

1 on Friday night so people can get back to Kansas City
2 so since we're kind of behind schedule, I'm at least
3 considering going until 6:00 or so this evening, just
4 so you can make plans. Anything else before she
5 resumes her cross?

6 All right. Mr. Davis, you are still
7 under oath, sir. And Ms. Ott, when you are ready.

8 BRENT DAVIS, having been previously sworn, testified
9 as follows:

10 CROSS-EXAMINATION BY MS. OTT:

11 Q. Good morning.

12 A. Good morning.

13 Q. I believe last night before we left I
14 handed you some change orders from LogOn. Did you
15 have a chance to review those?

16 A. Yes.

17 Q. Okay. And you are one of the individuals
18 that approved this change order, LO-01654?

19 A. That's correct.

20 Q. Okay. I'm going to ask you a few
21 questions about this change order. Now, there's a
22 supplement change order to this, correct, attached as
23 the last page?

24 A. Could you point out which page you're
25 talking about?

1 Q. It would be the very last page in -- in
2 the pac-- in the change order that I just described.

3 A. That would be the purchase order.

4 Q. Okay. Maybe you mis-- I'm talking about
5 the supplement documentation. It should be the
6 very -- is your last sheet not the same as mine?

7 A. You're talking about -- oh, this page
8 (indicating)?

9 Q. Let me look to see if you have the same
10 thing I do. Yes. Did you review that page?

11 A. Yes.

12 Q. Can you tell me why there was a need to
13 provide supplemental documentation for this change
14 order?

15 A. It was part of our normal change order
16 documentation process just to add information to the
17 change order.

18 Q. Is it typical to add supplemental
19 documentation three months later from the original
20 change order?

21 A. This was for a services contract. Many
22 of these contracts were let and supplemented as we saw
23 needs arise. If we were pleased with the services
24 they were providing, we would supplement that and
25 increase their PO amount. LogOn was an example of

1 that.

2 Q. Okay. And on that last sheet, the
3 supplement to the change order, under the -- it's in
4 the middle of the second paragraph and it says,
5 LogOn's consulting delivery of service included, one,
6 a detailed assessment, including actionable
7 recommendations followed by implementation,
8 participation.

9 Do you see that?

10 A. Yes.

11 Q. And would this be the assessments that
12 you did not read until after Mr. Hyneman's rebuttal
13 testimony?

14 A. It could have been. It's more probable
15 that some of their staff aug people would make
16 recommendations on the job site on a daily basis. We
17 would act on those recommendations.

18 Q. And would you also agree that the other
19 sections of the supplemental change order to improve
20 functions and processes by measuring effectiveness, to
21 advise, mentor and support personnel and organizations
22 within the construction management division, and
23 perform tasks as a part of the overall project team or
24 as directed by CEP requirements?

25 Did you see that?

1 A. what was your question?

2 Q. I said is that -- is that what is on the
3 document?

4 A. Yes, it is.

5 Q. Okay. Would you agree that KCPL made the
6 decision to hire LogOn to assist with the project
7 management of the construction projects?

8 A. Yes, I would. They provided staff
9 augmentation services.

10 Q. Now, did you approve all change orders
11 for LogOn?

12 A. I don't know about all. I -- I approved
13 many of them. Mr. Bell could have approved some.
14 Probably depending on who was there at the time.

15 Q. Okay. Can you explain how you were
16 authorizing these change orders when you weren't
17 reading the reports that they were producing?

18 A. As I explained yesterday, a lot of what
19 LogOn supplied was staff augmentation services to
20 various functions on the project. They had people in
21 the start-up area, the engineering area, the quality
22 area and the cost control area. So a bulk of these
23 dollars were for functions they were performing on a
24 daily basis helping to manage the project.

25 An example is James Majors in the quality

1 area, he ultimately became our lead quality manager
2 toward the end of the project because he was very good
3 at what he performed.

4 Q. Now, are you familiar with the level of
5 experience of the members of the LogOn Consulting team
6 who worked on the -- on the project?

7 A. I'm familiar with various ones of them,
8 yes.

9 Q. Do you know who John Allen is?

10 A. Yes.

11 Q. Do you know about his experience level?

12 A. Vaguely. John Allen was the lead person
13 of the LogOn group. My interaction with him was less
14 than some of those other individuals that were
15 perform-- performing daily functional duties on the
16 project.

