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Witness: William H. Downey
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Sponsoring Party: Kansas City Power & Light Company
KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0355/ER-2010-0356
Date Testimony Prepared: December 8, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355/ER-2010-0356

REBUTTAL TESTIMONY

OF

WILLIAM H. DOWNEY

ON BEHALF OF

**KANSAS CITY POWER & LIGHT COMPANY
KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri
December 2010**

*** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed.
Certain Schedules Attached To This Testimony Designated "(HC)"
Have Been Removed.
Pursuant To 4 CSR 240-2.135.

**Downey
Rebuttal
NP**

REBUTTAL TESTIMONY

OF

WILLIAM H. DOWNEY

Case No. ER-2010-0355/ER-2010-0356

1 **Q: Are you the same William H. Downey who submitted Direct Testimony in this**
2 **proceeding?**

3 **A: Yes, I am.**

4 **Q: Did you testify as to your education, experience and employment history in your**
5 **previously filed testimony?**

6 **A: Yes.**

7 **Q: Has any of your testimony regarding your experience or employment history**
8 **changed?**

9 **A: No.**

10 **Q: What is the purpose of your Rebuttal Testimony?**

11 **A: The purpose of my Rebuttal Testimony is to rebut the Missouri Public Commission**
12 **Staff's ("Staff") proposed disallowances regarding: (1) the costs associated with the May**
13 **23 3008 crane accident; and; (2) those related to the ALSTOM Unit 1 and Unit 2**
14 **Settlement Agreements. My Rebuttal Testimony will also address the Direct Testimony**
15 **of Mr. Walter P. Drabinski, Vantage Consulting, witness for the Missouri Retailer's**
16 **Association in regard to: (i) KCP&L Management's prudent decision-making and**
17 **corporate governance in the development and construction of the Iatan Unit 2 Project;**
18 **and (ii) KCP&L's prudent management of the Iatan Unit 2 Project.**

1 **Q: Please summarize your Rebuttal Testimony.**

2 A: In my Direct Testimony, I discussed in some length the management processes KCP&L
3 put into place to manage this extraordinary undertaking. During construction, the Iatan
4 Project meant jobs for 4,000 people in the Kansas City region who worked over 5.5
5 million manhours. Now that Iatan Unit 2 is in-service, with the new controls on Iatan
6 Unit 1, our customers will have 1350 mw of reliable, clean and inexpensive baseload
7 power available for decades into the future. The Iatan Project lasted over 5 years and was
8 extremely complex. To successfully complete this Project required KCP&L's Senior
9 Management¹ and project management teams to have access to timely and accurate
10 information at all times so that we could make prudent decisions under all possible
11 circumstances.

12 In my testimony today, primarily in my rebuttal to Staff's disallowances, I will
13 show how the processes that our team put into place to obtain information, understand
14 that information and make reasonable and prudent decisions helped us in times when the
15 Iatan Project was going well and also helped us when we were confronted with mitigating
16 the effects of a tragedy. When ALSTOM's erection crane for the Iatan Unit 1 Project
17 collapsed on May 23, 2008, the prospects for a successful Iatan Project were in serious
18 jeopardy. KCP&L's senior and project management teams' immediate concerns focused
19 on insuring that the site was safe and secure and insuring the workers that despite this
20 unfortunate event, the Iatan Project would proceed. We then turned our attention to
21 managing the risk of the wrongful death litigation, the OSHA investigation, and
22 managing ALSTOM's recovery, including examining impacts to the schedule and

¹ "Senior Management" consists of the Chairman, the President, the Chief Operating Officer, the Chief Financial Officer and the Company's Vice Presidents.

1 monitoring ALSTOM's replacement of the crane and assessment of the damage to the
2 ductwork. Any one of these issues could have derailed the Iatan Project and led to a
3 significant increase in costs, a substantial delay to the Project Schedule, or both. Using
4 the many processes we had in place from the Iatan Project's outset, we took decisive and
5 immediate action to engage technical and legal experts to help us navigate through these
6 challenges and make informed decisions. The most noteworthy results were: (1) KCP&L
7 was not cited by OSHA; (2) KCP&L was dismissed from the litigation, and (3) there was
8 no delay to the Unit 2 Project. However, Staff now seeks to disallow what KCP&L
9 expended to successfully protect the Iatan Unit 1 and Iatan Unit 2 projects at a harrowing
10 time.

