

1 what a control budget estimate is. what's the
2 significance of -- well, you're saying Staff
3 incorrectly identifies the Kansas City Power & Light
4 control budget estimate at 1.465 billion. why is that
5 incorrect?

6 A. Because the estimated project cost
7 includes the contingency that you've allocated.

8 Q. So at what point should Kansas City Power
9 & Light's control budget estimate be identified? If
10 it's incorrect at 1.365 billion, which is at 25
11 percent engineered, is it correct at 70 to 75 percent
12 engineered?

13 A. No, the control budget estimate is
14 established including the contingency. That's the
15 total control budget estimate. And the 1.465 didn't
16 include the contingency.

17 Q. So what's the correct, in your opinion?

18 A. 1.685. The budget that was approved by
19 the board of directors and given to the Staff after
20 its approval, which was in December, 2'06.

21 Q. Okay. That's the control adjustment in
22 December, 2'06 --

23 A. Yes.

24 Q. -- not at this earlier point? Okay. So
25 what you're testifying to is that the December, 2006,

1 1.68 whatever, billion, that's the control budget
2 estimate?

3 A. Yes.

4 Q. And is it your understanding that the
5 control budget estimate and the definite estimate are
6 the same thing or used interchangeably?

7 A. I found that they were used
8 interchangeably here. Definitive estimate is really a
9 definitive estimate normally is done at 75 percent
10 engineering complete.

11 Q. Okay. And is it your understanding that
12 that's how it's been defined in this case?

13 A. Not only in this case, but both
14 commissions treated the control budget estimate as --

15 Q. As the definitive estimate?

16 A. I don't know why they called it
17 definitive. I heard Chris Giles's testimony that they
18 were used interchangeably.

19 Q. Okay. All right.

20 COMMISSIONER KENNEY: I don't have any
21 other questions. Thank you.

22 JUDGE PRIDGIN: Commissioner, thank you.
23 This looks to be a convenient time to take a break and
24 let me let the parties know because agenda is at noon
25 today, I'll be breaking right around noon to let the

1 Commissioners and certainly the parties as well attend
2 the agenda. And when we go back on record, we'll have
3 recess. Is there anything further from counsel
4 before we take a break?

5 MS. KLIETHERMES: I just -- did I offer
6 Exhibit 275? It's contained -- another copy of it is
7 contained in another exhibit. I just wasn't clear
8 from my notes if I had offered it or not.

9 THE COURT: I show that you did and that
10 Exhibit 273 and 277 have a potential pending
11 objection.

12 MS. KLIETHERMES: I'm sorry, I was
13 referring to Exhibit 275.

14 JUDGE PRIDGIN: That's what my notes
15 show.

16 MS. KLIETHERMES: Oh, I'm sorry, I
17 misheard your statement. All right. Thank you very
18 much. My apologies.

19 JUDGE PRIDGIN: No problem. That's all
20 right. Anything else before we go on break? All
21 right. We will stand in recess until 10:20. Thank
22 you.

23 (A break was held.)

24 JUDGE PRIDGIN: All right. We are back
25 on the record. I believe Dr. Nielsen is ready to

1 stand recross and then redirect. And again, let me
2 remind the parties, I will need to break a few minutes
3 before noon just so the Commissioners have an
4 opportunity to get to agenda on time and also I
5 suspect folks out in the audience will either be
6 participating or wanting to -- to observe agenda. And
7 so I would probably break until about 1:15 or 1:30 to
8 allow not only to participate in agenda but also get
9 some lunch. Mr. Mills?

10 MR. MILLS: I was just going to ask a
11 little bit about the resume time. Are you planning on
12 resuming at a specific time or when the agenda and the
13 USB agenda finish?

14 JUDGE PRIDGIN: I guess I missed the USB.
15 You need to attend that as well?

16 MR. MILLS: I do, although if I don't
17 attend, they won't elect me as anything.

18 MS. KLIETHERMES: I think they can,
19 actually.

20 JUDGE PRIDGIN: It's supposed to begin
21 after?

22 MR. MILLS: It's supposed to -- actually,
23 it's supposed to run right after agenda.

24 JUDGE PRIDGIN: Do you think 1:30 would
25 at least give you a reasonable shot?

1 MR. MILLS: Really, it doesn't make that
2 much difference to me, I was just trying to get an
3 idea of what your intention was.