17 Q. Okay. So do you know about his
18 experience level?

19 A. He's got years of experience in the power
20 generation. I'm not keen to what exactly that was.

21 Q. So would you agree that the LogOn team
22 was very highly experienced?

23 A. I would agree they brought some level of
24 expertise, yes.

25 Q. And I believe yesterday you stated that

1 Mr. Churchman was the one that selected LogOn?

2 A. Yes.

3 Q. And do you know why Mr. Churchman
4 selected LogOn?

5 A. Not exactly. I know he had worked with
6 many of the individuals that LogOn supplied in the
7 past.

8 Q. Did he work with them on other
9 construction projects or personally in other
10 capacities?

11 A. I believe on other projects, yes.

12 Q. Do you know anything about Generally
13 Accepted Auditing Standards?

14 A. Generally.

15 Q. Do you know anything particular about how
16 auditors rely on the work of the specialist?

17 A. I don't understand your question.

18 Q. That under those standards, that they
19 state that auditors should rely on the work of a
20 specialist? Are you familiar with that part of the
21 standard?

22 A. I -- I guess not.

23 Q. Okay. Do you know if the Commissioners
24 ordered its auditors to comply with the Generally
25 Accepted Auditing Standards?

1 A. The Missouri auditors?

2 Q. Yes.

3 A. No, I don't know that.

4 Q. Okay. Let's see. Okay. Let's go to
5 page 5 of your surrebuttal. Okay. On line 2 you
6 state that Staff made an allegation about KCPL's
7 back-charge process?

8 A. Excuse me. Which page?

9 Q. Five.

10 A. And what line?

11 Q. Well, I think this page you're discussing
12 the back-charge process; is that correct?

13 A. Yes.

14 Q. And so did Ernst & Young and LogOn
15 Consulting also make a similar allegation about the
16 back-charge process?

17 A. I believe that both of those individuals
18 made some observations that our back-charge process
19 could be enhanced. Our back-charge process was in
20 place very early in the project.

21 Because we were very successful in
22 identifying and mitig-- and mitigating issues during
23 the process of construction, we did not have to
24 utilize that process very much until we got into the
25 startup and commissioning phase, which is when you

1 would identify most back-chargeable items. By the
2 time we got to that phase of the project, our back
3 charge process was enhanced in conjunction with those
4 recommendations and we began utilizing that process.

5 I believe to date -- there's some numbers
6 in here that we've approached 7, 8 million dollars in
7 back charges to our contractors to date utilizing that
8 process. So it's been very successful.

9 Q. So in regards to Staff's allegation,
10 Ernst & Young and LogOn's about the back-charge
11 process, you -- did you agree with those allegations
12 at that time?

13 A. I -- I believe we did. And we acted on
14 those and enhanced our process. And you can suc-- see
15 that success now when it is timely and it is needed.

16 Q. If Burns and McDonnell was late on a
17 drawing for Alstom and that caused Alstom to be
18 delayed, who should pay those costs?

19 A. That's very dependent on the specific
20 situation.

21 Q. If it was Burns and Mac's fault for being
22 late, who should pay those costs?

23 A. Once again, very dependent. I can give
24 you an example if you would like.

25 Q. That's okay. Did KCPL ever charge Burns

1 and Mac back charges for anything?

2 A. We are currently in the process of
3 closing out that contract. That's still an open
4 commercial issue.

5 Q. So you haven't at this point given them
6 any back charges?

7 A. I can't recall at this point whether we
8 have or haven't.

9 Q. Do you know if you plan on --

10 A. I wouldn't want to comment on that at
11 this time.

12 Q. Have you ever administered a back-charge
13 process on a construction project before Iatan?

14 A. Yes. We had back charges associated with
15 the Hawthorn project.

16 Q. Do you know how much was assessed in back
17 charges on that project?

18 A. No, I don't recall.

19 Q. Do you have a date of when you put your
20 back-charge process in effect?

21 A. The original back-charge process was part
22 of our early procurement process. And I don't have an
23 exact date, but that would have been back in the 2006,
24 2007 time frame.

25 Q. Did you amend that process at any point?

1 A. I don't know whether there was a formal
2 amendment. There was some -- some beefing up. I'll
3 give you an example. We added a back-charge manager
4 that is totally looking at warranty and back charges
5 on a continuous basis. So we beefed up the
6 administration of the process.

7 Q. Do you know when that back-charge manager
8 came onto the project?

9 A. Six months to a year ago, somewhere in
10 that range.

11 Q. Now, when you were on that Hawthorn
12 project, did you implement any of those back charges?

13 A. My involvement on the Hawthorn project
14 would have been more from a warranty perspective than
15 back charges. As plant manager, we were involved in
16 various warranty claims after the unit came online.

17 Q. And was that while you were in the
18 operations at Hawthorn?

19 A. Yes. That was after we had been online
20 and in an operating mode while the warranty period was
21 still in effect, which is basically the -- where we're
22 at on the Hawthorn project now.

23 Q. Okay. I was -- in your position in the
24 operations section of the Hawthorn, that's where you
25 were doing and not on the construction side?