11 Also, I will address Staff's short-sightedness by its seeking to disallow the cost of
12 our settlement with ALSTOM on the Iatan Unit 1 Project, which I refer to as the
13 "ALSTOM Unit 1 Settlement Agreement." Staff is simply wrong that there was no
14 benefit to the ratepayers from this settlement. The ALSTOM Unit 1 Settlement
15 Agreement was an important global resolution of virtually all outstanding issues that had
16 arisen on the Iatan Unit 1 Project. KCP&L recognized that for good reasons, the tie-in
17 outage for the new Iatan Unit 1 equipment (the "Unit 1 Outage") had increased in
18 complexity and accomplishing the work in rational, cost-effective manner required
19 review and joint approval by all the stakeholders in this Project. KCP&L's commercial
20 strategy hinged on implementing the recommendations of a group called "Tiger Team"
21 that was made up of representatives from ALSTOM, KCP&L, Kiewit, Burns &
22 McDonnell and Schiff Hardin. The Tiger Team's sole purpose was to analyze the
23 schedule for the Unit 1 Outage and make its recommendations for the best way to

1 sequence and perform the work in order to ensure minimal interferences between
2 contractors. We were also concerned that an extended Unit 1 Outage would greatly
3 impact the progress on Iatan Unit 2. Based on the status of construction and the need to
4 shift the craft labor on the construction of Unit 2, ** [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED] ** We then
8 developed a strategy based on the best information available to resolve the issues on Iatan
9 Unit 1, resulting in the Settlement Agreement with ALSTOM that Staff now recommends
10 the Commission disallow. The benefits of the ALSTOM Settlement Agreement were
11 immediately felt and led to the successful completion of Iatan Unit 1 without the kind of
12 commercial disputes that too often get in the way of projects getting completed on time
13 or on budget. The settlement was fair and equitable, successfully dealt with ALSTOM's
14 claims and allowed KCP&L to mitigate a significant portion of the Iatan Project's risk.
15 This agreement also allowed both ALSTOM and KCP&L to mitigate the schedule impact
16 from the crane incident and later discovery of latent defects in the existing Iatan Unit 1
17 economizer casing in a cooperative and beneficial manner.

18 With respect to Staff's recommended disallowance of ** [REDACTED] ** for
19 liquidated damages that had not yet accrued against ALSTOM, Staff offers no evidence
20 that these liquidated damages would have been owed to much less collected by KCP&L.
21 As Company witness Davis testifies, there was a significant delay arising from the latent
22 defect in the economizer casing and a further delay caused by damage sustained to the
23 Unit 1 turbine, and as a result, I have been advised that based on accepted legal standards

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1 under these circumstances, KCP&L would not be able to enforce the liquidated damages
2 against ALSTOM.

3 I also rebut the Staff's position regarding the ALSTOM Unit 2 Settlement
4 Agreement. This agreement was the end product of a management strategy to align both
5 ALSTOM's and Kiewit's work in support of a realistic start-up sequence and schedule.

6 Our project controls metrics showed that ** [REDACTED]
7 [REDACTED]** and based on the sequencing of the remaining work, there were many areas that
8 ALSTOM and Kiewit would have to provide each other access and share space
9 cooperatively to avoid future delays, let alone attempt to recover the time lost.

10 ** [REDACTED]

11 [REDACTED]

12 [REDACTED]** KCP&L evaluated both cost and schedule concerns in
13 evaluating a path forward to align ALSTOM and Kiewit's milestones. The management
14 process leading to the ALSTOM Settlement Agreement included: (1) engaging in
15 analysis and gathering relevant data to identify the least cost option for getting the
16 contractors working together to support high probability completion dates; (2) conducting
17 site meetings, executive level discussions, and facilitated sessions to identify areas of
18 agreement, refine schedule sticking points; (3) ** [REDACTED]

19 [REDACTED]**; and (4) ultimately reaching agreement with both ALSTOM and Kiewit
20 to integrated Construction Turn-Over ("CTO") and Milestone Dates that put the Project
21 in a position to be successfully completed.

