that same document, if you take -- Mr. Schwarz  
12 had you look at line number ten, which is the project costs  
13 without contingency and financing, and that totals 1 billion  
14 465 million; is that correct?

15 A. Yes.

16 Q. Now, do you see that the first item under  
17 number eight, the railcars?

18 A. I do.

19 Q. And as the project developed, KCP&L did not  
20 actually buy those railcars; is that correct?

21 A. That's correct.

22 Q. So -- and you can either do the math or take  
23 my word for it, but if you take the 37 million away from the  
24 1 billion, 465 million that's shown on line ten, you would  
25 have 1 billion, 428 million. Do you either agree with it or

1 accept it?

2 A. The math sounds about right.

3 Q. Ultimately, Iatan 2 will come in at about 1.9  
4 billion or a little bit more; is that correct?

5 A. Yes.

6 Q. Roughly half a billion dollars higher than we  
7 just talked about without the railcars, correct?

8 A. Off of which number, the 1,465?

9 Q. Taking the railcars out --

10 A. But you're not putting the contingency --

11 COURT REPORTER: One at a time, please.

12 BY MR. MILLS:

13 Q. You're absolutely correct, I'm not including  
14 the contingency in that number.

15 A. Sounds about right.

16 Q. Okay. Where did that half a billion dollars  
17 go and why?

18 A. Well, I think we have a number of witnesses,  
19 and particularly Mr. Archibald and Dan Meyer, who will walk  
20 through that in great detail. There are many puts and takes  
21 to this original budget and they can go through all of them  
22 painfully for you, but they fall into a series of categories  
23 including design maturity, price escalation, scope growth,  
24 among others.

25 Q. And how much of that half a billion is in each

1 of those three?

2 A. I would say that the largest part is in design  
3 maturation. And there's a pie chart somewhere in somebody's  
4 testimony, I think probably Mr. Meyer's that will go through  
5 all that.

6 Q. Now, is it your understanding that you -- that  
7 as the progress -- as the project goes on, that you would  
8 write somebody a check labeled design maturation?

9 A. No, I think that the category comes from very  
10 detailed analysis, particularly as we reforecasted multiple  
11 times as the project progressed. These were analytical  
12 frameworks that helped us to understand the changes that were  
13 occurring in the project.

14 Q. Okay. So with more specificity, what sorts --  
15 what specific changes under design maturation and how much of  
16 that encompasses the half a billion dollars?

17 A. As I said, I don't have a number in my head.  
18 It's in Mr. Meyer's testimony and Mr. Archibald's.

19 Q. From your broad perspective as the CEO, what  
20 is your understanding, where did that half a billion dollars  
21 go and why?

22 A. Design maturation, which transferred into  
23 growth and quantities, growth in the labor that installed  
24 those quantities was a principle driver, scope growth in the  
25 project as the design matured and we -- there was new

1 understanding about new things that had to be done and added  
2 to the work, that was another category. Price escalation,  
3 2006, '7, saw enormous price escalation in this whole  
4 construction arena, so that was another driver.

5 Q. Let me stop you there. Is there not several  
6 lines for escalations already in that number that we're  
7 talking about, that 1.4?

8 A. And we would have referred to those as  
9 known-unknowns. For example, in 2005 and '6 when we were  
10 putting escalation numbers in for price, we would have been  
11 looking at what we knew from traditional cost escalation.  
12 But it turned out that '6 and '7 were anything about normal.  
13 If you look backward and tried to forecast price escalation  
14 in 2006, 2007, you'd have been totally inaccurate.

15 Q. Okay.

16 A. Because the industry experienced something we  
17 were not aware of when we were doing the original estimates.

18 Q. So what prices escalated?

19 A. Virtually every component, every piece of  
20 material that went into the plants.

21 Q. Okay.

22 A. There were 124 plants where orders were placed  
23 in this time frame. One utility even announced 11. Now,  
24 they all were subsequently not built, but the market in this  
25 period of time became bizarre and prices escalated wildly. I

1 think in 2007, prices in general on this stuff escalated 40  
2 percent.

3 Q. But you had some of this stuff under contract?

4 A. We did.

5 Q. Okay. And you had some escalations already  
6 built into this estimate?

7 A. Yes.

8 Q. Now, I believe you said that the largest  
9 category was design maturation.

10 A. Yes.

11 Q. Isn't a layman's -- isn't it accurate that a  
12 way to describe design maturation from a layman's point of  
13 view is we now know more than we did when we started?