1 A. That's correct.

2 Q. Let's go to page 6 of your surrebuttal.

3 Now, on line 6 I won't say the number because it's
4 highly confidential, but --

5 A. I think I already said it.

6 Q. Yeah. What percentage of that number was
7 from the construction related to -- with Kiewit --
8 from the contractor Kiewit?

9 A. I can't answer that question off the top
10 of my head.

11 Q. Do you have an estimate?

12 A. No, I don't. I can't answer that
13 question.

14 Q. Do you think it would be more than
15 50 percent?

16 A. Like I say, I don't have a feel without
17 looking at some documentation.

18 Q. And what documentation would you look at
19 to see that?

20 A. We've got a back-charge log.

21 Q. Okay. And has that log been provided to
22 staff?

23 A. I can't answer that. I don't know.

24 Q. Okay. Okay. On lines 8 through 11 you
25 essentially state that KCPL has done everything

1 reasonable within its power to hold contractors to
2 contractual obligations.

3 Did KCPL ever assess liquidated damages
4 to any contractor on Iatan 1 or 2? Start with
5 Iatan 1.

6 A. I don't believe we have gotten a position
7 on Iatan 1 to assess any liquidated damages.

8 Q. How about Iatan 2?

9 A. None that I'm aware of at this point.

10 Q. Okay. Let's go to page 7, line 3.

11 MS. OTT: This is all marked highly
12 confidential so I guess we need to go in-camera for a
13 second.

14 JUDGE PRIDGIN: All right. If I could
15 get -- excuse me, if I could get counsel to let me
16 know if we need to clear the room or if we're good.
17 All right. Give me just a moment. We'll go
18 in-camera.

19 (REPORTER'S NOTE: At this point, an
20 in-camera session was held, which is contained in
21 volume 18, pages 748 to 749 of the transcript.)

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1 JUDGE PRIDGIN: We are back in public
2 forum.

3 BRENT DAVIS testified as follows:

4 BY MS. OTT:

5 Q. Did LogOn create a new back-charge
6 process when it evaluated the Iatan projects?

7 A. No.

8 Q. Was LogOn's services retained through the
9 end of the project?

10 A. The last LogOn individual left very
11 recently, in the very recent past.

12 Q. Did LogOn draft a revised back-charge
13 process?

14 A. Not that I'm aware of.

15 Q. Do you know how much KCPL paid for LogOn
16 for its work on Iatan 2?

17 A. The total amount, I'd have to refer to
18 the cost portfolio.

19 Q. Do you have an estimate?

20 A. No, I don't.

21 Q. What was the provisional acceptance date
22 for Iatan 1?

23 A. I believe it was April 19th of 2009.

24 Q. Was that the same day as in-service?

25 A. In-service date was April 19th, 2009.

1 Q. what was the provisional acceptance date
2 for Iatan 2?

3 A. In-service or provisional acceptance?

4 Q. Provisional acceptance.

5 A. Provisional acceptance is a contractual
6 term in the Alstom contract. And we declared that on
7 September 23rd of 2010.

8 Q. Okay. And in-service was?

9 A. The in-service date was August 26th of
10 2010.

11 Q. So was April 19th, 2009 the Alstom date
12 for provisional acceptance for Iatan 1?

13 A. No.

14 Q. And what was --

15 A. That was the in-service date for --

16 Q. Okay. what was the provisional
17 acceptance date?

18 A. The provisional acceptance date in the
19 Alstom contract, I cannot remember that date for
20 Unit 1, but it was sometime in the September time
21 frame.

22 Q. of what --

23 A. 2009.

24 Q. Okay. Now, earlier you had discussed the
25 quarterly meetings. Were the quarterly meetings held

1 only to discuss cost controls?

2 A. Are you referring to the quarterly
3 meetings with staff?

4 Q. Yes. For the CEP?

5 A. For the CEP quarterly meetings? No, they
6 weren't only to discuss cost. The cost K-Reports were
7 covered during those meetings. We also covered our
8 schedule performance metrics, we gave an up-to-date as
9 of the day we were there project status, which myself,
10 Mr. Churchman or Mr. Bell would -- would provide at
11 those meetings.

12 Q. Would you say the primary focus of those
13 meetings were to discuss cost controls?

14 A. I think the primary function of those
15 meetings was to discuss all aspects of the project.
16 And I think we gave a very thorough update during each
17 one of those meetings.

18 Q. I want to go back because I'm not quite
19 clear and I'm not sure if the record is clear with
20 some questions I had asked you earlier about
21 engineering procurement and construction on specific
22 projects and I want to go through each project to
23 understand if they were the EPC or the prime. La
24 Cygne 1, the SCR?

