

1 We ask the Commission to question the  
2 witnesses. Please don't pass on any of those folks.  
3 They're all important to the process. They've all  
4 filed testimony and they all can explain the important  
5 issues the Commission faces. Thank you very much.

6 JUDGE PRIDGIN: Mr. Hatfield, thank you.  
7 Is there any other party who wishes to give a mini  
8 opening on Iatan?

9 All right. Hearing none, would Mr. Blanc  
10 then be the first witness for KCP&L?

11 MR. FISCHER: Yes, sir.

12 JUDGE PRIDGIN: All right. Mr. Blanc, if  
13 you'd come forward and be sworn, please. If you'll  
14 raise your right hand to be sworn, please.

15 (Witness sworn.)

16 JUDGE PRIDGIN: Thank you, very much,  
17 sir.

18 Mr. Fischer, when you're ready.

19 (KCP&L Exhibit Nos. 7, 8 and 9 were  
20 marked for identification.)

21 CURTIS BLANC, having been sworn, testified as follows:

22 DIRECT EXAMINATION BY MR. FISCHER:

23 Q. Yes. Please state your name.

24 A. Curtis Blanc.

25 Q. Are you the same Curtis Blanc that

Appendix  
QQ

1 appeared yesterday and sponsored testimony on overview  
2 issues?

3 A. I am.

4 Q. Does some of your testimony, which I  
5 think is included in Exhibit -- KCP&L Exhibits 7, 8  
6 and 9, discuss Iatan-related issues?

7 A. It does.

8 MR. FISCHER: Judge, I would tender the  
9 witness to be crossed on Iatan-related issues.

10 JUDGE PRIDGIN: All right. Mr. Fischer,  
11 thank you. Let me again try to speed things up.  
12 Ms. Ott, you'll have cross?

13 MS. OTT: Yes.

14 JUDGE PRIDGIN: All right. Mr. Mills?

15 MR. MILLS: I have no cross.

16 JUDGE PRIDGIN: Mr. Schwarz. Anyone  
17 else? All right. Mr. Schwarz, when you're ready,  
18 sir.

19 CROSS-EXAMINATION BY MR. SCHWARZ:

20 Q. Mr. Blanc, good morning, sir.

21 A. Good morning.

22 Q. Are the costs for the Iatan unit 1  
23 project final and complete as we sit here today?

24 A. I would say nearly 100 percent. Forrest  
25 Archibald would be a witness that would be able to

1 give you -- I don't know if down to the penny, but  
2 down to the dollar what has been incurred versus  
3 what's to be incurred.

4           what I can tell you is that the  
5 control -- the current estimate to complete that we  
6 provided was \$484 million and we believe we'll come in  
7 under that. But as far as the details of how much  
8 under we anticipate to do that, Mr. Archibald can give  
9 you that number.

10           Q. But the answer to my question then is no?  
11 As we approach the second birthday of the in-service  
12 of Iatan unit 1, the calculation of the cost is not  
13 100 percent complete?

14           A. I would say it's nearly 100 percent  
15 complete.

16           Q. That's a no?

17           A. My answer --

18           Q. It's not complete, is it?

19           A. No, it's near--

20           MR. FISCHER: Asked and answered.

21           MR. SCHWARZ: Thank you, Judge. I'm  
22 sorry. I'm sorry.

23           JUDGE PRIDGIN: That's all right.

24 BY MR. SCHWARZ:

25           Q. And what about Iatan unit 2 costs? Are

1 those completes as -- as we sit here today?

2 A. No.

3 Q. So is it fair to say that all of the  
4 parties to this case, as well as the Commission, at  
5 some point in the future to finally establish costs to  
6 be included in rate-base for these two projects will  
7 have to be considering both Iatan unit 1 and Iatan  
8 unit 2 in the future?

9 A. I'd say the Commission addressed that as  
10 part of our last rate case. And in the procedural  
11 schedules as things have gone along, I think they've  
12 drawn pretty clear demarcations. In this case, for  
13 example, the true-up date is December 31st, 2010 and  
14 so any costs incurred prior to that are included and  
15 to be resolved as part of this case. But to your  
16 point, any cost incurred after December 31st, 2010,  
17 will have to be addressed at a later time.

18 Q. Thank you. So that all parties will have  
19 to address at least a very small part of Iatan 1 and  
20 probably a bigger part of Iatan 2 in the future?

21 A. Any costs incurred after December 31st,  
22 2010.

23 Q. Thank you. What's your understanding of  
24 the prudence definition as it's being applied in this  
25 case to the costs incurred for the construction

1 projects at Iatan 1 and Iatan 2?

2 A. Sure. I'm not here to testify as a  
3 lawyer, but I think as has been explained, that  
4 ultimately the company has the burden of proof to show  
5 that its rates are just and reasonable. However, I  
6 believe as the wolf creek Supreme Court decision talks  
7 about in the context of construction prudence audit,  
8 that the other parties have to raise a serious doubt  
9 that an expenditure is imprudent before the company is  
10 put in the position of having to prove that -- that  
11 no, that expenditure was prudent.

12 Q. And what is the standard that will be  
13 employed when -- when gauging whether the costs and  
14 the activities which cause them are prudent or not  
15 prudent?

16 A. Yeah, I would defer to Dr. Nielsen on  
17 that. He is our prudence expert and has a lot of  
18 experience in that area.

19 Q. You have no opinion? You don't know what  
20 the prudence standard is?

21 A. Well, I think it's a -- as described by  
22 Dr. Nielsen in his testimony it's what a reasonable  
23 person would do knowing what they knew at the time the  
24 decision was made and so it's really kind of a  
25 two-part analysis. First, you have to look at was

1 there a decision or action that was imprudent based on  
2 that standard. And then step two, you have to  
3 quantify if there was any impact on the project from  
4 that decision or act.

5 Q. So for a -- a decision or -- or process  
6 that occurred in the year say 2006 or 2007, an action  
7 by the Commission in 2011 would have no bearing on the  
8 prudence or imprudence of a decision in that time  
9 frame?

10 A. I'm not sure what you mean by "action by  
11 the Commission" at this time.

12 Q. Any action by the Commission in 2011  
13 cannot affect the circumstances of the decision in  
14 2006 or 2007?

15 A. No. The company should be judged based  
16 upon what it knew at the time the decision was made.

17 Q. Very good. So the impact on shareholders  
18 of a Commission disallowance in this case has -- has  
19 no relevance or materiality to decisions taken in 2006  
20 and 2007?

21 A. Well, I can't speak for how the  
22 Commission makes its decisions, but I believe they are  
23 in the position of having to balance interests between  
24 the shareholders and the customers. So is that  
25 relevant to their decision making? Absolutely. They

1 have to balance that interest. But does it go to your  
2 question what the prudence standard is? It doesn't  
3 impact what the prudence standard is, but it is an  
4 interest they have to balance.

5 Q. Thank you. Let's assume a hypothetical  
6 that it is decided that La Cygne will not be  
7 retrofitted. Assume further that the Commission makes  
8 some prudence disallowance in -- both on Iatan 1 and  
9 Iatan 2 in this case. Are we okay? At the -- at  
10 the -- in the -- strike that.