14 A. I think that's one way of looking at it. For  
15 a person who's not involved in power plants, if you think  
16 about when you redo your kitchen, and you know, you and your  
17 wife set the original budget and then you get into the job --  
18 having personally experienced this myself, I remember the  
19 overrun. You know, that's the kind of thing that happens.  
20 You get into the job and things happen and the complexity of  
21 this facility is enormous. And so during that maturation,  
22 you learn a lot of things and things change and you see that  
23 kind of growth.

24 Q. And isn't the point of escalations to try to  
25 deal with some of that, at least?

1 A. Yes.

2 Q. Okay. Now as you pointed out, the numbers  
3 that I've been talking about did not include the \$220 million  
4 worth of contingencies. But ultimately the plant came in  
5 significantly above even the numbers for the contingencies;  
6 is that not correct?

7 A. Fifteen percent.

8 Q. In terms of dollars, that is several hundred  
9 million, correct?

10 A. Yes.

11 Q. Do you have in your own mind a breakdown of  
12 the amounts that are over and above even the contingencies  
13 included in the control budget estimate or do you look at it  
14 more of a point from numbers above the line items here? Is  
15 that question clear to you?

16 A. No.

17 Q. It's probably not. I can tell from your  
18 expression that it wasn't. There was a -- this number that  
19 we've been talking about that doesn't include the  
20 contingencies, and the contingencies really are unspecified,  
21 they are the unknown-unknowns. When you try to, in your own  
22 mind, track where the overruns went, do you make any  
23 distinction between the numbers that are assigned to that  
24 contingency amount and the overruns that are above the  
25 contingency amount?

1           A.       I don't believe that I do. I know, for  
2 example, that in the purchasing that we did on a lot of the  
3 engineered products, that the end result was very close to  
4 our original budget. So the escalation occurred on a number  
5 of those other things. But I don't break it out. I don't  
6 have in my head a sort that tries to end that. You have to  
7 go through multiple iterations to get there.

8           Q.       And just in conclusion, have I given you an  
9 adequate opportunity for you to tell me how you understand  
10 where that half a billion dollars went and why?

11          A.       Well, I gave you some general categories of  
12 area. And as we work through the project, each and every  
13 week, each and every month, you know, I think we -- I and the  
14 members of the team had a good understanding of where costs  
15 were growing and why. And I've tried to summarize them in a  
16 couple of key categories for you.

17          Q.       And I guess my next question will be, then:  
18 Can you give me as much detail now as you possibly can,  
19 please?

20          A.       I don't have in my head or I don't have in  
21 front of me the whole group of things. I've given you the  
22 general categories and I am not sure what kind of detail you  
23 want.

24          Q.       As much detail as you have in your head.

25          A.       This is a \$1.9 billion project over five years



1 with lots of growth in lots of different areas. I've  
2 summarized it at a high level for you.

3 MR. MILLS: Those are all the questions I  
4 have, thank you.

5 JUDGE PRIDGIN: Mr. Mills, thank you.  
6 Mr. Williams.

7 MR. WILLIAMS: Thank you, Judge. I have  
8 several questions, in fact.

9 CROSS-EXAMINATION

10 QUESTIONS BY MR. WILLIAMS:

11 Q. Mr. Downey, why are projects sometimes started  
12 before design is completed?

13 A. Because the decision is made that it's prudent  
14 to do that. It takes into account the environment in which  
15 you're doing it and it's best practice on very large  
16 projects, particularly with long lead time, items to do that.

17 Q. Well, is one of the reasons to avoid price  
18 escalations by locking into prices?

19 A. Yes.

20 Q. And wasn't that one of the reasons Kansas City  
21 Power & Light Company gave for fast tracking the Iatan  
22 project?

23 A. It was an important reason, yes.

24 Q. Was that reason accomplished?

25 A. I believe so for a significant part of the

1 project.

2 Q. Kansas City Power & Light Company hired  
3 Dr. Neilsen to review the Iatan project costs, did it not?

4 A. Yes.

5 Q. And Dr. Neilsen recommended some  
6 disallowances, did he not?

7 A. Yes.

8 Q. Why didn't Kansas City Power & Light -- or did  
9 Kansas City Power & Light accept those disallowances?

10 A. I believe that we, you know, we put his  
11 testimony forward, obviously, but we had disagreements with  
12 some of the conclusions.