25 A. I wasn't involved in that project.

1 Q. So you don't know if it was an EPC con--
2 project?

3 A. I believe it was an EPC, but once again,
4 I wasn't involved.

5 Q. And Hawthorn 5?

6 A. Hawthorn 5 would have been a hybrid with
7 a major EPC component and many multiple primes.

8 Q. How about the wind 2 phase at the CEP at
9 Spearville?

10 A. Once again, I wasn't involved, but I
11 would characterize that as an EPC.

12 Q. How about the La Cygne environmental?

13 A. I can't answer that.

14 Q. Okay. How about do you know anything
15 about Plum Point?

16 A. I've got general knowledge.

17 Q. What -- do you know if it was EPC?

18 A. That would be my understanding, but once
19 again, my knowledge is very general.

20 Q. And how about Comanche 3?

21 A. That would have been a hybrid, I would
22 call based on my general knowledge.

23 Q. Do you know what the start date for Plum
24 Point was?

25 A. No, I don't.

1 Q. Is KCPL using Burns and McDonnell on the
2 La Cygne environmental projects?

3 A. I can't answer that question.

4 Q. Do you not know?

5 A. I don't know.

6 Q. Okay. And are you of the opinion that
7 Burns and Mac's work on Iatan 1 and Iatan 2 was of
8 high quality?

9 A. Yes, I am. Burns and Mac -- I believe
10 the way the unit is operating today is very indicative
11 of the quality of the engineering work that went into
12 Iatan 1 and 2.

13 Q. Now, do you remember testifying in Case
14 No. EM-2007-0374, the acquisition case?

15 A. Numbers don't mean anything to me.

16 Q. Okay.

17 A. You're talking about the Aquila/Kansas
18 City Power and Light merger?

19 Q. Acquisition.

20 A. Acquisition. Yes, I believe I remember
21 testifying during that.

22 Q. Okay. And did you read Staff's
23 December 31st, 2009 construction report?

24 A. I read parts of it. I don't know if I
25 could commit any of it to memory.

1 Q. Okay. Do you -- do you remember
2 specifically seeing part of your testimony from that
3 acquisition case within -- contained within that
4 report on the crane accident?

5 A. No, I don't remember seeing it on that
6 report, but --

7 Q. I'm going to hand you a copy of the
8 transcript. And that's -- do you see on line 2 the
9 question is, when you said you didn't believe the
10 crane collapse would affect the Iatan 1 budget, why
11 not?

12 Do you see that question? Can you read
13 what answer you provided?

14 A. Yes, I can. The contractual relationship
15 with Alstom is an -- should be EPC, engineering,
16 procure contract. And their contractual relationship
17 with Maxim, we don't know exactly what it was, but at
18 this point in time we see no responsibility for the
19 crane accident.

20 Q. Okay. And the next question was, No
21 responsibility for whom?

22 And what is your answer?

23 A. For Kansas City Power and Light.

24 Q. And then it says, You mean financial
25 responsibility?

1 A. That's -- yes.

2 Q. And what will it cost to demolish the
3 crane?

4 A. Once again, that's a contract between
5 Marino and Maxim, so I can't answer that question.

6 Q. And the next question is --

7 COMMISSIONER KENNEY: Between who and
8 who? I'm sorry. I didn't hear you.

9 THE WITNESS: Marino and Maxim. They
10 were two subs of Alstom.

11 COMMISSIONER KENNEY: Okay.

12 BY MS. OTT:

13 Q. Then it says, You don't know?

14 And you said, I don't know.

15 And then the last ques--

16 A. We may need to go in-camera. I don't
17 know where you're headed with this, but --

18 Q. I'm just going to go to the next
19 question. I don't --

20 MR. FISCHER: Yeah, Judge. This is an
21 ongoing -- this is an ongoing commercial dispute that
22 is -- contain -- we may discuss sensitive information
23 here.

24 JUDGE PRIDGIN: All right. We'll go in--

25 MS. OTT: I only have to read the next

1 line on here. If that's not HC, then --

2 MR. FISCHER: Okay.

3 BY MS. OTT:

4 Q. And then the next question was, And is it
5 one of the things that you believe is not a
6 responsibility of Great Plains Energy or Kansas City
7 Power and Light?

8 And then your answer is?

9 A. We have no contractual obligation.

10 Q. Thank you. Mr. Davis, do you know
11 anything about Iatan 2 going down recently related to
12 T23 problems?

13 A. No. We have not experienced any outages
14 due to T23 leaks.

15 Q. Did you have any outages recently due to
16 another problem?

17 A. We did have a recent outage back last
18 weekend. We had an outage due to a roof tube leak.
19 It is not a T23 material.