22 We have explained in great detail our decision making process and the financial
23 balancing that must be done to develop a strategy to resolve these types of issues. I

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1 believe that the Project was in a much better position based on the execution of these
2 Settlement Agreements.

3 In my testimony, I will also explain Schiff Hardin's role on the Iatan Projects
4 which encompassed oversight, project controls and on-site legal counsel. During the
5 early development phase of the Iatan Projects, I contacted Tom Maiman, my former boss
6 who has been responsible for several power plant construction projects during his 40-
7 years at Commonwealth Edison ("ComEd"). Mr. Maiman has, as the expression goes,
8 seen it all and done it all, including overseeing the construction of two nuclear stations
9 and many of ComEd/Exelon's current and former assets. Due to the fact that KCP&L had
10 not undertaken a construction program the size and complexity of the Comprehensive
11 Energy Project in thirty years, Mr. Maiman recommended I contact Schiff Hardin to
12 provide KCP&L with its expertise in utility construction. As a result, I invited Schiff
13 Hardin to make a proposal to the executive team regarding their qualifications and
14 experience. Based on that recommendation and Schiff's proposal, KCP&L hired Schiff
15 to provide legal advice and oversight. Over the course of the Iatan Projects, Schiff has
16 been an invaluable asset to the Iatan Projects, providing advice, information and counsel
17 on a variety of legal, construction and regulatory issues.

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Q: Are you familiar with Staff's Report regarding the Construction Audit and Prudence Review for the Iatan Construction Project for Costs Reported as Of June 30, 2010 ("Staff's Report")?

A: Yes, I have reviewed it. My testimony in this case directly responds to Staff's general allegations regarding KCP&L's management of the Project, as well as several of Staff's proposed specific disallowances, including: 1) ** [REDACTED] ** for the May 23, 2008 Crane Incident; 2) ** [REDACTED] ** for KCP&L's Settlement Agreement with ALSTOM regarding Unit 1; 3) the [REDACTED] ** disallowance for KCP&L's Settlement Agreement with ALSTOM regarding Unit 2; and 4) the \$8.4 million related to Schiff Hardin's work on the Project. I believe that these were all prudent project costs, and were not incurred due to the mismanagement or imprudence of KCP&L. I will discuss these issues in the order that they are discussed by Staff in Staff's Report.

KCP&L'S PRUDENT MANAGEMENT OF THE IATAN PROJECT

Q: Staff's Report, beginning on Page 21 discusses the Project Management History of the Iatan Project. Do you agree with Staff's conclusions?

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1 A: No I do not. Staff discusses three issues that it believes “made the risks of cost overruns
2 and schedule delays” high. The issues identified by staff are: 1) KCP&L’s decision to
3 “fast-track” the project; 2) relationship difficulties among the project team; and 3)
4 recitation of issues raised in the March 2007 Risk Assessment Report prepared by E&Y.
5 Not only does Staff fail to identify all of the correct facts and circumstances surrounding
6 these issues, it draws unsupported conclusions as to their potential impacts on the Iatan
7 Project. I believe that KCP&L was careful and prudent in its overall management of the
8 Iatan Project.

9 **A: Can you provide a summary of why you believe KCP&L prudently managed the**
10 **Iatan Project?**

11 A: Yes. I discuss in my Direct Testimony in this case and in ER-2009-0089 Docket (the
12 “0089 Docket”) how KCP&L established effective corporate governance for the Iatan
13 Unit 2 Project.