4 JUDGE PRIDGIN: I just glanced at the
5 agenda and missed the USB, so I would say roughly, you
6 know, 1:30.

7 MR. MILLS: Okay. That's good. Thanks.

8 JUDGE PRIDGIN: Anything further before
9 we resume? All right. Dr. Nielsen, you are still
10 under oath and recross-examination, Mr. Schwarz?

11 MR. SCHWARZ: I have nothing.

12 JUDGE PRIDGIN: Mr. Mills?

13 MR. MILLS: I do have a few questions.

14 RECROSS-EXAMINATION

15 QUESTIONS BY MR. MILLS:

16 Q. And Dr. Nielsen, I wanted to follow-up
17 with the discussion you were just having with
18 Commissioner Kenney and having to do with the control
19 budget estimate and the way that's set out. Are you
20 familiar with the control budget estimate from a high
21 level?

22 A. Yes.

23 Q. Okay. And specifically, I'm really going
24 to be asking you sort of general questions about the
25 \$220 million contingency and the -- the total budget

1 amount of 1.685 billion as opposed to the line item
2 amount of 1.465 billion. So with respect to the
3 amounts within the 1.465 billion, there are specific
4 components of the project that if you add up all the
5 line items, that will get you to 1.465 billion; is
6 that correct?

7 A. Yes.

8 Q. And on top of that, there are two
9 separate contingency amounts; is that correct? 1.45
10 for owner's contingency -- 145 million for owner's
11 contingency and 75 million for a high-impact,
12 low-probability contingency; is that correct?

13 A. Yes.

14 Q. Okay. Now assume with me that it -- in
15 the -- in the 1.465 billion, there is a line item for
16 a particular widget in an amount of 20 million.

17 A. Yes.

18 Q. Are you with me on that assumption? If
19 that widget, for -- and explain to me if this makes a
20 difference, but for whatever reason, that widget
21 actually ends up costing 25 million, does that extra 5
22 million get charged to contingency or is it a cost
23 overrun?

24 A. I hate to keep saying it depends, but.

25 Q. Okay.

1 A. It depends on the circumstances. If the
2 widget was a pre-engineered fixed-price purchase, then
3 I would expect there to be a five -- or \$5,000 add.

4 Q. And does that get drawn against
5 contingency or does that -- I guess let me ask the
6 question, and with that discussion in mind, let me ask
7 this question: Is there a -- does there need to be a
8 specific reason for a cost overrun in the general
9 sense to be charged to contingency or is it simply
10 recognized as a cost overrun?

11 A. Let me try and answer it this way: Most
12 of the contingency -- and both items of the
13 contingency follow risk management practices that I
14 actually established in the 1980s. I'm credited with
15 developing those risk management matrices. So you do
16 evaluations on both a project-specific and an
17 enterprise-specific basis. Enterprise in this case
18 meaning the total project.

19 And you give discretion to the project
20 management team for one part of it and discretion for
21 whatever executive oversight. In this case, the
22 executive oversight committee. And you draw upon
23 those contingencies with items such as what you're
24 talking about.

25 Now, in regards to the specific

1 hypothetical you gave me, what I -- what I said and
2 may or may not, if it's a totally new thing, they
3 might call it out as a separate increase in the
4 overall budget and the reasons why. But generally, it
5 would be drawn out of the contingency.

6 Q. Okay. Without regard to the reason for
7 the five-million-dollar cost overrun, it gets drawn
8 out of contingency?

9 A. No, they have to -- with the rigorous
10 process that they have in place, they have to specify
11 the reason.

12 Q. Okay. In the course of your review of
13 the project, did you see any amounts that -- that were
14 not charged to contingency that instead were simply
15 recognized as a cost overrun?

16 A. Generally, on this project, they tracked
17 the contingency with a contingency log. And when they
18 made draws for that -- and that's one of the reasons
19 that they have to reevaluate the project as more
20 engineering is complete, to see that they have enough
21 contingency or they've added some things that have
22 been charged to contingency but may not have been
23 charged to contingency. But all of that is documented
24 through the contingency log.

25 Q. And my question was: Did you see any

1 items?