20 Q. And it didn't have anything to do with
21 the boiler?

22 A. The roof tube is part of the boiler, yes.

23 Q. Okay. Just one second.

24 MS. OTT: We need to go in-camera for my
25 last part.

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JUDGE PRIDGIN: Just a moment, please.

(REPORTER'S NOTE: At this point, an
in-camera session was held, which is contained in
volume 18, pages 759 to 760 of the transcript.)

1 JUDGE PRIDGIN: All right, Ms. Ott.

2 Thank you. That concludes your cross?

3 MS. OTT: Yes.

4 JUDGE PRIDGIN: All right. Thank you.

5 Redirect?

6 MS. OTT: Don't -- we didn't do questions
7 from the Bench yet.

8 JUDGE PRIDGIN: I'm sorry. I thought we
9 had.

10 COMMISSIONER KENNEY: Yeah, don't forget
11 us.

12 JUDGE PRIDGIN: I was thinking this
13 morning I thought we had. My sincere apologies.
14 Commissioner Jarrett?

15 QUESTIONS BY COMMISSIONER JARRETT:

16 Q. Good morning, Mr. Davis.

17 A. Good morning.

18 Q. In your direct testimony you talk a
19 little bit about the strategy of what type of
20 construction plan to use. And I believe Mr. Fischer
21 mentioned it in his -- his opening; the multi-prime
22 system versus the EPS [sic] system. And in your
23 testimony, you indicated you believed the multi-prime
24 was the better approach; is that correct?

25 A. I believe I indicated the multi-prime

1 could be an approach that could be successful. The
2 better part is dependent on very many factors at the
3 time you're making that decision.

4 Q. All right. Well, KCP&L chose the
5 multi-prime approach; is that correct?

6 A. That was our original choice for the
7 balance of plant. Now, once again, remember that the
8 Alstom contract is an EPC and represents much of the
9 work on the site. It was our biggest single project
10 on the site. So it was an EPC.

11 Q. Well, what are the differences between a
12 multi-prime approach and an EPC approach?

13 A. An EPC approach, to start with, it is
14 when one entity is responsible for the entire
15 engineering, procurement and construction for that
16 scope of work. So Alstom had all of the environmental
17 equipment for both units and the boiler. Are you
18 following?

19 Q. Uh-huh.

20 A. When we talk about the multi-prime
21 approach, that was our con-- original contracting
22 strategy for the balance of plant; basically
23 everything else, the turbine island and all the
24 auxiliary equipment that allows us to make electricity
25 from that boiler, the steam that boiler makes.

1 We were going to accomplish that with
2 that multiple-prime approach. We were gearing up to
3 do that. When Kiewit approached us, they had had a
4 project canceled and they approached us about our
5 interest in them performing that balance of plant work
6 for us.

7 I believe some later people that are
8 going to testify, Steve Jones is one, when we had
9 pulsed the market earlier in the project to make that
10 multi-prime or EPC decision for that balance of plant,
11 all those major contractors that would be capable of
12 doing that balance of plant work on an EPC were busy.
13 The market was really overheated. So none of them
14 were available or their interest was very lacking.
15 That had led us to develop this multiple-prime
16 approach.

17 It does have risks involved with it. One
18 of -- some of the major risks are manpower
19 availability. Are you going to be able to get those
20 small contractors, smaller individual disciplined
21 contractors? Are they going to be available to do the
22 work? So there were risks involved in the
23 multiple-prime concept.

24 Whenever Kiewit approached us, their
25 ability -- they approached us because they had had a

1 project cancel. They mitigated many of those risks.
2 They're a nationally recognized construction firm.
3 And we were ultimately able to get to a contract with
4 them on the balance of plant work. So where we had
5 planned on having 8 to 12 contractors perform work, we
6 basically cut that down to 1 for the same scope of
7 work.

8 Q. All right. So I guess if I'm
9 understanding you correctly, you started off with this
10 multi-prime approach where KCP&L directly was managing
11 the contractors and then did you sort of morph-- when
12 Kiewit came in, sort of morph into an EPC approach?

13 A. Let me -- the -- for that balance of
14 plant scope, Burns and Mac performed the engineering
15 work on that balance of plant scope. We did the
16 procurement for the major engineered equipment. "We"
17 being Kansas City Power and Light and Burns and Mac.
18 Burns and Mac specked that equipment. Okay?

19 So you got this big turbine island. We
20 bought the turbine. We bought all the parts and
21 pieces that went into that turbine building, the
22 pumps, the air compressors, the feed water heaters.
23 We had those on order and they were in the process of
24 being delivered while we were making our final
25 determination of whether we would go to contract with

1 Kiewit or go ahead and execute the multiple prime.

2 When we talk about fast track, that's
3 what we were fast tracking. We were paralleling that
4 engineering and procurement effort while we were
5 getting ready to start that construction. All right?