14 After the approval of the Regulatory Plan that includes its Stipulation and
15 Agreement (Case No. EO-2005-0239, referred to as the “S&A”) issued on July 28, 2005
16 and effective on August 7, 2005, Executive Management began supplementing its
17 decision making process by forming a talented project management team and proper
18 oversight of the Comprehensive Energy Plan projects including Iatan Unit 2. I have
19 previously testified that “Senior Management recognized that it needed to adopt a
20 structured approach to the management of the contractors on the CEP Projects that
21 included heavy owner involvement. During the early CEP Project planning, KCP&L’s
22 Senior Management recognized that KCP&L did not at that time have all of the internal
23 resources experienced in construction management necessary to oversee projects of the

1 size and complexity that were contemplated in the CEP Projects.” See Downey Direct
2 Testimony at p. 3. We recognized that having a highly qualified construction
3 management team provides a critical link to information flow to Senior Management. As
4 a result, we took the following steps to increase KCP&L’s project management
5 capabilities, project leadership, management, and oversight on the Project including:

- 6 • The prudent management of the Iatan Project begins with the project team.
7 KCP&L took great pains to hire talented project management staff with
8 experience in large utility construction projects for the Iatan Project.
9 Company witnesses Brent Davis and Bob Bell discuss in detail KCP&L’s
10 ability to put together an experienced team in a challenging and highly
11 competitive economic environment where talent and experience were in
12 short supply. KCP&L performed internal Audits to help determine the
13 best organizational structure as well as what roles needed to be filled.
- 14 • Forming the EOC from its Senior Management ranks to provide oversight
15 from a management perspective. As I described in my prior testimony, the
16 purpose of the EOC is: (1) to inform KCP&L’s Senior Management of the
17 ongoing work on the CEP projects to ensure that our investments were
18 made wisely and prudently; and (2) to ensure that KCP&L’s Senior
19 Management contributed to the decision-making process and vetted the
20 ongoing activities of the CEP projects. (Downey Direct Testimony at
21 pp. 4-5.)
- 22 • Engaging external oversight from Schiff Hardin, LLP (“Schiff”), who,
23 among other key services, has: assisted with our procurement strategy and

1 contracting for the work on the Project; assisted in developing project
2 control metrics and processes for gauging progress; and provided reports
3 on the Project's progress independent from our project management team.
4 Additionally, one of Schiff's primary responsibilities in its oversight role
5 is to identify the risks and benefits of major decisions on the Iatan Project
6 in order to assist KCP&L in processing and thoroughly vetting those
7 issues. (Downey Direct Testimony at pp. 8-9)

- 8 • Assigning KCP&L's Internal Audit Department, as supplemented by Ernst
9 & Young ("E&Y"), to provide both Senior Management and the KCP&L
10 Board of Directors with oversight of the Iatan Project. Internal Audit's
11 focus was on the early evidence that the processes that were put into place
12 were effective, which allowed our project management team to increase its
13 effectiveness. (Downey Direct Testimony at p. 8)

14 The measures we took as a Company significantly strengthened our capabilities
15 for managing the CEP Projects which directly improved the quality of information that
16 the Senior Management received to support our decision making. In addition, I felt
17 strongly that we should instill in the CEP Projects many of the lessons learned by utilities
18 who engaged in the last utility construction boom of the 1970s and 1980s. Acting on
19 these lessons meant we needed to create a culture of transparency, continuous
20 improvement and self-disclosure. In my view, these are some of the qualities an
21 organization needs to develop to have sound processes and prudent management
22 techniques.

1 **Q: What was KCP&L decision-making process with respect to “fast-tracking” the**
2 **project.**

3 A: First, KCP&L’s decision to fast-track the project was tied into its overall contracting
4 strategy. As I will discuss later in my testimony, the pros and cons of KCP&L’s decision
5 to employ a multi-prime contracting strategy were carefully weighed and considered by
6 KCP&L given the circumstances known to us at the time. We sought out the advice of
7 our consultants including Schiff Hardin and Burns & McDonnell to choose a project
8 contracting strategy that had the best chance of success given the booming market at the
9 time. The prudence of our decision making is also discussed in detail by Company
10 witnesses Chris Giles and Kenneth Roberts. Both will discuss KCP&L’s analysis and
11 process for making this decision.