11 In the decision-making process once the  
12 decision not to retrofit La Cygne has been made, would  
13 KCPL still consider building a new plant?

14 A. Yeah, we discussed this yesterday. And  
15 first, just to clarify, there are no costs associated  
16 with La Cygne retrofit in this case. But as we  
17 discussed yesterday, our modeling shows a need for  
18 that capacity. And whether that capacity is met by  
19 retrofitting La Cygne, building something else,  
20 entering into a power purchase agreement, the option  
21 of spending nothing isn't available to the company.

22 So your question is if I know if we would  
23 build something if we didn't retrofit La Cygne? I  
24 don't know the answer to that. I know we would have  
25 to address that need for capacity in some manner.

1 Q. But at the -- at the time that your --  
2 you're making that decision, going forward the -- one  
3 of the options that KCPL would have to reasonably  
4 consider at that time would be the addition of  
5 company-owned generation; is that correct?

6 A. Yeah. We would and we have considered  
7 that. That's part of our modeling, is not  
8 retrofitting and building something else. That's part  
9 of the modeling that has occurred.

10 Q. Okay. Is it -- is it your understanding  
11 of the prudence analysis that the -- that there is  
12 some kind of hold-harmless zone that prudence will not  
13 be examined if a project is 5 percent over budget or  
14 10 percent over budget or are -- are -- one question  
15 at a time. Sorry.

16 MR. SCHWARZ: Sorry, Charlie.

17 THE WITNESS: I don't know if there's any  
18 kind of hold-harmless zone. But in -- what is in Dan  
19 Meyer's testimony you can look at as kind of a zone of  
20 what you would expect a project to ultimately cost if  
21 you look at how much it had been engineered when a  
22 particular budget was developed.

23 Like in this case, our control budget  
24 estimate, the project was 25 to 30 percent engineered  
25 at the time. And Dan Meyer will tell you their



1 industry standards that your expectation would be  
2 5 percent below or 15 percent above based on that  
3 level of engineering. But I -- does that create a  
4 hold-harmless zone? I don't have an opinion about  
5 that.

6 MR. SCHWARZ: Thank you. I think that's  
7 all I have.

8 JUDGE PRIDGIN: Mr. Schwarz, thank you.

9 Ms. Ott?

10 CROSS-EXAMINATION BY MS. OTT:

11 Q. Good morning.

12 A. Good morning.

13 Q. So you just testified that you're not  
14 offering testimony as an attorney?

15 A. That's correct.

16 Q. Okay. Are you an expert on prudence  
17 reviews?

18 A. No, I am not. That's Dan Meyer and  
19 Dr. Nielsen.

20 Q. Are you an expert on financial audits?

21 A. No. I am not an auditor or profess to be  
22 an expert in auditing.

23 Q. Do you have any formal training in  
24 project management?

25 A. No. Other than coursework as an

1 undergraduate in operations management and that was  
2 certainly an aspect of the course. I don't profess to  
3 be an expert, but I have taken classes in that regard.

4 Q. Do you have formal training in project  
5 cost management?

6 A. No, I do not. Our cost experts are Dan  
7 Meyer and Forrest Archibald.

8 Q. How about project integration?

9 A. No.

10 Q. How about project scope management?

11 A. No, I am not a construction person.

12 Q. Project time management?

13 A. Other than the operations management  
14 generally, we discussed early that coursework in  
15 business school, no.

16 Q. And that -- and what year would that have  
17 been in?

18 A. I graduated undergrad in 1996.

19 Q. How about project quality management?

20 A. No. Just general management coursework  
21 that would have addressed that at that time.

22 Q. Any formal training in project  
23 procurement management?

24 A. Not specifically to procurement. That's  
25 Steve Jones for our witnesses.

1 Q. And how about project risk management?

2 A. Other than general management coursework  
3 that certainly addressed that, no.

4 Q. And you're not claiming to be an expert  
5 in cost engineering?

6 A. No. That's Forrest Archibald and Dan  
7 Meyer.

8 Q. Could you agree with me that a person  
9 that is not an expert in the subject area has a  
10 significant probability of making inaccurate  
11 statements?

12 A. I would agree with the statements made by  
13 Mr. Hatfield in his opening that a Commission does  
14 have to look at --

15 Q. Okay.

16 A. -- what an expert is saying.

17 Q. So are you agreeing with my statement  
18 that I just made or not? That if you're not an expert  
19 in a subject area, you have a high probability -- or  
20 you have a probability of making inaccurate  
21 statements?

22 MR. FISCHER: Calls for speculation.

23 JUDGE PRIDGIN: I'll let him -- I'll  
24 overrule and let him answer if he knows.

25 THE WITNESS: Yeah, I don't know. I

1 don't think it necessarily means it increases the  
2 likelihood of being inaccurate, but I think it goes to  
3 the credibility of the evidence and the Commission  
4 should consider it.

5 BY MS. OTT:

6 Q. Did you draft your testimony?

7 A. I did.

8 Q. Did you have anyone review it?

9 A. Yes.

10 Q. Who reviewed your testimony?

11 A. We have a normal process where the  
12 regulatory department reviews testimony, as does  
13 counsel.

14 Q. So if your testimony is not being offered  
15 as an attorney or an expert for prudence reviews or  
16 audits, what is your testimony being offered for?

17 A. I think as it clearly indicates on the  
18 first page, it goes to the policy basically and  
19 describes our interactions with the Staff, how we  
20 understood the audit to be proceeding and then our  
21 observations over time of how the audit was actually  
22 proceeding.

23 Q. So you're just presenting your view on  
24 the policy of the Iatan projects?

25 A. As well as summarizing the company's

1 position.

2 Q. Okay. I'd like to direct you to page 2  
3 of your surre-- or your rebuttal testimony. You  
4 mention that KCPL strongly disagrees with Staff's  
5 17 acts or decisions that we have classified as  
6 imprudent. But then later you state that the primary  
7 purpose behind your testimony is related to the cost  
8 overruns; is that correct?

9 A. That's correct.

10 Q. So you're not specifically addressing the  
11 17 acts or imprudents?

12 A. Well, there are a couple -- if you'll  
13 read my testimony, there are a handful of those I do  
14 address. The prim-- as the testimony you just  
15 summarized says the primary point is to identify or to  
16 explain the unidentified cost overruns, but there are  
17 a handful of the specific 17 that I do address.

18 Q. Okay. Then starting on line 6 you state  
19 that, Although KCP&L strenuously disagrees with  
20 Staff's recommended disallowance, Staff appears to  
21 have attempted to follow the requisite two-step  
22 process for a prudence review; first, to identify an  
23 imprudent act or -- or decision; and second, to  
24 quantify any impact that an act or decision has on the  
25 cost project.

1 Do you see that?

2 A. I do.

3 Q. Okay. When you use the term "requisite,"  
4 are you using the -- do you mean required or --

5 A. I do.

6 Q. Okay. Could you elaborate on what Staff  
7 is required to do and what regulation, law or  
8 Commission order requires the Staff to conform with  
9 this two-step process?