13 Q. Why didn't you accept his disallowances?

14 A. Because our -- our own team of experts  
15 disagreed.

16 Q. What was the basis of the disagreements other  
17 than the dollar amount?

18 A. I think Brent Davis, who was up before,  
19 testified and there were decisions made and there was a  
20 different point of view with regard to those decisions.

21 Q. Who made the decision to accept or reject  
22 Dr. Neilsen's recommendations on disallowances for Iatan  
23 costs?

24 A. I believe the collective wisdom of the team  
25 came together, and as we presented that testimony, we felt we

1 went with the positions of the experts that we had in our own  
2 group. There were two decisions that were involved in each  
3 case. There was an interpretation of our own management team  
4 that was different from Dr. Neilsen's.

5 Q. Who were the -- who were the members of the  
6 team? You're referring to "team."

7 A. The project leadership team in particular. I  
8 think Mr. Davis, for example, had some disagreements with the  
9 disallowances that Dr. Neilsen recommended.

10 Q. So Mr. Davis made the decision about whether  
11 to accept the disallowances?

12 A. No, he made the case and it was accepted.

13 Q. And who was it that he made the case to, the  
14 individuals or individual?

15 A. Well, generally, ultimately it rests with me  
16 as to how we present it, but also our regulatory team and  
17 general counsel and group that's involved in coming forth on  
18 these cases.

19 Q. So if I understand you correctly, ultimately  
20 you made the decision?

21 A. Ultimately.

22 Q. Is that a yes?

23 A. Yes.

24 Q. Give me a minute here. Mr. Downey, have you  
25 taken any college courses or do you have a college degree in

1 project management?

2 A. No, I do not.

3 Q. Have you taken any college courses or do you  
4 have a college degree in project cost management?

5 A. No, I do not.

6 Q. Have you taken any college courses or do you  
7 have a college degree in project integration?

8 A. No, I do not.

9 Q. Have you taken any college courses or do you  
10 have a college degree in project schedule management?

11 A. No, I do not.

12 Q. Have you taken any college courses or do you  
13 have a college degree in project time management?

14 A. No, I do not.

15 Q. Have you taken any college courses or do you  
16 have a college degree in project quality management?

17 A. No, I do not.

18 Q. Have you taken any college courses or do you  
19 have a college degree in project procurement management?

20 A. No, I do not.

21 Q. Have you taken any college courses or do you  
22 have a college degree in project risk management?

23 A. No, I do not.

24 Q. Are you a project management professional?

25 A. No, I'm not.

1 Q. Are you familiar -- do you know what a project  
2 management professional is?

3 A. Yes.

4 Q. What is it?

5 A. It's someone with a certification with regard  
6 to the skills and the educational component of techniques for  
7 managing large, complex projects or even small projects.  
8 There's a discipline to it and they're trained in courses for  
9 it and certifications.

10 Q. Have you taken any of those courses or  
11 training?

12 A. No, I have not.

13 Q. Do you know who issues that certification?

14 A. I don't.

15 Q. Do you consider yourself an expert on matters  
16 of accounting?

17 A. No.

18 Q. Do you consider yourself an expert on matters  
19 of auditing?

20 A. No, I do not.

21 Q. Do you consider yourself to be an expert on  
22 matters of cost accounting?

23 A. No, I do not.

24 Q. Do you consider yourself to be an expert on  
25 matters of cost engineering?

1 A. No, I do not.

2 Q. Back whenever the Iatan project was started,  
3 what was the scope of your responsibilities with Kansas City  
4 Power & Light Company?

5 A. I was the president and chief executive  
6 officer of Kansas City Power & Light, the operating company,  
7 and I was president and chief operating officer of our  
8 holding company, Great Plains Energy.

9 MR. WILLIAMS: Judge, may I have an exhibit  
10 marked?

11 JUDGE PRIDGIN: You may.

12 (Exhibit No. 253 was marked for identification  
13 by the Court Reporter.)

14 MR. WILLIAMS: May I approach the witness?

15 JUDGE PRIDGIN: You may.

16 BY MR. WILLIAMS:

17 Q. Mr. Downey, I'm providing you a copy of what I  
18 believe has been marked as KCP&L 253. would you take a look  
19 at that exhibit, if you have not already?

20 A. I have.

21 Q. And do you recognize it?

22 A. I do.

23 Q. what is it?

24 A. It's an organizational chart dated December,  
25 2009.

1 Q. And does it accurately reflect the  
2 organization of Kansas City Power & Light Company at the date  
3 shown in December of 2009?