12 **Q: Staff quotes heavily from a report issued by GPE’s Internal Audit Group title “Risk**
13 **Assessment Report.” Do you believe this report documents KCP&L’s imprudent**
14 **management of the Iatan Project?**

15 A: No, I do not. The purpose of the Risk Assessment was so that KCP&L could identify
16 risks and employ strategies to mitigate or avoid those risks at an early stage in the Iatan
17 Project. It is only possible to fix problems if you know about them. This Risk
18 Assessment was performed at the very beginning of the construction of the project,
19 before ALSTOM, our most significant contractor, had even mobilized its construction
20 forces. In addition to misunderstanding the purpose and ignoring the timing of the Risk
21 Assessment, Staff most notably fails to determine whether KCP&L was successful in
22 mitigating or avoiding the issues raised in the Risk Assessment, or even if any of those
23 issues actually impacted the Iatan Project. Staff’s approach regarding this Risk

1 Assessment is tantamount to it finding a warning label on a bottle of pills and assuming
2 that all of the potential side effects listed actually occurred without ever confirming that
3 the patient was ever truly sick.

4 **Q: Staff alleges that there was a six month delay to the project in 2005. Do you agree?**

5 A: No. Throughout the second half of 2005, KCP&L was continuing with its development
6 of the Iatan Project, and hired Burns & McDonnell and Black & Veatch to develop
7 specifications and bid documents for the Project's major equipment, including the
8 Turbine, Boiler and AQCS equipment. KCP&L had gone out for bid on these three items
9 before the end of 2005. By the end of 2005, we had in place a strategic schedule that
10 allowed our team to organize and prioritize its work. This was critical in helping KCP&L
11 stay on its target schedule. The proof that the Iatan Project was not delayed is the fact
12 that each of the most important early milestones were successfully met each of the Iatan
13 Project's most important early milestones including turn-over of the major foundations
14 on time to ALSTOM and Kiewit. It took a lot of hard work and sophisticated systems
15 had to be developed and put into action to accurately track the work, but these challenges
16 were met.

17 **Q: Was there a "struggle between the Senior Director of Construction and the Project
18 Manager" that caused a delay of five months on the Iatan Project.**

19 A: No. Staff does not identify the issue or articulate how this could have caused a delay to
20 the project. In the first half of 2006, KCP&L continued to purchase the major long-lead
21 equipment for the Project and favorably negotiated the most important contract on the
22 Iatan Project with ALSTOM. We were also very fortunate to have Brent Davis available

1 at that time to join the Iatan Project. Brent's steady leadership has been a constant since
2 May of 2006.

3 **MAY 23, 2008 CRANE INCIDENT**

4 **Q: What is your understanding of Staff's recommended disallowance related to the**
5 **May 23, 2008 Crane Incident as discussed on page 41 of Staff's Report?**

6 A: It is my understanding that Staff has identified this as a proposed disallowance for Iatan
7 Unit 1 because the accident was caused by a subcontractor of the EPC contractor,
8 ALSTOM, who is responsible for the engineering, procurement of the Air Quality
9 Control System equipment on Unit 1 and 2 and the boiler on Unit 2. As a result, Staff
10 argues that KCP&L should seek reimbursement for those costs from ALSTOM.

11 **Q: Do you agree with Staff's assessment?**

12 A: No, I do not. KCP&L does agree that it was ALSTOM who was responsible for the
13 crane accident. As a result, KCP&L incurred those costs through no fault of its own, and
14 in fact worked hard in the aftermath of the accident to ensure that ALSTOM carefully
15 managed its work to mitigate the costs that it would incur as a result of this incident.
16 KCP&L has attempted to recoup these costs from ALSTOM, but so far, has been
17 unsuccessful.