10 A. I explain the two-step process there and  
11 I also explained it just a moment ago in response to a  
12 question from counsel from MRA.

13 Q. But where does that come from?

14 A. It's two places. The Wolf Creek order  
15 and then, as I understood it, the Commission's order  
16 to the Staff in the 0089 case. The order --  
17 April 15th, 2009 order regarding the audit where the  
18 Staff was ordered to provide a specific rationale for  
19 each and every disallowance recommended.

20 Q. Now, is the Commission bound by this  
21 two-step process?

22 A. The Commission itself?

23 Q. Yes.

24 A. I believe under the Wolf Creek decision,  
25 it would be. And then under its own order, that's the

1 way it instructed its Staff to conduct its audit.

2 Q. Are Commission decisions binding?

3 A. No. But the Missouri Supreme Court  
4 decision in Wolf Creek would be.

5 Q. Have you ever performed a prudence  
6 review?

7 A. No, I have not.

8 Q. Have you ever performed a construction  
9 audit?

10 A. No, I have not.

11 Q. Are you aware of any outside independent  
12 authority that controls the methodology for conducting  
13 a prudence review?

14 A. As I said before, I think the Missouri  
15 Supreme Court's Wolf Creek decision dictates how it's  
16 to be done, at least in Missouri.

17 Q. Are you aware of any outside independent  
18 authority that specifies a requisite two-step process  
19 for a prudence review?

20 A. The Wolf Creek decision I just  
21 referenced.

22 Q. Are there any other decisions or outside  
23 sources?

24 A. That's the only one I'm aware of or the  
25 only one that comes to mind at the moment.

1 Q. Now, are you aware if the KCC made any  
2 adjustments to Kansas City Power and Light's Iatan  
3 project because they lacked carefulness, caution,  
4 attentiveness and good judgment?

5 A. The -- I don't recall the specific  
6 rationale, but the KCC did find -- following the  
7 two-step analysis we're talking about, they did  
8 identify two decisions they concluded were imprudent  
9 and then quantified the impact of those decisions.

10 Q. And what were those two? Are you -- do  
11 you remember what those two were?

12 A. I do. They are two -- they pertain to  
13 our decision to hire specialty welders and share the  
14 expense of that with Alstom. That's WSI welding. And  
15 Brent Davis can speak to I guess the construction  
16 reasons for doing that. And then the other is the  
17 incremental expense of a temporary auxiliary boiler  
18 that was added during startup of unit 2.

19 Q. Now, lets go to page 3 of your rebuttal.  
20 You use this term "plug." where did this term come  
21 from?

22 A. It's one we standardly use. I believe  
23 Mr. Featherstone used it on the stand yesterday to  
24 describe -- basically it's an -- the term used in  
25 these regulatory proceedings for an unsupported



1 number, a guess. And yeah, Mr. Featherstone used it  
2 yesterday in his testimony and used it largely in the  
3 same context as I used it here.

4 Q. Okay. Before you heard Mr. Featherstone  
5 use that term, where did you get that term from?

6 A. In prior rate case proceedings. It's  
7 not -- it's not an unusual term.

8 Q. But is it usually used to discuss cost  
9 overruns?

10 A. It's usually used in terms of an  
11 unsupported number, a -- a plug. I think it speaks  
12 for itself.

13 Q. So are you attempting to rename Staff's  
14 adjustment that Staff refers to as the net  
15 unidentified and unexplained cost overruns as a plug?

16 A. Yeah, I think that's what my testimony --  
17 exactly what my testimony describes. My testimony  
18 describes a Staff's net unidentified, unexplained cost  
19 overrun adjustment as a plug because it's not  
20 supported.

21 Q. Do you believe ratepayers should pay for  
22 unidentified, unexplained cost overruns?

23 A. Unless they've been shown to be  
24 imprudent, yes.

25 Q. So when a presumption of imprudence is --

1 is made, doesn't the company then have to come back  
2 and then show that the action was not imprudent?

3 A. I think the word in the Wolf Creek order  
4 is serious doubt. When a party raises serious doubt  
5 about a particular expenditure, that the company has  
6 to demonstrate that that expenditure was prudent.

7 Q. So when a party has raised serious doubt  
8 about the unidentified, unexplained costs, do you  
9 think the ratepayers should have to pay for those?

10 A. I guess first I would say that a serious  
11 doubt has not been raised. It's simply --

12 Q. I said if.

13 A. -- the result of subtraction.

14 Q. If there has been serious doubt raised,  
15 should ratepayers have to pay those costs if the party  
16 has not shown that it has been?

17 A. I'd say that would only be the first  
18 part. That would be the threshold -- and Mr. Hatfield  
19 went through this in his opening statement, but if  
20 that -- if the burden did shift, the company has put  
21 on evidence showing that those cost overruns were  
22 prudently incurred. And if the Commission concludes  
23 that they were prudently incurred, the company should  
24 get to recover them.

25 Q. Okay. Where has the company identified

1 and explained the cost overruns?

2           A.     We've identified and explained the cost  
3 overruns in a lot of different ways. And  
4 Mr. Archibald and Mr. Meyer are the experts in this  
5 area, but as described earlier in the mini opening,  
6 each of the reforecasts -- that's probably the easiest  
7 place to start because by definition, the reforecasts  
8 showed a deviation from the control budget estimate,  
9 the definitive estimate which is what -- how the  
10 regulatory plan defines a cost overrun.

11                     And in each of those reforecasts, there  
12 were binders of material that identified and explained  
13 each deviation from the control budget estimate. And  
14 then we came down and met with the staff and the other  
15 parties after each of those reforecasts to go over  
16 that, explain that, answer any questions.

17                     And in addition to that, there's the  
18 change orders, the purchase orders, the contingency  
19 logs. All of those explain -- identify and explain  
20 cost overruns above the control budget estimate.

21           Q.     So are you saying you have to have all of  
22 that information and be able to use all of those  
23 documents to identify and explain the cost overruns?

24           A.     I'm saying we have a cost control system  
25 and I explained that in my testimony. And then the

1 mechanics of walking through particular questions I  
2 would have to leave to Mr. Archibald and Mr. Meyer.  
3 But yes, if you look at those documents -- and in the  
4 instance of the reforecast binders, we're not talking  
5 about a mammoth amount of documents. We're talking  
6 several binders. But, yeah, you would have to look at  
7 several binders of material to identify and explain  
8 each of the cost overruns.

9 Q. Have those binders been provided to  
10 Staff?

11 A. Yes, they have.

12 Q. Do you know when they were provided to  
13 Staff?

14 A. It would have been very shortly after  
15 each of the reforecasts. As soon as they were  
16 available following the reforecasts.

17 Q. Are those a part of a data request or  
18 were they just voluntarily given to Staff?

19 A. I don't know that for sure, but I would  
20 assume they would have been in response to a data  
21 request.

22 Q. Now, did you say that the control budget  
23 was 25 to 35 percent engineered back in December of  
24 '06?

25 A. That's right. When we developed the

1 control budget estimate, the project was roughly 25 to  
2 30 percent engineered.