2 A. No.

3 Q. So as far as you're aware, everything
4 that was a cost overrun was charged to contingency?

5 A. At least that I looked at, yes.

6 Q. Okay. Now, I believe you recognized that
7 on the control budget estimate, that there were two
8 separate levels of contingencies, the owner's
9 contingency and the high probable -- I'm sorry,
10 high-impact, low-probability contingency. Did you --
11 did you, in the course of your view, come across any
12 distinction between draws to those two contingency
13 funds?

14 A. Not really.

15 Q. In your opinion, say on some of the
16 hypotheticals that we were talking about where a
17 particular item was budgeted at 20 million and cost 25
18 million?

19 A. I took it as 20,000.

20 Q. Okay. Either way, because it's a
21 hypothetical, so it's got that five extra whatever --
22 whatever denomination. Assume with me that the reason
23 it went five over the original 20 was because of labor
24 escalations.

25 A. Yes.

1 Q. Something that's not terribly uncommon,
2 not unexpected. would it be appropriate to charge
3 something like that to the 75 million high-impact,
4 low-probability contingency fund?

5 A. This was a -- a maintenance agreement, a
6 national maintenance agreement job, which has union
7 contracts.

8 Q. Uh-huh.

9 A. And over the course of the job, there may
10 be an unexpectedly high labor agreement settlement.
11 And I wouldn't expect that to come out of the 145
12 million, but to come out of the 75 million.

13 Q. Okay. Assume with me that the reason for
14 the cost overrun, then, was simply the market price of
15 steel went up. Not due to typhoons in the southeast
16 Asia whatever, just the market price from the time
17 that the control budget was -- was originally put into
18 place and a couple years later when this particular
19 widget was finally engineered and put into place, it's
20 gone up by that amount. That -- would you agree with
21 me that that is not a -- a high-probability -- a
22 low-probability type of event?

23 A. No.

24 Q. You think that could be a high -- a
25 low-probability event, that the cost of steel would go

1 up?

2 A. It could be, but, you know, this -- this
3 was a very interesting time and the cyclical nature of
4 the extreme run-up and shortages of commodities and
5 then the economic conditions of the last couple of
6 years were totally unexpected.

7 Q. Okay. So in the context of this example,
8 have you seen examples of change orders in which the
9 probability was identified as low and explained why
10 the probability was low?

11 A. The RO logs explain the rationale. They
12 don't drive it up to that high a level.

13 Q. What do you mean by "they don't drive it
14 up to that high a level?"

15 A. They explain the risks and the
16 opportunities on the discreet item. They don't
17 categorize it up to the enterprise risk or the project
18 risk.

19 Q. Okay. So in terms of cost tracking, did
20 you -- were you able to tell whether particular items
21 were charged to the owner's contingency or the other
22 contingency fund?

23 A. No.

24 Q. Was there an attempt through the fund to
25 track to either of those contingency amounts?

1 A. Once the contingency --

2 Q. That's a yes or no and then you can
3 explain.

4 A. No, I did not.

5 Q. Okay.

6 A. Once the amounts of contingency are
7 established, I don't think it matters which fund it
8 comes out of.

9 Q. Okay. It doesn't matter to whom?

10 A. To the project.

11 Q. Okay. So in other words, the contingency
12 could have just been established together, doesn't
13 need to be two separate contingency funds?

14 A. The reason for the differentiation is the
15 differentiation that I gave at the beginning. Those
16 that are project management team and those that are
17 reserved for the higher-level executives. And that's
18 to establish the contingency fund in total. But the
19 -- they require at least being aware before they draw
20 out of the 75 million using that example.

21 Q. So you've seen documentation in which it
22 takes a greater level of approval to draw on the 75
23 million as opposed to 145 million?

24 A. I've seen some documents. And it depends
25 on the level to which they have to report to the

1 executive committee.

2 Q. In terms of cost controls at this
3 project, are you saying that there was a different
4 process?

5 A. No.

6 Q. There was not a different process for the
7 two contingency levels?

8 A. There was a process in place that
9 depending on the level of the change, they had to
10 inform the executive oversight committee.

11 Q. When you say "level" in that sense,
12 you're talking about the dollar amount of change?

13 A. Yes, yes.

14 Q. Not the level of -- of anticipated
15 probability? You're simply talking about the dollar
16 amount?

17 A. Yeah.

18 Q. Okay. So with respect to this whole
19 discussion we've just had, then, regardless of the
20 reason for an increase in price, so long as it was
21 within the \$220 million contingency, in terms of
22 dollars, regardless of the reason, it's your testimony
23 that that would not be a cost overrun; is that
24 correct? Yes or no?