4 A. Yes.

5 MR. WILLIAMS: I would like to offer Exhibit  
6 KCP&L 253 at this time.

7 JUDGE PRIDGIN: 253 is offered, any  
8 objections?

9 MR. HATFIELD: No, sir.

10 JUDGE PRIDGIN: KCP&L 253 is admitted.

11 (Exhibit No. 253 was received into evidence.)

12 BY MR. WILLIAMS:

13 Q. Now, turning your attention to that exhibit,  
14 on the level at which your name appears as president and  
15 chief operating officer, on that same level, is Mr. Bassham  
16 shown as executive vice-president, finance and strategic  
17 development, chief financial officer?

18 A. Yes.

19 Q. And is W.G. Riggins shown as general counsel  
20 and chief legal officer?

21 A. Yes.

22 Q. And is B.B. Curry shown as senior  
23 vice-president, human resources and corporate secretary?

24 A. Yes.

25 Q. And they're all at the same level as you were

1 at that point in time in that organization chart, are they  
2 not?

3 A. I'm not sure what you mean by that. No,  
4 they're not. I mean, because they are on the same line in  
5 the org chart?

6 Q. Well, what do those lines in the  
7 organizational chart reflect?

8 A. Well, it's a typical organizational chart, but  
9 you said "same level." I'm not sure what you mean by  
10 "level."

11 Q. Well, you-all reported to the chairman and  
12 chief executive officer, Mr. Chesser, did you not?

13 A. Yes.

14 Q. Did you have the same levels of responsibility  
15 or were they different?

16 A. They were different.

17 Q. And how were they different?

18 A. I was the chief operating officer and all the  
19 utility operations reported to me, up through me. And  
20 Mr. Bassham, as is fairly typical in organizations, had the  
21 financial organization reporting to him. Mr. Riggins was  
22 the -- had the legal organization, and some other additional  
23 duties reporting to him. But the operating organization  
24 reported to me. Barbara Curry was the head of human  
25 resources and corporate secretary.



1 Q. So how would you rank the hierarchy of  
2 Mr. Bassham, Mr. Riggins, yourself and Ms. Curry?

3 A. Mr. Bassham was head of the financial  
4 organization. I was the number two executive and still am in  
5 the company. I'm also a member of the board of directors of  
6 the company along with Mr. Chesser.

7 Q. So are you saying that you were at a level  
8 above the other -- Mr. Bassham and Mr. Riggins and Ms. Curry  
9 at that time?

10 A. Yes.

11 Q. Has the level of responsibility you have had  
12 at Kansas City Power & Light Company changed during the  
13 period of the Iatan construction project?

14 A. When we acquired Aquila and --

15 MR. WILLIAMS: Judge, I believe that question  
16 calls for a yes-or-no response.

17 JUDGE PRIDGIN: Are you able to answer that  
18 question yes or no?

19 THE WITNESS: Would you repeat the question?

20 BY MR. WILLIAMS:

21 Q. Has your level of responsibility at Kansas  
22 City Power & Light Company changed since this organization  
23 chart in December of 2009?

24 A. Yes.

25 Q. And has it declined during the period of the

1 Iatan project?

2 A. No, it's different.

3 Q. And how is it different?

4 A. We acquired an additional company and at that  
5 time the company elected to consolidate our structure to  
6 incorporate the new -- we eliminated a -- an unregulated  
7 company and we put together two regulated companies.

8 And in that process, Mr. Chesser and I changed  
9 positions relative to the -- the utility, function of the  
10 utility operating companies. My position at the holding  
11 company level did not change, we changed responsibilities  
12 inside the operating companies.

13 Q. And I -- I'm going to ask you some further  
14 questions to clarify because I don't fully understand your  
15 answer. Whenever you talk about acquiring another company,  
16 are you talking about Great Plains Energy's acquisition of  
17 Aquila?

18 A. Yes.

19 Q. And are you talking about the merger of Aquila  
20 and Kansas City Power & Light Company or something else?

21 A. No, that's what I'm talking about, the merger  
22 of those two companies.

23 Q. Well, it's my understanding they have not  
24 merged is my understanding --

25 A. Well, I used the word "acquisition." You used

1 the word "merger," so I --

2 Q. well, I'm not trying to put words in your  
3 mouth. If I've misspoken, let me know.

4 A. I said that we've acquired.

5 Q. well, you said that you acquired and you  
6 talked about merging the company, so I was trying to  
7 understand what you meant by that?