3 Q. Can you have a definitive estimate when  
4 the pro-- when the engineering of a project is only  
5 25 to 35 percent complete?

6 A. Dan Meyer has extensive testimony on  
7 that. He's the expert. I would defer to him on that.

8 Q. Do you have an opinion on it?

9 A. I think it was appropriate for a control  
10 budget estimate and that estimate accurately reflected  
11 what we thought the project would cost based on what  
12 we knew at the time.

13 Q. what's your definition of definitive  
14 estimate?

15 A. For purposes of the regulatory  
16 planning -- again, Dan Meyer is the expert for  
17 industry, but from my perspective, it's regulatory  
18 plan. It would be the budget that basically we would  
19 be -- we would track to. And that's what the cost  
20 control system was designed around.

21 And that's why in the cost report that  
22 was put on the overhead earlier, the left-hand column  
23 was always the control budget estimate. That never  
24 changed. with each reforecast over the past several  
25 years when that report was provided, that left-hand

1 column was always the control budget estimate. That  
2 never changed.

3 Q. Okay. Let's go to page 5 of your  
4 rebuttal. Is it your testimony that Staff never  
5 provided KCPL with notice that it was going to  
6 evaluate the cost overruns prior to November 3rd,  
7 2010?

8 A. That Staff wasn't going to evaluate the  
9 cost overruns? It was always our understanding that  
10 Staff would evaluate all the costs, including the cost  
11 overruns.

12 Q. Okay. But you're saying that you didn't  
13 know prior to November 3rd, 2010, that they were  
14 addressing the cost overruns.

15 A. No. What changed November 3rd, 2010 with  
16 Staff's audit report is that was the first time that  
17 Staff asserted that it was going to seek to disallow  
18 the -- this unidentified -- the cost overruns, so to  
19 speak.

20 And once you subtract out what they  
21 looked at so they wouldn't double count, that was the  
22 first time that they'd made it known to us or the  
23 Commission that their position was because they didn't  
24 believe the cost control system did what it was  
25 supposed to do, that they were going to disallow those

1 costs. That's the first time that appeared.

2 Q. So you weren't aware prior to that that  
3 staff was considering disallowing those costs?

4 A. No. The earlier reports basically just  
5 said that they were -- certainly questioned our cost  
6 control system. But when you read those reports, it  
7 was in the context of why Staff's audit wasn't done as  
8 of that time.

9 And then I believe going back to the  
10 December 31st, 2009 report, they explained that's why  
11 they were going to have to take an alternative  
12 approach. They just suggested it -- they were going  
13 to have to do their audit differently than they  
14 originally anticipated based on how the cost control  
15 system was working. But they -- they had never  
16 suggested that disallowance was the appropriate  
17 remedy.

18 Q. But would you agree that Staff had said  
19 that the inclusion of those costs was not -- also not  
20 the appropriate remedy at that time?

21 A. I believe the language was something that  
22 they couldn't recommend inclusion or something to that  
23 effect. But that is a -- a far cry from seeking a  
24 disallowance.

25 Q. What's the difference? If they weren't

1 going to include the cost at that point, didn't that  
2 mean they could possibly disallow the cost?

3 A. Consistent with Staff's prior statements  
4 in the earlier report, we took that to mean what  
5 they -- an extension of what they had said before,  
6 that the audit was taking them longer because they  
7 were getting something different than they thought  
8 they were going to get and that they were having to  
9 seek alternative methods. But we read it to mean as  
10 they weren't done yet, not that the remedy would be  
11 disallowance.

12 Q. Are you aware of a meeting with Staff to  
13 discuss those issues? Did Staff ask for a meeting?

14 A. To discuss -- I'm sorry. You'll have to  
15 be more specific.

16 Q. The potential disallowance for cost  
17 overruns.

18 A. We've had many meetings with Staff to  
19 discuss the cost control system and cost overruns,  
20 which is what it's intended to measure. Yeah, we've  
21 had many meetings with Staff about that.

22 Q. In particular, the December 31st, 2009  
23 report, did Staff ask for a meeting? Are you aware of  
24 Staff asking for a meeting with KCPL to discuss the  
25 report?



1           A.     Yes.  And Mr. Hyneman discusses that in  
2 his -- I believe his surrebuttal testimony.  And those  
3 meetings did occur.  What -- I believe it's a data  
4 request Mr. Hyneman is referring to.  And he  
5 basically -- I don't remember if it was a data request  
6 or letter now, but it's in Mr. Hyneman's testimony.

7                     But it basically said -- the request was  
8 give us your positions in response to the Staff audit  
9 report.  And our response was we're still formulating  
10 our literal position statements for the hearing, but  
11 we would be happy to meet with you to discuss the  
12 audit report.  And those meetings did take place.  We  
13 discussed the -- sorry -- cost control system.  We  
14 discussed the cost control system and the audit report  
15 many times.

16           Q.     So when did that meeting occur when you  
17 specifically discussed the December 31st, 2009 audit  
18 report?

19           A.     There have been a -- a series of  
20 meetings.  And Mr. Hatfield put up a slide and I've  
21 got the same information he provided there.  There's  
22 been literally dozens of meetings to --

23           Q.     But --

24           A.     -- discuss the --

25           Q.     -- a meeting that specifically addressed

1 the December 31st, 2009 -- I understand you have  
2 quarterly meetings, but I'm talking about a meeting  
3 just to address the December 31st, 2009 audit report.

4 A. I'm not sure we ever discussed the  
5 specifics of the audit report, but what we did discuss  
6 was the unidentified costs and then explained to Staff  
7 on numerous occasions how the cost control system  
8 identified and explained so that that -- that plug  
9 wouldn't be necessary.

10 Q. Now, are you aware of KCPL and GMO's  
11 initial response to Staff's report regarding the  
12 construction audit and prudence review?

13 A. Sorry. There have been several reports  
14 over --

15 Q. Well, I'm going to hand you this one.

16 A. Thank you. Thank you.

17 Q. I'm going to direct you to page 5. Now  
18 here -- are you on page 5? It would be the first  
19 paragraph, full paragraph, first sentence.

20 A. Of similar concern paragraph?

21 Q. Yes. In here you state that Staff  
22 unilaterally proposes that approximately 60 million --  
23 and sorry if I get -- I don't think this is an HC  
24 document -- of the Iatan AQCS cost will be examined in  
25 conjunction with Staff's audit of Iatan 2. So here

1 weren't you aware that Staff was examining and going  
2 to potentially disallow these costs?

3 A. It -- consistent with my prior answer, we  
4 took this to mean and continue to take it to mean that  
5 Staff just didn't believe it was done yet. Not that  
6 it would seek to disallow based on unexplained or  
7 unidentified costs, but that their review wasn't  
8 finished yet. And this was actually led up to  
9 April 2010 hearings that we talked about earlier.

10 Q. And again in that -- regarding that  
11 April 2010 hearings, KCPL asked the Commission to rule  
12 on its cost control system.

13 A. We did.

14 Q. So if you weren't concerned about Staff  
15 potentially evaluating these costs -- the cost control  
16 system, why would you have the Commission rule on it  
17 back in April in a non-contested case?