6 Q. Uh-huh.

7 A. When Kiewit got on board and we got to
8 contract with them, it basically met our strategic
9 schedule for the start of that balance of plant
10 construction activity. In fact, we actually started
11 some things early with Kiewit and Kiewit supplied the
12 construction services to build all that. So it wasn't
13 an EPC contract with Kiewit. It was a pure
14 construction contract.

15 Q. Okay. Was one of the factors that went
16 into the determination of whether to go with the
17 multi-prime approach or an EPC approach, the extra
18 cost it would have taken for the EPC approach?

19 A. At -- at that point in time that's
20 difficult to quantify, because we never went out for
21 an RFP for the EPC, but it is our belief that given
22 that overheated market at the time, that any
23 contractors that would have bid on this would have
24 demanded a very big risk premium for a firm price EPC.
25 So the potential for that price to have been excessive

1 was there.

2 COMMISSIONER JARRETT: All right. Thank
3 you, Mr. Davis. I don't have any further questions.

4 JUDGE PRIDGIN: Mr. Jarrett, thank you.
5 Commissioner Kenney?

6 COMMISSIONER KENNEY: Let me make sure I
7 get right up on this thing. I tend to talk too
8 softly.

9 QUESTIONS BY COMMISSIONER KENNEY:

10 Q. So the balance of plant is everything
11 other than the Iatan 2 boiler and the Iatan 1 and 2
12 air quality control system. Right?

13 A. In general, yes.

14 Q. Generally speaking. Okay. I want to
15 refer back to a statement you made yesterday about the
16 control budget estimate.

17 A. Uh-huh.

18 Q. The control budget estimate was created
19 at the time when the engineering was only 25 percent
20 complete. Right?

21 A. That's correct.

22 Q. And I think you said yesterday that you
23 would not have committed or characterized that
24 estimate as the control budget estimate at 20 or
25 25 percent complete. Did I hear you correctly?

1 A. I -- I believe what I said is that I
2 wouldn't have characterized that as a definitive
3 estimate.

4 Q. Okay.

5 A. Our original control budget estimate, we
6 needed to have a budget at that point in the project
7 because we were getting ready to start construction.
8 So even though we were 20, 25 percent complete, it was
9 time to develop that control budget estimate based on
10 the information we had at that time.

11 Q. But you wouldn't have characterized it as
12 the definitive estimate?

13 A. I would not have because, as I said, we
14 still had a lot of that balance of plant, engineering
15 was still in process. It was still being performed as
16 we were starting construction on the foundations and
17 the thing to get Alstom in a position for them to
18 start their work in particularly.

19 By the time we did that May 2008 cost
20 reforecast, we were at that 70, 75 percent engineering
21 complete and we had a much clearer picture of what we
22 were actually going to build on that balance of plant
23 side. So I would have considered that a much more
24 definitive estimate, which that estimate was
25 \$1.901 billion.

1 Q. And what was it at the 25 percent? Was
2 it 1.4 something?

3 A. Was 1.685 at the original control budget
4 estimate. So in May of 2008, we had budgeted 1.901.
5 Our current estimate at completion is 1.948. So we
6 are very close to that reforecast that was done over
7 two years ago now, almost three years ago.

8 Q. So -- and just to make sure that I'm
9 understanding, is it -- and I'm going to paraphrase
10 what you've said and tell me if you agree with me or
11 disagree with me. Is it safe to say then that at
12 20 to 25 percent of the engineering being complete,
13 that it's virtually impossible to have a realistic
14 view of what your ultimate budget's going to be?

15 A. Engineering drives cost directly. And
16 until you get that engineering up to that higher
17 percentage complete, you do not have a clear picture.

18 Q. So why would you ever have a definitive
19 estimate at 20 to 25 percent of the engineering being
20 complete?

21 A. As far as the management of the project,
22 we needed a stake in the ground at that time to start
23 managing to. It was based on the best information we
24 had at that time.

25 Q. But you can be virtually certain that

1 it's going to change significantly at -- from 20 to 25
2 percent through the time when there's 70 to 75 percent
3 of the engineering being complete. Right?

4 A. Yes. We did expect there could be some
5 movement there.

6 Q. So how was the decision made to declare
7 the cost -- the control budget estimate at 20 to 25
8 percent of the engineering being complete as the
9 definitive estimate, if you know?

10 A. I -- I can't answer that because I don't
11 know how the terms were played out at that time.

12 Q. Gotcha. Who would -- who, to your
13 knowledge, would have -- would be in the best position
14 to answer that question?

15 A. I believe Mr. Giles probably has some
16 insight into that.

17 Q. Okay.

18 A. And -- and an added name I would give you
19 is Dan Meyers. When he comes up as the cost expert,
20 he can definitely address that.