18 **Q: In order to provide the Commission with some context, could you please describe**
19 **the May 23, 2008 Crane Incident?**

20 A: On May 23, 2008, one of the largest mobile cranes in the world, a Manitowoc 18000
21 crane, collapsed while performing an unloaded test lift on the Iatan project (the "Crane
22 Incident"). As a result of the collapse, one person was killed and others were injured.
23 ALSTOM's subcontractor was operating the crane at the time of the incident. The site

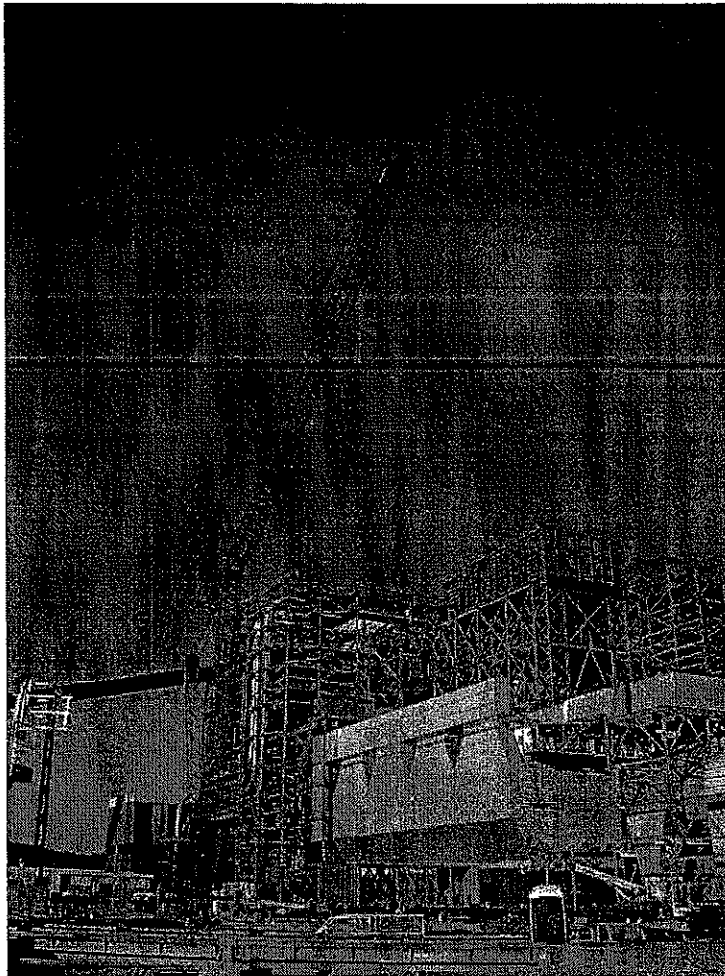
1 was evacuated and all construction work suspended in order to quarantine the area and
2 create an appropriate access, inspection, and preservation plan with ALSTOM, the crane
3 owner, the Occupational Safety and Health Administration (“OSHA”), and other
4 interested parties. Construction work at the Iatan site resumed on Tuesday, May 27,
5 2008, however, access to the quarantined area was not restored until after the crane was
6 dismantled and moved to a secure laydown yard on KCP&L’s property.

7 **Q: What work was ongoing at the time on the Iatan Project?**

8 A: This was a critical time in the Iatan Project. ALSTOM used this crane to erect ductwork
9 and supply materials needed for the new Iatan Unit 1 SCR, which it was installing.
10 ALSTOM’s work had fallen behind prior to the Crane Incident and it was in the process
11 of recovering when this tragedy occurred. At the same time, ALSTOM, Kiewit and the
12 other contractors were very busy on Iatan Unit 2. Though we were still negotiating the
13 financial terms of the Iatan Unit 1 Settlement Agreement, we had obtained ALSTOM’s
14 agreement to work to a rebaselined schedule that accounted for changes to the upcoming
15 Unit 1 Outage.