18 A. We were concerned that Staff was alleging  
19 we had violated a provision of the agreement. And  
20 that concerned us a great deal and continues to.

21 Q. So you were concerned that Staff was  
22 going to disallow?

23 A. No. Not at that time and that's not what  
24 I said. What I said is we were concerned that Staff  
25 was allegedly we were violating a provision of the

1 agreement. We took that very seriously.

2 Q. So if you weren't concerned that Staff  
3 was going to potentially disallow cost overruns, why  
4 would you be concerned about your cost control system?

5 A. Because they were alleging we violated an  
6 agreement, a contract. And we take that very  
7 seriously.

8 Q. So because --

9 A. We didn't know what Staff would  
10 ultimately do.

11 Q. But were you seeking protection in  
12 case -- to prevent Staff from making a disallowance?

13 A. Like I said, we didn't know what Staff  
14 would do. We were protecting ourselves from what we  
15 believed to be an unfair, unsupported allegation that  
16 we violated a commitment in an agreement.

17 Q. So are you saying you weren't concerned  
18 that costs could be potentially disallowed for  
19 violating the stipulation and agreement?

20 A. We didn't know Staff would do that until  
21 the November 3rd, 2010 audit report. But did we think  
22 that maybe they might? I don't recall if those  
23 conversations took place or not. But I can tell you  
24 this was in response to Staff alleging we violated the  
25 agreement and we didn't think that was correct and we

1 wanted a chance to clear the record.

2 Q. Also, in the December -- I mean  
3 April 2010 hearing, KCPL asked the Commission to order  
4 Staff to cease its audit activity on the Iatan  
5 project. Do you remember that?

6 A. Yeah. We believed it should terminate as  
7 part of last year's rate case.

8 Q. But why would you ask that outside of a  
9 general -- in a non-contested case?

10 A. Well, we didn't know until then that  
11 Staff was planning to just continue its audit of  
12 Iatan 1 what appeared to be, from our perspective,  
13 indefinitely. So we wanted guidance from the  
14 Commission when is this audit is going to end.

15 Q. But didn't you just testify with  
16 Mr. Schwarz earlier that Iatan is nearly closed on its  
17 book? So it's not today fully closed so --

18 A. That topic -- that topic was discussed in  
19 great length in the April 2010 hearings with a  
20 distinction being doing an invoice, true-up type of  
21 audit for expenditures, as I discussed with  
22 Mr. Schwarz, incurred after some true-up date versus a  
23 construction audit prudence review which could and  
24 should be concluded in advance of that. That was, I  
25 would say, the bulk of the discussion in those April

1 2010 hearings.

2 Q. So is it -- do you have an opinion  
3 whether or not a construction audit and a prudence  
4 review are independent of each other?

5 A. I really don't. The -- Dr. Nielsen is  
6 the expert there. What was the subject of the April  
7 2010 hearings and what I was just testifying to  
8 doesn't necessarily parse those two words, but rather  
9 looks at if you can look at the prudence of the  
10 decisions and make a determination if a decision was  
11 prudent and then later on true-up -- if there are any  
12 late invoices that roll in after the true-up date or  
13 something like that, you could look at those and true  
14 that up. And that -- that's what we talked about back  
15 in April of 2010.

16 Q. So do you think that a construction audit  
17 and a prudence review could be separate? You could do  
18 them independent -- well, do you think -- let me  
19 strike that.

20 Let's go to page 9 of your rebuttal.  
21 Around line 12 you indicate that the purpose of KCPL's  
22 cost tracking system was to manage the cost of the  
23 project. So if the system manages the cost of the  
24 project, how does the system identify and explain the  
25 cost?

1           A.     I think simply it does both.  And again,  
2  Forrest Archibald and Dan Meyer are the experts in  
3  this area, but we put a project -- a cost control  
4  system in place to manage the cost of the project to  
5  ensure it came in at the best price it could.  I mean  
6  that's -- that's the point of a cost control system.  
7  But an aspect of that was identifying and explaining  
8  cost overruns.  So it did both I guess is the simple  
9  answer to your question.

10           Q.     And then you state on the same page  
11 further down that no other utility construction  
12 project has been required to have a similar cost  
13 control system in place as KCPL has for the Iatan  
14 projects.

15                     Are you aware of any other utility  
16 construction project that has language in the  
17 stipulation and agreement such as the paragraph Q in  
18 KCPL's stipulation and agreement?

19           A.     I'm not.  And as I said, we took that  
20 commitment very seriously and we met it.

21           Q.     So no other company has the same  
22 stipulation Q in a stipulation and agreement regarding  
23 their construction projects?

24           A.     Not that I'm aware of.

25           Q.     Thank you.  Now, on page 10 in the top,

1 lines 1 through 3, you state, The Staff has reached  
2 out to other utilities recommending KCPL's cost  
3 control system.

4 what is the basis for that statement?

5 A. The basis for that statement are  
6 conversations I had with Tim Rush where he was  
7 approached by counsel for Ameren. And his impression  
8 from those conversations with the counsel for Ameren  
9 was that Staff had reached out to Ameren to adopt a  
10 cost control system similar to ours and to talk to us  
11 about that.

12 Q. Did you do any discovery to verify that  
13 statement that Mr. Rush gave to you?

14 A. I'm not sure what would be required. I  
15 didn't question the voracity of what Mr. Rush was  
16 saying. I had no basis to believe that it wasn't  
17 entirely true and completely accurate.

18 Q. So you didn't do any --

19 A. Did I ask --

20 Q. -- follow up with Staff?

21 A. Did I -- I didn't ask Ameren or Staff if  
22 those conversations took place.

23 Q. Now, is it possible that other utilities  
24 could have asked Staff what was wrong with KCPL's cost  
25 control system so they could avoid similar problems?



1           A.     I have no idea.  Is it theoretically  
2 possible?  Sure.  But I have no idea.

3           Q.     Now, if another utility were to confront  
4 Staff and ask them about your cost control system, do  
5 you believe Staff would give the details of your cost  
6 control system out without seeking your permission?

7           A.     Numbers-wise would absolutely be HC.  If  
8 they wanted to talk about, okay, what was this cost,  
9 what was that cost -- but how the system operated,  
10 there's nothing confidential or proprietary about  
11 that.

12          Q.     Is your cost control system highly  
13 confidential?

14          A.     The -- the process?  I don't think  
15 there's anything confidential about the process  
16 itself.  Its contents would certainly be -- there are  
17 aspects of that that could be confidential, but the  
18 process itself isn't confidential.

19          Q.     So the document that explains your cost  
20 control system, is that highly confidential?

21          A.     I'm not familiar enough with the contents  
22 of the document to know what kind of details it gets  
23 into, but I would say that the process itself is not  
24 confidential.

25          Q.     Now, I think it's been discussed through

1 openings and with the Commissioners that, you know,  
2 you -- you agreed to stipulation Q in your stipulation  
3 and agreement.

4 A. We signed the regulatory plan and there  
5 are a lot of commitments in the regulatory plan.

6 Q. And through that regulatory plan you've  
7 received favorable treatment, such as 150 million in  
8 regulatory amortizations. That's correct?