21 Q. And were you involved at all in the
22 development of the Comprehensive Energy Plan and the
23 negotiation of those terms?

24 A. No.

25 Q. Okay. And just so I'm clear on the

1 different terms that we're using, the multi-prime
2 system of management is basically just as it sounds,
3 multiple prime contractors?

4 A. Uh-huh.

5 Q. And is -- is that typically a method by
6 which you can be expected to lower the cost of the
7 overall project?

8 A. It -- it really depends on a lot of
9 drivers.

10 Q. Okay.

11 A. It -- you can -- it -- it puts more
12 control in the owner's house.

13 Q. Right.

14 A. You get very -- a great degree of
15 transparency in the cost, schedule, et cetera. But
16 you're also accepting the risk of managing those
17 contractors. And particularly in the turbine
18 building, you would have had an electrical contractor
19 in there, a mechanical contractor, a -- a piping
20 contractor. There would have been very many
21 contractors in there. And if -- I know many of you
22 have never been inside a power plant, but that is an
23 extremely con-- complicated structure.

24 Q. Is -- is the general -- general reason
25 for going with the multiple prime process is that you

1 avoid the premiums that a general contractor would
2 charge you for those things?

3 A. You avoid -- you avoid some risk
4 premiums, but you're accepting that risk of
5 coordinating those contractors.

6 Q. Now, I don't know if I read this in some
7 other testimony or not, but KCP&L had not undertaken a
8 project of this size since Wolf Creek. Right?

9 A. As I've stated in -- previously in my
10 testimony, the Hawthorn 5 project and all the work
11 that was done on that site in the 2000 to 2002 time
12 frame would have approached the complexity of this,
13 although the dollars would not have been as high.

14 Q. So -- well, I guess even if a -- in a
15 multi-prime situation where KCP&L hadn't really
16 undertaken a project of this complexity in quite some
17 time or of this dollar amount at least in quite some
18 time, why would you enter into the multi-prime versus
19 an EPC situation or some other type of contractual
20 situation?

21 A. As I said earlier, I think we -- we had
22 approached the market even before my time on the
23 project. I believe Mr. Jones will testify to that.
24 And because of that overheated market, we could not
25 find interest in -- from those big contractors that

1 could perform this scope of work.

2 Q. So it was driven by market --

3 A. Yes.

4 Q. -- circumstances --

5 A. Yes.

6 Q. -- more or less?

7 Okay. All right. Alstom was -- or is
8 the engineering outfit. Correct?

9 A. Alstom is an engineering -- they
10 engineered, procured and constructed. They did all
11 three phases of the boiler and environmental
12 equipment.

13 Q. And does Burns and McDonnell have the
14 ability to engineer, procure and construct or are they
15 primarily an engineering firm?

16 A. I would characterize them as primarily
17 engineering. I think they have had some affiliations
18 before with construction companies where they would do
19 all three.

20 Q. Okay. I read at some point that
21 relationships between Alstom and Burns and McDonnell
22 were strained. Is that -- is that a fair
23 characterization?

24 A. Early on in the project I would agree
25 with that as a fair characterization. Both

1 organizations had their engineering going on
2 concurrently.

3 Q. Gotcha.

4 A. Both of them were experiencing some of
5 those same market pressures. They were trying to get
6 information out of vendors to do designs that -- and
7 that resulted in an information -- what would I
8 characterize it as? As a backlog or a churn. That
9 strained some relationships.

10 Our executives in that -- and -- and
11 myself got involved in that very early on and we got
12 that problem corrected in early 2007.

13 Q. Okay. All right. Mr. Davis, thanks. I
14 don't have any other questions.

15 A. Thank you.

16 JUDGE PRIDGIN: Commissioner Kenney,
17 thank you. Commissioner Jarrett?

18 COMMISSIONER JARRETT: Yes.

19 QUESTIONS BY COMMISSIONER JARRETT:

20 Q. Sorry, Mr. Davis, I just had a couple of
21 more questions. I wanted to make sure I understand
22 the numbers right. Now, the budget estimate at
23 25 percent engineering was 1.685 billion; is that
24 correct?

25 A. That's correct.

1 Q. Then what was the -- what was the number
2 after the reforecasting?

3 A. The reforecast in 2008 was 1.901, I
4 believe.

5 Q. Now, it is -- is the company's position
6 that that is the definitive estimate?

7 A. That's my position. That 75 -- 70, 75
8 percent engineering complete.

9 Q. Now, didn't Kansas say that the control
10 budget estimate and the one that they use as the
11 definitive was the 1.685 billion. Right? The Kansas
12 Commission in their order?