25 A. I can't answer that the way it's posed.

1 Q. Okay. So you don't know the answer or
2 it's not possible to answer?

3 A. As I said, it's not possible to answer as
4 it is posed, the question.

5 MR. MILLS: Okay. I have no further
6 questions.

7 JUDGE PRIDGIN: Mr. Mills, thank you.
8 Ms. Kliethermes?

9 MS. KLIETHERMES: I have none, thank you.

10 JUDGE PRIDGIN: Redirect?

11 MR. FISCHER: Thank you.

12 REDIRECT EXAMINATION

13 QUESTIONS BY MR. FISCHER:

14 Q. Let's just start there at the back of the
15 questioning. Would you explain why it's not possible
16 to answer Mr. Mills's question?

17 A. Risks are not set as an absolute.
18 They're a preprocess in the overall costing process of
19 the project. And so you're talking about after the
20 fact, after they've been incurred, after they've
21 gotten all of the approvals, the negotiations have
22 taken place and they've written a change order. You
23 don't go back and reevaluate necessarily the risk but
24 you do draw out of the fund that was established by
25 that risk.

1 Q. Dr. Nielsen, just to make sure that I'm
2 clear, are you -- are you able to track cost overruns
3 using KCP&L's cost control system?

4 A. At first, I wasn't. And I think I've
5 described that in my testimony. And that was one of
6 the things that we had to have an explanation and I
7 testified about that explanation and put that in my
8 testimony regarding Unit 1. And we talked about that
9 in April when I was here in Missouri as well.

10 Once I got an explanation from the site,
11 which I heard them do that several times in regards to
12 Mr. Drabinski, because we were on the phones most of
13 the time that they had meetings with the Staff, and he
14 had the same problem that I had at first and then once
15 he got an explanation, we both were able to track
16 through the whole system.

17 Q. Would you explain how you do that?

18 A. Take the K reports, which are the cost
19 variance, and then have to go down to the change
20 orders, the contingency log, the R&O log, and the
21 updates to that log and various other documents in the
22 cost control system, and then you have to track down
23 through those documents. I did the same thing that
24 Drabinski did.

25 Q. So you were able to -- to track,

1 identify, and explain cost overruns as it related to
2 Iatan 1 and Iatan 2?

3 A. And if we could not, we asked the
4 question.

5 Q. Ms. Kliethermes showed you a document
6 that I think listed all the times that you were on the
7 Iatan site, which are quite a number, or at least your
8 team. Do you recall that?

9 A. Yes.

10 Q. Why is it important to go to the site to
11 do a prudence audit?

12 A. Because you don't want to take 20,000
13 documents. You have to review the documents, make
14 decisions on the documents, and then ask for copies of
15 the documents that you actually want that support your
16 analysis.

17 Q. Is it necessary or important to have
18 discussions with -- with construction personnel that
19 understand those change orders?

20 A. Oh, yes.

21 Q. Why would that be?

22 A. Just like we were having trouble at first
23 finding our way through the -- the documentation, and
24 so I -- they gave me actually a presentation that they
25 had made -- I think it was to Missouri Staff, at a

1 very early stage, and how the various elements all fit
2 together and how you could figure out the
3 justification and the reasons for the cost variances.

4 Q. I think Ms. Kliethermes asked you about
5 your expertise. Are you an engineer?

6 A. I'm both a civil engineer and a
7 mechanical engineer.

8 Q. Does your background as an engineer help
9 you to understand the change orders and the
10 documentation that is necessary to understand the cost
11 control system?

12 A. Yes.

13 Q. Why would that be?

14 A. Costs are driven by the scope first of an
15 item, the quality of the item, and the timing of the
16 item. You have to understand all three of those from
17 a project management engineering perspective. And
18 that's why you have to start with those types of
19 documents. And those types of documents are why even
20 a construction audit, which I didn't do in this case,
21 much less a prudence audit, you have to understand
22 what you're looking at.

23 Q. Okay. Do you isolate costs from
24 engineering decisions?

25 A. No.

1 Q. I'd like to go back to the discussion you
2 had for a few minutes with Commissioner Kenney
3 regarding the WSI settlement.