9 A. I would say we received -- especially  
10 with respect to the additional amortizations, we  
11 received the cash we needed to protect our credit  
12 rating, which all the parties, all the signatories to  
13 the regulatory plan agreed was a benefit to us and our  
14 customers.

15 Q. I'm going to ask you a hypothetical  
16 question. If -- and it goes to contract. And I know  
17 you're not here testifying as a lawyer, but in your  
18 non-lawyer role, if a party to a contract fails to  
19 comply with it, should that party suffer the  
20 consequences for failing to live up to their end of  
21 the bargain?

22 A. Sure. If a party is shown to breach a  
23 contract, they're held accountable for that. But what  
24 the appropriate remedy is a key point for the decision  
25 maker. To turn your hypothetical into what we're

1 seeing here --

2 Q. I didn't -- I didn't -- I don't need to  
3 go into that part. Thank you. That wasn't what my  
4 question was.

5 When did KCPL first contact Staff to  
6 discuss cost overruns?

7 A. I'm trying to think, because we met with  
8 the Staff on a quarterly basis. My recollection was  
9 that it was around the timing of the initial  
10 reforecast and leading up to the reforecast. The  
11 reforecast was finalized in April of 2008 and that  
12 process took several months. So it would have been in  
13 advance of that. So I would say late 2007, early  
14 2008.

15 Q. Now, are you aware if Staff had to  
16 contact KCPL to discuss significant cost changes being  
17 planned before KCPL contacted Staff?

18 A. No, that's not my recollection. I'm  
19 aware of the February 2008 letter from Mr. Dottheim,  
20 but my recollection is conversations were taking place  
21 and that that letter wasn't focused on that particular  
22 issue.

23 Q. But that was an issue addressed in  
24 Mr. Dottheim's February 28th letter?

25 A. I don't have a copy in front of me and

1 it's, like we said, a 2008 letter.

2 Q. Well, I'll hand you a copy.

3 A. Thank you.

4 Q. Now, can you take a moment to review that  
5 letter and let me know if that is the topic being  
6 addressed?

7 A. Yes. I have the letter and Mr. Dottheim  
8 enumerates six topics in the first paragraph that the  
9 staff wants to talk about.

10 Q. Okay. Why don't you read what those six  
11 topics are?

12 A. Sure. Number one is the actual practice  
13 respecting and content of notification of the  
14 signatory parties of change factors or circumstances  
15 relating to the adequacy and reasonableness of KCP&L's  
16 resource plan; two, the decision to construct and  
17 build Iatan 2 without completion of substantial  
18 engineering design; three, the status of the  
19 construction schedule and definitive cost estimate for  
20 the completion of the Iatan 2 and 1 projects; four,  
21 the cost and schedule controls that have resulted in  
22 the expected cost and schedule of the Iatan 2 and 1  
23 projects being unknown at this time; five, the  
24 notification process related to KCPL's decision to  
25 defer the La Cygne 1 scrubber and baghouse; and six,

1 the notification process related to KCPL's decision  
2 that it would not proceed with the additional  
3 100 megawatts of wind generation facilities in 2008.

4 Q. So can you agree that the cost controls  
5 were going to be discussed in this meeting  
6 Mr. Dottheim was requesting?

7 A. I don't see any of these related  
8 specifically to the -- the cost control system. If  
9 anything, there's one that talks about the -- the  
10 control budget estimate and the reforecast process  
11 that was -- was beginning.

12 Q. Now, if you go to the third page of the  
13 document, maybe that will -- the boldface that says,  
14 Cost control process for construction expenditures,  
15 does that state that the cost -- KCPL must develop and  
16 have a cost control system in place that identifies  
17 and explains cost overruns?

18 A. Sure. He quotes that paragraph Q we've  
19 been talking about.

20 Q. Yes. So that was going to be a subject  
21 matter in this meeting that Staff was requesting?

22 A. Yeah. I mean I -- I think it is part of  
23 the control budget estimate and the reforecasting. I  
24 don't -- yeah, it's part of the process.

25 Q. Now, were you a participant in that

1 meeting?

2 A. I'm trying to recall because there were a  
3 lot of the meetings around this time frame just given  
4 the status of -- as Mr. Dottheim mentions in his  
5 letter, the 2008 wind project and the status of what  
6 we call phase 2 of La Cygne. So there were a series  
7 of meetings that occurred after this. I attended many  
8 of them, but I can't swear today that I attended every  
9 single one.

10 Q. Okay. Now, does the Kansas City Power  
11 and Light regulatory plan require it to notify the  
12 staff and other parties in writing of significant  
13 changes?

14 A. If there's a change in the resource plan,  
15 yes.

16 Q. So if there's only a significant change  
17 within the resource plan?

18 A. Yes.

19 Q. How did KCPL do this?

20 A. Yeah, we were in constant conversation.  
21 There are two examples that came up during a process  
22 and one the Commission opened a special proceeding to  
23 look into one. And the two examples that were perhaps  
24 changes to the resource plan and there were  
25 differences of opinion about that.

1           The first is the 2008 wind project. That  
2 project was not required under the regulatory plan, it  
3 was not part of the resource plan. We had a  
4 commitment to evaluate whether to do it and so we --  
5 we evaluated whether to do it, we shared that  
6 evaluation with the Staff and the other parties.

7           We shared our decision not to do it and  
8 there were parties that took a position at the time  
9 that that was a change of the resource plan. And then  
10 that ultimately was a separate proceeding before the  
11 Commission. But our position is it didn't change the  
12 resource plan because the 2008 wind project was never  
13 part of it.

14           The second example is La Cygne. The  
15 environmental retrofit of La Cygne 1 was to be in two  
16 phases; the first being the SCR, which has been done;  
17 the second was the scrubber and baghouse. And that  
18 has yet to be done and has been a conversation and I  
19 answered questions about that yesterday.

20           And in our mind, that wasn't a change in  
21 the resource plan because we still intend to do that  
22 project and what we explained to the parties along the  
23 way is what we were seeing in the marketplace wouldn't  
24 permit us to do it in the time line set out in the  
25 regulatory plan. But the resource plan didn't change

1 because we still intended to do it.

2 Q. Let's go to page 13 of your rebuttal on  
3 lines 1 through 4. You state that KCPL explained how  
4 Staff could use the system to identify and explain  
5 costs in excess of the control budget estimate. Would  
6 that result in Staff -- in -- let me see.

7 How could Staff use your system to  
8 identify -- to be able to track these cost overruns?

9 A. Sure. As I explained earlier, the  
10 mechanics of how you would walk through that I'm going  
11 to leave to Forrest Archibald. He's our expert in  
12 that area. But we had a series of meetings with Staff  
13 and at each of those meetings, they would ask  
14 Mr. Archibald, How do I track this, and then he would  
15 explain the columns they have to look at, the  
16 documents they have to look at. And that would  
17 typically be followed up with, okay, then how do I  
18 track that and the same process. I don't recall  
19 Mr. Archibald ever not being able to answer one of  
20 those questions.