13 A. I believe so. I did not read that order
14 though.

15 Q. Okay. I think that's all I had. Thank
16 you, sir. I appreciate it.

17 A. Thank you.

18 JUDGE PRIDGIN: Mr. Jarrett, thank you.
19 Any further Bench questions? All right. Any recross
20 based on Bench questions? Mr. Schwarz, Mr. Mills and
21 Ms. Ott, I assume?

22 MS. OTT: No I don't have any.

23 JUDGE PRIDGIN: Okay. Mr. Schwarz.

24 RE-CROSS-EXAMINATION BY MR. SCHWARZ:

25 Q. Okay. Commissioner Jarrett and you got

1 into a discussion about the labor market at the time
2 that Kiewit made its proposal. Do you recall that?

3 A. Yes.

4 Q. Isn't it true that by the time the
5 December '06 CBE was developed, that -- or when the
6 December '06 CBE was developed, that KCP&L had the
7 Shewmaker report which made those very same
8 representations, that it would be a tight labor market
9 and estimated labor costs? The Shewmaker report was
10 in early '06, was it not?

11 A. Yes. And one of our -- one of our major
12 risks that we had identified at that time was labor
13 availability --

14 Q. Right. And I guess that -- I'm sorry.
15 Go ahead.

16 A. -- and attracting skilled labor.

17 Q. And I guess that was my point. KCP&L in
18 the -- in the CBE had identified and accounted for the
19 same risks that were -- were facing Kiewit; is that
20 correct?

21 A. I'm not sure I understand your comment
22 there.

23 Q. The -- the CBE had identified and -- and
24 taken account of the labor market risks identified by
25 Shewmaker which were the same risks that were facing

1 Kiewit?

2 A. Yes. But I think Kiewit brought
3 some wherewithal that we did not have. They're a
4 nationally recognized contractor. They can attract
5 labor from a much bigger region than local multiple
6 primes can.

7 Q. And we've been talking about the 20,
8 25 percent engineering at the time of the CBE. Is
9 that by dollar value or by number of drawings or how
10 were you measuring that?

11 A. That was our estimate of the percent
12 complete of total engineering based on the entire
13 level of effort at that time.

14 Q. But is -- is that by dollar amount or by
15 number of drawings?

16 A. It would have been by -- by total number
17 of manhours, the estimate that we had at that time.

18 MR. SCHWARZ: Thank you.

19 JUDGE PRIDGIN: Mr. Schwarz, thank you.

20 Mr. Mills?

21 RE-CROSS-EXAMINATION BY MR. MILLS:

22 Q. Mr. Davis, I want -- I want to try and
23 focus in on some of the questions you got from the
24 Bench about the control budget estimate and the
25 definitive estimate. Is there an industry standard

1 for the percent complete engineering that is necessary
2 to call something a definitive estimate?

3 A. I would refer that question to
4 Mr. Meyers. I think he's the industry expert that
5 could really nail that down for you. But based on our
6 discussions, that 70 to 75 percent is the lowest
7 percentage based on my knowledge that you would say,
8 hey, I've got a clear picture of what I'm building.

9 Q. Okay. And -- but in response to I
10 believe a question from Commissioner Jarrett, you said
11 that it was your position that the control budget
12 estimate was not a definitive estimate; is that
13 correct?

14 A. We experienced growth after that that I
15 believe was a direct result of that engineering
16 percent complete and the pricing pressures, the
17 overheated market that we saw.

18 Q. Do you know what the company's position
19 and -- the company's position in this case is with
20 respect to the control budget estimate being a
21 definitive estimate?

22 A. No. I would refer that to some of the
23 later witnesses.

24 Q. Okay. Okay. Now, do you recall the date
25 in the -- the Comprehensive Energy Plan by which the

1 definitive estimate was supposed to be complete?

2 A. No, I don't.

3 Q. Okay. For purposes of my questions, can
4 you assume that that was to be done by the -- the fall
5 of 2006?

6 A. I do recall when I was part of the team
7 that came here to -- to present that cost document in
8 July of '06, we were working very hard to get the
9 control budget estimate out in the fall.

10 There was a discussion during that
11 meeting with Staff and various other individuals
12 about, hey, maybe now's not the time. If you need to
13 get to the Alstom contract, have more information, we
14 ultimately -- we ultimately published that, finished
15 our work on the control budget estimate, got it
16 approved in December of '06. I believe we presented
17 it to Staff in either late '06, early '07 and that
18 allowed us to know what the Alstom contract was going
19 to be.

20 Q. And for the purpose of these questions,
21 assume that the -- the Comprehensive Energy Plan
22 agreement required a definitive estimate for the fall
23 of 2006. If that agreement was signed in spring to
24 early summer of 2005, do you know what happened
25 between that point and the point in the fall at which