4 A. Yes.

5 Q. The WSI issue, was that one submitted to
6 the outside facilitator, Mr. Jonathan Marks, for
7 review?

8 A. And that's why -- it was not, and that
9 was why I disallowed that as an item. What Mr. Kenney
10 and I were talking about, I asked Mr. Davis -- I
11 didn't see his testimony because I didn't have access
12 to his testimony until he actually filed it. He said
13 that we had an interim negotiation with Alstom that he
14 didn't want to claw back in the settlement process.
15 And there was no documentation regarding that
16 decision.

17 Q. I was a little confused, though, because
18 last night, Commissioner Kenney was also talking about
19 the Alstom Unit 1 settlement and the Alstom Unit 2
20 settlement. Now --

21 MS. KLIETHERMES: Objection, exceeds the
22 scope of bench questions. Commissioner Kenney had no
23 questions for this witness last night.

24 MR. FISCHER: Well, he referenced the
25 question in his questioning today.

1 JUDGE PRIDGIN: I would agree, I'll
2 overrule.

3 MS. KLIETHERMES: All right. I'll
4 withdraw.

5 BY MR. FISCHER:

6 Q. Can you explain the difference from your
7 perspective of the Alstom settlements compared to this
8 WSI settlement?

9 A. As I clearly indicate from 235 -- 231 to
10 235 -- page 231 to page 235 of my rebuttal testimony,
11 it was a glaring example to me that -- of an item that
12 should have been put in the Alstom second settlement.
13 And it was -- and it was probably one of the items
14 that they would have had in that settlement. It was
15 handled outside of that settlement and -- and they
16 didn't -- KCP&L, as I read the terms and conditions,
17 paid that when I thought they had a valid claim.

18 Q. But you understand from Mr. Davis's
19 testimony, don't you, that he has a different
20 perspective on that?

21 A. Yes, and I agree with his perspective, I
22 just couldn't find any documentation. And the
23 perspective from a project management standpoint was
24 probably good, as I said to Commissioner Kenney. From
25 a prudence perspective, I didn't agree because you

1 make the decisions on a decision when they are first
2 made.

3 Q. And could that be an issue where
4 reasonable people could just have a disagreement?

5 A. Just like I said, it's reasonable for the
6 project management, not for prudence.

7 Q. With the exception of whether the WSI
8 should have been included in one of the Alstom
9 settlements, did you have a -- did you review the
10 Alstom settlements for prudence?

11 A. Yes, I did.

12 Q. And what did you conclude?

13 A. And I found all kinds of documentation on
14 the issues and how they were looked upon and what
15 KCP&L was receiving versus what they didn't have
16 before versus Alstom. I've been involved with many,
17 many large construction project claims.

18 And I can tell you that when he was
19 having that -- Commissioner Kenney was having that
20 discussion with Mr. Roberts last night, I thought the
21 process of contract administration was very solid. It
22 was actually probably one of the best instances of
23 facilitated negotiation that I've observed on these
24 large projects.

25 Q. I'd ask you to turn to your rebuttal,

1 page 2.

2 A. Page 2, yes, sir.

3 Q. There you have an index of work, and I
4 don't want you to go through your rebuttal testimony,
5 but you have an index of the pages, I think, where you
6 addressed the Alstom settlement Unit 1 and Unit 2.

7 A. Yes.

8 Q. That's where the Commission would go to
9 understand your analysis of the Alstom Unit 1 and
10 Unit 2 settlements?

11 A. It's primarily under scope and change
12 management, I believe. Let me check that. And it's
13 also discussed earlier.

14 Q. Well, isn't it discussed -- isn't the
15 Alstom 1 settlement discussed on 263?

16 A. Yes. Yes, it was. Yes.

17 Q. And on that index, does it indicate that
18 Alstom 2 starts at 275?

19 A. Yes.

20 Q. Okay. There are a number of other --

21 A. I referenced it in those detailed
22 analyses earlier in the testimony.

23 Q. There are a number of other adjustments
24 that you discuss or you list on that index; is that
25 right?

1 A. Yes.

2 Q. Does that give the Commission a roadmap
3 of where to go to get your testimony about your view
4 about those adjustments?