21 Q. So then are you saying that Mr. Archibald  
22 would have been the person at KCPL that would have  
23 used the cost control system to give Staff a complete  
24 analysis on how they could perform that evaluation?

25 A. I'm saying Mr. Archibald explained to



1 them many times how it could be done and answered  
2 their questions as to how it could be done, as did Dan  
3 Meyer. So those two together.

4 Q. Have you ever seen a complete analysis  
5 identifying all the cost overruns that KCPL is seeking  
6 to include in rates?

7 A. In my mind, the K-Report that we call  
8 it -- the cost report that we've provided on a  
9 quarterly basis and then starting in 2010 on a monthly  
10 basis, the cost report does just that.

11 Q. So it's your testimony that the K-Report  
12 is where somebody would go to find all the cost  
13 overruns and they would be identified and explained  
14 within that K-Report?

15 A. Yeah. K-Report is one piece of paper.  
16 It simplifies a very complex project. It can't --  
17 that one piece of paper can't explain everything, but  
18 what it does do is it walks you from the control  
19 budget estimate December 2006 on left side all the way  
20 across the reforecasts, accruals, expenditures so what  
21 we've spent to date and gives you a pretty clear  
22 summary, in my mind, of where the project is from a  
23 cost overrun perspective.

24 But does that one piece of paper identify  
25 and explain everything? No. I don't think one piece

1 of paper could.

2 Q. Okay. If it -- the K-Report doesn't  
3 identify and explain, then what does it really explain  
4 to somebody reviewing the K-Report?

5 A. Again, these are better questions for  
6 Mr. Archibald and Mr. Meyer. But I would say the  
7 K-Report identifies them and then the supporting  
8 documentation explains it.

9 Q. So what supporting documentation then  
10 explains the K-Report?

11 A. Sure. In response to one of my first  
12 questions, the change orders, the purchase orders, the  
13 contingency logs and then the reforecast binders are  
14 probably the simplest, most concise place they exist.  
15 But again I would defer the mechanics of walking  
16 through that to Mr. Meyer and Mr. Archibald.

17 Q. Now, would you think that would be an  
18 easy process to have to go and look at a K-Report and  
19 then somehow go and find and identify a change order,  
20 a contingency log, a purchase order in a reforecast  
21 binder to identify one specific item of a cost  
22 overrun?

23 A. I wouldn't expect auditing a five-year  
24 project of this complexity and scale to be easy, so I  
25 guess that was never my expectation.

1 Q. Do you know when KCPL allowed staff to  
2 start auditing Iatan 2?

3 A. I guess it depends what you mean by  
4 audit. The quarterly reports we began providing in  
5 the first quarter of 2006 contained information about  
6 Iatan 2, what costs we'd incurred as of then, what was  
7 going on at the project. So I would say KCP&L wasn't  
8 in a position to allow or not allow staff to do  
9 anything, but we began providing information about  
10 Iatan 2 at the inception of the project.

11 Q. Now, you were an attorney back in the '89  
12 and '90 rate cases?

13 A. That's correct.

14 Q. Were you involved in any objections to  
15 data requests when staff was seeking to obtain  
16 specific information on Iatan 2?

17 A. Yes, I was. And once staff explained why  
18 they needed it, we provided it. We initially thought  
19 that Iatan 2 wasn't relevant because we weren't  
20 seeking Iatan 2 dollars in that rate case, but staff  
21 explained why they needed it and we began providing  
22 it.

23 Q. And that -- when was that? Was that  
24 after the close of the rate case?

25 A. I don't recall that. I'm sorry.

1 Q. And when did the '89 and '90 rate case  
2 end?

3 A. I guess I'm pausing because there -- I  
4 mean, there was the Report and Order and it has the  
5 date, but we continued to receive data requests in the  
6 '89 case some -- for some period after that. So I  
7 guess it depends what you mean by "end." In a lot of  
8 respects, it never did. I think audit work just  
9 continued into the 259 case and then into this case,  
10 but that the Commission had a Report and Order and  
11 rates went into effect so it just depends what you  
12 mean by "end."

13 Q. So would the objections to the data  
14 request for information on Iatan 2 happen after  
15 parties entered into a stipulation and agreement to  
16 resolve that case or --

17 A. Yeah. As I said before, I just don't  
18 recall when in that process that that conversation  
19 with staff occurred.

20 Q. Do you know who at KCPL decided during  
21 that rate case to not -- that that information was  
22 irrelevant?

23 A. Yeah. I remember there being a  
24 discussion among many people. And the question, just  
25 as we just talked about, was how was that relevant to

1 this rate case? We're not seeking to recover any of  
2 those dollars and so that was the basis for it. And  
3 then when Staff explained why they needed it, we said,  
4 Okay, here it is.

5 Q. Was that information not relevant to the  
6 Iatan 2 audit or the common plant audit?

7 A. No. And that was exactly what Staff  
8 explained. Staff explained why they needed it and we  
9 provided it.

10 Q. So it never occurred to you when Staff  
11 was auditing the Iatan 1, that they would need  
12 information related to Iatan 2?

13 A. No. With all the information we were  
14 providing in the quarterly reports and meeting with  
15 Staff on a quarterly basis, as far as the -- the  
16 technical confines of the 0089 rate case, we didn't  
17 see Iatan 2 as relevant. But as I said, when Staff  
18 explained why they needed that information, we  
19 provided it.

20 Q. Do you know what date KCPL decided to let  
21 Staff audit Iatan 2?

22 A. Again, we were never in a position to  
23 let, allow, not allow Staff to do anything, but I  
24 think you're asking me the same question again, if I  
25 remember when that conversation occurred where they

1 explained what they needed and we began providing it.

2 And as I said before, I don't remember the date of

3 that.

4 Q. Now, when you're discussing these  
5 quarterly meetings, Staff isn't issuing data requests  
6 during those meetings, are they?

7 A. We frequently have take-aways that we  
8 treat as informal data requests. We'll go over the  
9 quarterly report, provide updates and they'll answer  
10 questions. And we treat those questions as informal  
11 data requests, absolutely. That happens frequently.

12 Q. So were you providing the information in  
13 those quarterly reports -- quarterly meetings on Iatan  
14 2?

15 A. Yes.

16 Q. Were you providing documentation?

17 A. Yes. I don't recall ever telling Staff  
18 they couldn't have information related to Iatan 2 that  
19 they asked for as part of those quarterly meetings. I  
20 don't recall that ever occurring.

21 Q. So you were willing to give them  
22 information within the quarterly meetings, but you  
23 were not willing to give them information within the  
24 context of the '89 and '90 rate cases?

25 A. For the reasons I just described. We

1 understand the audit and review process to be part of  
2 the quarterly report and that would certainly include  
3 Iatan 2 and did within the confines of the 0089 rate  
4 case where no recovery associated with Iatan 2 was an  
5 issue, we didn't think that was relevant. But when  
6 Staff explained why they needed the information, we  
7 provided it.

8 Q. Now, as a former practicing attorney,  
9 these quarterly meetings, if they were informal data  
10 requests, wouldn't it be a better practice to have a  
11 formal data request and something in writing to  
12 memorialize the information you are seeking for  
13 disputes going forward?