8 A. We acquired, and we have -- we have  
9 functionally put a lot of things together.

10 Q. So operationally, there have been a lot of  
11 mergers, is that what you're saying?

12 MR. HATFIELD: Judge, I'm going to object as  
13 not relevant to anything we're here to talk about today.

14 JUDGE PRIDGIN: Mr. Williams?

15 MR. WILLIAMS: I think the scope of what  
16 Mr. Downey does is relevant to what we're doing here today  
17 and that also reflects on his -- the attention he can put to  
18 Iatan 2 as well as what he's doing at Kansas City Power &  
19 Light Company. And we do have both companies involved in the  
20 cases here in front of the Commission.

21 JUDGE PRIDGIN: I'll overrule.

22 THE WITNESS: would you repeat your question?

23 MR. WILLIAMS: I would if I could.

24 COURT REPORTER: "So operationally, there have  
25 been a lot of mergers, is that what you're saying?"

1 THE WITNESS: A lot of mergers where?

2 BY MR. WILLIAMS:

3 Q. Well, let me ask it this way: who provides  
4 the operation services for Kansas City Power & Light and  
5 Greater Missouri Operations Company, which is the successor  
6 name of Aquila?

7 A. Yes, the leadership team was consolidated into  
8 a single leadership team. I hold the positions -- similar  
9 position for GMO to this one. We function as a single  
10 management team for both organizations.

11 Q. So you're saying your responsibilities have  
12 expanded because you're also providing the same function for  
13 KCP&L's Greater Missouri Operations Company?

14 A. It's a bigger set of operations, yes.

15 Q. Well, setting aside what you do for KCP&L  
16 Greater Missouri Operations Company and just focusing on  
17 Kansas City Power & Light Company alone, have your  
18 responsibilities changed since December of -- well, during  
19 the Iatan construction project, which is roughly a five-year  
20 period, have your responsibilities at Kansas City Power &  
21 Light Company itself changed?

22 A. In 2008, when we acquired Aquila, we -- we  
23 made these changes with Mr. Chesser myself.

24 Q. And what are those changes you're referring  
25 to?

1           A.       Mr. Chesser previously had been chief  
2 executive officer of our holding company. And ever so often,  
3 not only the regulated operations of KCP&L, which -- and I  
4 reported to him in that instance, but we also had an  
5 unregulated retail electric supply business that had sales in  
6 excess of a billion dollars and he oversaw that and there was  
7 a separate CEO of that business who reported in to him as  
8 well.

9                       when we sold that business and became  
10 primarily regulated in the acquisition of Aquila, he took  
11 responsibility as CEO of not only the holding company but the  
12 utilities, which we have been operating off of a common brand  
13 name and common operations.

14           Q.       And what is that common brand name?

15           A.       KCP&L.

16           Q.       Are you aware of the \$125 million advanced  
17 coal federal income tax credit that Kansas City Power & Light  
18 Company received from the Internal Revenue Service for  
19 Iatan 2?

20           A.       Yes.

21           Q.       Did not the Empire District Electric Company  
22 seek allocation of a portion of that coal tax credit for  
23 Iatan 2 based on its ownership interest in Iatan 2?

24           A.       Yes.

25           Q.       And wasn't it successful in obtaining that

1 allocation?

2 A. It did obtain that allocation.

3 Q. Do you know why KCP&L Greater Missouri  
4 Operations Company did not seek for a portion of the coal tax  
5 credit for Iatan 2 to be allocated to it based on its  
6 ownership interest in Iatan 2?

7 A. I'm not the expert on that, but I believe we  
8 applied for that prior to the acquisition and feel it's  
9 appropriate where it is.

10 Q. who are "we?"

11 A. The company.

12 Q. who is the company?

13 A. well, we have tax experts involved. I'm not  
14 the tax expert of the company.

15 Q. well, you're --

16 A. I do think Melissa Hardesty will be testifying  
17 and she would probably be the appropriate one to answer that  
18 question.

19 MR. HATFIELD: Judge, if I could just  
20 interject briefly. That issue is actually in the GMO only  
21 part of the case. I don't want to object to these questions  
22 because Mr. Downey is here to answer whatever questions you  
23 have during this portion of the case, but just in case the  
24 Commissioners were wondering, there are witnesses on that  
25 schedule to discuss that in a GMO only portion.