5 A. Yes.

6 Q. Did you find any other -- with the
7 exception of the WSI adjustment and the -- the other
8 adjustment that you spoke with Commissioner Jarrett
9 about, did you find any other areas of imprudence in
10 Iatan 1 or Iatan 2?

11 A. I did not.

12 Q. Ms. Kliethermes asked you some questions
13 about your access to documents in this proceeding. Do
14 you recall those?

15 A. Yes, sir.

16 Q. Now, did you indicate that you had the
17 same access to documents as the Missouri Staff and the
18 Kansas Staff?

19 A. Yes, I did.

20 Q. Did you have to file any kind of Motion
21 to Compel to get any documents anywhere?

22 A. No, sir.

23 Q. Do you know if anyone in the Kansas
24 proceeding had to file a Motion to Compel?

25 A. I seem to recall that there were none.

1 Q. Did you have access to all cost control
2 documents or other documents that you needed to
3 conduct your prudence review here in Missouri?

4 A. Yes.

5 Q. Did you find that KCP&L's cost control
6 system included the documents that you needed to do
7 your prudence review in Missouri?

8 A. Yes.

9 Q. And did those documents identify and
10 explain cost overruns?

11 A. They did.

12 Q. And they were tied to the 2006 control
13 budget estimate?

14 A. Yes, sir.

15 Q. You were asked some questions about the
16 prudence review that you did and whether you did a
17 construction audit, I believe. Do you recall that
18 question from Commissioner -- I mean from counsel from
19 the staff? No?

20 A. No.

21 Q. Okay. Well, what's the nature of a
22 prudence review?

23 A. The prudence review, you evaluate the
24 systems, procedures, personnel, everything that's
25 involved in the project at the specific time, the data

1 that they had available, the data that they would have
2 reasonably had available from the industry
3 perspective, and the quality of the decision that they
4 actually made, and then do the implementation of that
5 decision until the decision is made that may change
6 the original decision.

7 Q. Well, what's the standard that you would
8 apply in a prudence review like you did?

9 A. The standard is that that's articulated
10 by Missouri in the wolf Creek case and in Kansas by
11 some case law supplemented by their statute on nuclear
12 construction that the Commission decided was
13 applicable to the Iatan project.

14 Q. Okay. So that's what you were referring
15 to is the standard that --

16 A. The prudence standard, yes.

17 Q. -- utilized in the wolf Creek case?

18 A. But that's consistent with what I did for
19 NARUC in the mid-'80s.

20 Q. Does that include the use of hindsight?

21 A. No. It is particularly a bar against
22 using hindsight.

23 Q. Is it essentially a reasonable man
24 standard based on the circumstances that existed at
25 the time?

1 A. Yes, sir.

2 Q. I believe Ms. Kliethermes asked you
3 whether you were an expert in the area of cost
4 accounting.

5 A. I think it was cost accounting or
6 accounting. I think it was accounting.

7 Q. Okay. Accounting. I'd like to refer you
8 to your Exhibit 1 that was attached to your testimony.

9 A. Yes, sir.

10 Q. There you list the areas of expertise of
11 Pegasus or is that of yourself?

12 A. I have been qualified in federal courts
13 and state courts, arbitrations.

14 Q. Would you list the ones that are
15 particularly relevant to a prudence review and the
16 issues in this case?

17 A. Oh, going down the left-hand side of --

18 MR. MILLS: Judge, I'm going to object to
19 this. I don't think this is responsive to any
20 cross-examination or questions from the bench. And
21 it's in his testimony. I don't know that we need to,
22 at this point in redirect, go back through Dr.
23 Nielsen's qualifications. I think it's beyond the
24 scope of any direct or bench questions.

25 MS. KLIETHERMES: And I'll join in that

1 objection.

2 MR. MILLS: Sorry, any cross or bench
3 questions.

4 MR. FISCHER: Judge, the question was
5 asked in what area he was an expert in, whether he was
6 not an expert in cost accounting. I'm now asking what
7 is he an expert in.

8 JUDGE PRIDGIN: I'll overrule.

9 THE WITNESS: There are various bullets
10 in two columns: Management consulting, corporate
11 governance, risk management, risk assessment, prudence
12 analysis and audits, performance audits, project
13 management audits, international contracting is
14 applicable in some cases. I don't think it's
15 applicable in this case. Trendy valuation and
16 analytics, industry best practices, contract
17 administration, executive management,
18 financial/investment funds, I would say financial is
19 applicable. Visibility studies and reviews,
20 compliance reviews, strategic planning, engineering
21 and construction management, project and program
22 management, project control systems, project and
23 program estimating, change management, standard of
24 care, claims prevention, claims analysis and
25 negotiation, design build, and damages.