14 A. Well, perhaps it could have been a better  
15 process, but for our purposes when I say we treated it  
16 as an informal data request, those were frequently ran  
17 through our Casework system and so that documentation,  
18 in large part, would exist.

19 But also I would preface that, and many  
20 times it was they asked for information and that  
21 information was provided in a subsequent meeting or  
22 conversation. So I can't say that every piece of  
23 information that they asked for and that we provided  
24 in response would be captured in Caseworks.

25 Q. Now, on page 13, line 10, you state that,

1 No list exists nor could KCPL easily create one for  
2 Staff.

3           So if this list that you're referring to  
4 is so hard to create, how do you expect Staff to be  
5 able to create one by going through KCPL's cost  
6 control system?

7           A.     Sure. I would go back to the earlier  
8 answer to the question about the K-Report. The  
9 K-Report itself, I don't see how it ever could -- one  
10 piece of paper, the K-Report, explain and identify --  
11 identify and explain every cost overrun. It was our  
12 understanding that that was not the intent of the  
13 commitment.

14           The intent of the commitment was to  
15 design a system -- that's the word there and in the  
16 heading it says process -- and we certainly did that.  
17 But consolidating that down -- I think the K-Report  
18 does it about as well it could be done, but  
19 consolidating down to a single list, document that  
20 identifies and explains something fairly complicated,  
21 I don't think that's reasonable and not what we agreed  
22 to or what the regulatory plan says.

23           Q.     Do you think that information could be  
24 easily put into a report?

25           A.     I would say that the quarterly reports do



1 do that in large part. Attached to the back of every  
2 quarterly report is a K-Report for that quarter. And  
3 then within the text of the quarterly report is the  
4 issues we were facing at that time. So that would --  
5 that's certainly another part of the story.

6 Q. Now, does that K-Report address  
7 contingencies?

8 A. Contingencies are listed on the K-Report.

9 Q. But that K-Report doesn't explain the  
10 costs charged to the contingencies. It just provides  
11 a number. Correct?

12 A. Correct. As I mentioned before, it's a  
13 summary and you have to go to the back-up  
14 documentation. And in response to that question, that  
15 would be the contingency logs. But again, the details  
16 of how to get to A to B are really better questions  
17 for Mr. Archibald.

18 Q. Now, would KCP&L have the ability to  
19 create a report to -- to comply with the stipulation  
20 and agreement?

21 A. First, we did comply. The system  
22 complies with our commitments under the regulatory  
23 plan. Could we sit down and try and go through -- I  
24 guess, frankly, again that's a better question for Dan  
25 Meyer and Forrest Archibald. Based on my

1 understanding, I'm not sure how such a -- a list, so  
2 to speak, has been created. And we've had  
3 conversations about that.

4           And at one time we believed Staff was  
5 going to tell us what they thought such a list would  
6 look like, but we never got that information from  
7 Staff. We asked Staff what that list would look like  
8 and we haven't gotten that.

9           Q.     But could KCPL produce the report?

10          A.     I don't see how from my perspective, but  
11 again, that's a better question for Forrest Archibald  
12 and Dan Meyer.

13          Q.     Okay. But through your testimony -- but  
14 if you can't do it, how do you expect Staff to do it?

15          A.     Well, what I'm saying that would -- I  
16 don't see how we could do is a single document, a  
17 piece of paper, a list that Staff asks for in a data  
18 request that identifies and explains everything.  
19 That -- that's the part I don't think we can do. Our  
20 cost control system does identify and explain cost  
21 overruns, which was our commitment and we met that.

22          Q.     Does it -- can you produce a report  
23 though? I'm not asking for a single list. I'm asking  
24 for a report that would identify and explain.

25               MR. FISCHER: Asked and answered.

1 MS. OTT: It's a yes or no question.

2 JUDGE PRIDGIN: I'll overrule.

3 THE WITNESS: I think we've done that  
4 from our perspective. I think the --

5 BY MS. OTT:

6 Q. Where's this report then?

7 A. I would say it's the reforecast binders.  
8 If you want a single report, confined set of documents  
9 that does that, it's the reforecast binders.

10 Q. Do the reforecast binders track costs to  
11 the control budget estimate?

12 A. Yeah. The reforecast, by definition, was  
13 setting what we thought the cost would be as compared  
14 to the control budget estimate, absolutely.

15 Q. Let's go to page 14 where you discuss  
16 Staff Data Request 970.

17 MR. FISCHER: I'm sorry, Counsel. What  
18 page?

19 MS. OTT: Fourteen.

20 MR. FISCHER: Thank you.

21 BY MS. OTT:

22 Q. Now, you're discussing the timing of Data  
23 Request 970. Did it ever occur to you that Staff was  
24 performing an audit quality control feature to ensure  
25 that we had all the facts to support our opinions and

1 findings? That we were just doing an extra follow-up  
2 and maybe that is why the timing of it to you seemed  
3 unreasonable?

4 A. I only know the words of the data request  
5 itself. I have no idea what was in Staff's mind when  
6 they issued it.

7 Q. Has KCPL complained about Staff's  
8 inability to complete its construction audit in the  
9 time frame that KCPL believes is satisfactory?

10 A. I don't know that I would use the word  
11 "complain," but that was something we asked to be  
12 addressed in the April 2010 hearings. As I mentioned  
13 before, we were being left with the impression that  
14 the audits would go on indefinitely and we didn't  
15 think that was reasonable.

16 Q. Has KCPL received all the audit reports  
17 on -- on time from Staff as ordered?

18 A. I don't really -- I don't want to quibble  
19 about it. Some may have been filed after midnight,  
20 but we received the three audit reports: August  
21 '09 -- or no, sorry, December 31st, '09; August 2010;  
22 and then November 2010.

23 Q. Now, when the operations division here at  
24 the Public Service Commission was the lead on a  
25 construction audit, did KCPL ever fear that the audits

1 would not be complete?

2           A.     I guess we didn't fear they wouldn't be  
3 complete until they weren't. So I guess it -- from  
4 our perspective, it -- timing-wise it didn't enter our  
5 minds that the operations or services division who was  
6 in charge, we didn't -- we didn't have a concern about  
7 the audits not being complete until they weren't. Who  
8 was doing them didn't factor into that.

9           Q.     Do you know if anyone from Staff has  
10 testified that the utilities operations have had their  
11 scope of work restricted or their opinions altered?

12           A.     That did come out in the April hearings  
13 and it was a surprise to us. And then according to  
14 the testimony, a surprise to Staff as well. I believe  
15 Mr. Schallenberg testified that he wasn't aware that  
16 the procedure had changed either.

17                     And from our perspective, it doesn't  
18 matter to us who's in charge of the audit as long as  
19 it gets done in a timely manner. And I would agree  
20 with Mr. Featherstone's testimony from yesterday that  
21 the point is that the way an audit should be done and  
22 the way it has been done in the past is that those two  
23 groups have to work very closely together. That was  
24 Mr. Featherstone's testimony and I agree with that  
25 wholeheartedly, but that's not what we've experienced