1 And I said fraud, abuse and waist were not part of the
2 audit here.

3 Q. Okay. Thank you. I believe Mr. Mills
4 may have asked you about whether you'd ever filed
5 testimony or worked on behalf of consumer advocates.
6 Do you recall that?

7 A. Yes.

8 Q. Have you ever worked on behalf of Public
9 Service Commission staffs on prudence audits?

10 A. Yes.

11 Q. How many states have you worked in, do
12 you think?

13 A. Fourteen states for Commissions and those
14 -- I can't remember all of them, but I would say the
15 Texas Commission, the Connecticut Commission, the New
16 Hampshire Commission, the Ohio Commission, the
17 Illinois Commission, the Pennsylvania Commission to
18 name a few that I can think of.

19 Q. And how many have you done on behalf of
20 public utilities?

21 A. Fifteen.

22 Q. Okay. How many power plant reviews have
23 you done and conducted on separate generating units?

24 A. It's between 90 and 100.

25 Q. How many countries have you worked in

1 with regard to engineering and construction projects?

2 A. Eight-four.

3 Q. How many times have you testified in
4 proceedings related to power plants?

5 A. That's what I was answering the 90 to 100
6 on. I've worked on additional power plants, but in
7 regards to --

8 Q. I think in answer to one of Ms.
9 Kliethermes's questions, you referenced work at NARUC
10 during the mid-'80s.

11 A. Yes.

12 Q. Can you elaborate on what did you there
13 for NARUC?

14 A. It all began on the Seebrook nuclear
15 plant and the six states of New England have a
16 governor's conference which has a subcommittee made up
17 of the chairman of their public utility commissions
18 and the executive director or the -- I think it would
19 be called a chief executive of the commission.

20 And they had us do a study and a survey
21 related to what was proper definition and standards of
22 prudence and what was the proper standards to use in
23 auditing and reviewing prudence. They then made a
24 presentation to NARUC, the national body. And NARUC
25 had us update that and I think we did a second update

1 probably in the early 90s, broadening the number of
2 commissions that had decisions or statutes on them.

3 Q. Let's go back a little bit to your
4 discussion with Commissioner Kenney about the WSI. I
5 was a little confused by your answer regarding the
6 importance of relying on testimony, and I'd just like
7 for you to elaborate on what you were saying there.

8 A. I saw documentary evidence of the issues
9 and the contract administration process that was in
10 place. We've evaluated the contract administration
11 change management cost control system, project
12 controls. At various times, various decisions were
13 made with respect to that, with those areas. And
14 everything told me that it had worked in the execution
15 of that very well and they made improvements over time
16 in regards to third-party or outside reviews of those
17 areas. And I've already commented on the facilitated
18 negotiation and I didn't find any written record
19 that -- of what Mr. Davis had told me.

20 Q. Is it reasonable to rely on company
21 explanations whether it's in informal explanations or
22 in testimony, though, to understand the circumstances
23 around a particular issue?

24 A. Yes.

25 Q. And you weren't suggesting otherwise?

1 A. No, I was not.

2 Q. Okay.

3 MR. FISCHER: That's all I have. Thank
4 you very much.

5 JUDGE PRIDGIN: Mr. Fischer, thank you.
6 Dr. Nielsen, you may step down, sir. Thank you very
7 much. So Mr. Archibald is our next witness; is that
8 correct?

9 MR. HATFIELD: That's correct.

10 JUDGE PRIDGIN: If you'd come forward to
11 be sworn, please.

12 And this is a reminder we'll need to
13 break a little bit before noon so Commissioners can go
14 to agenda and audience members can get to the agenda
15 room. Is there anything before Mr. Archibald is
16 sworn? And sir, if you'll raise your right hand to be
17 sworn, please.

18 (The witness was sworn.)

19 JUDGE PRIDGIN: Thank you, sir. KCP&L,
20 when you're ready.

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. HATFIELD:

23 Q. Would you state your name and business
24 address for the record, please.

25 A. Forrest Archibald, 1200 Main Street,