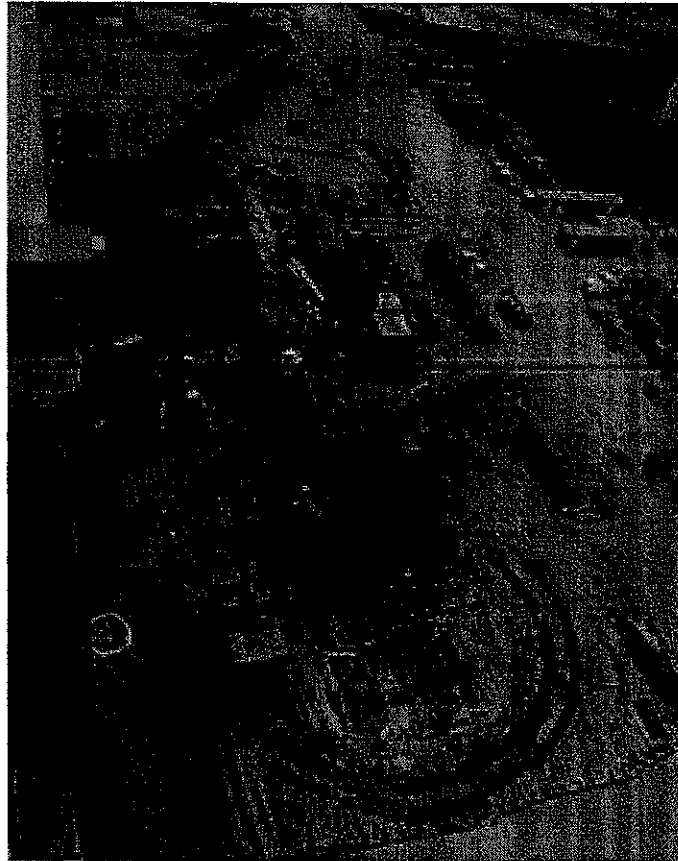
16 **Q: What was the location of the crane when it collapsed?**

17 A: Below is a picture of the crane only days prior to the Crane Incident. This picture
18 provides perspective of the mammoth size of the crane and its position adjacent to Iatan
19 Unit 1 at the time of the collapse. The crane was used to erect all of the new grey colored
20 steel in the picture below.



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Below is an overhead picture of the damaged crane taken after the incident. The crane was directly adjacent to Iatan Unit 1, which was in operation at the time. In fact, when the crane collapsed, it damaged some of the exterior casing to Iatan Unit 1's existing precipitator. The crane's boom fell on a large piece of ductwork that ALSTOM was preparing to install in the unit.



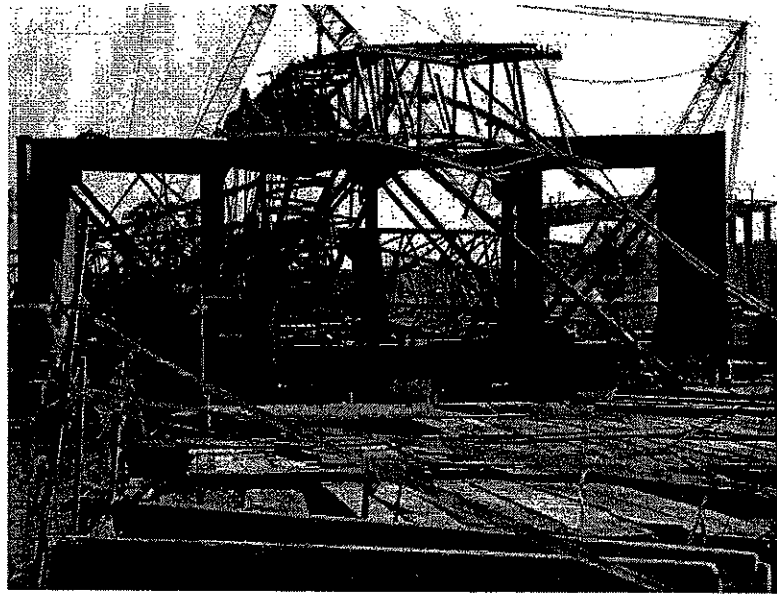
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2 **Q: Please describe KCP&L's considerations in evaluating what management action to**
3 **take, including mitigating potential costs, after the Crane Incident.**

4 **A:** KCP&L's initial focus was fulfilling its obligation to addressing the immediate needs of
5 the interested parties in the investigation of the incident and related administrative and
6 legal actions, resuming construction as soon as practicable and mitigating construction
7 delays, and recovering any delays to the Project schedule that did occur. We also had to
8 take immediate steps to insure the workers that Iatan was a safe place to work. In its
9 evaluation, KCP&L was aware of several factors that had the potential to cause a
10 tremendous impact on the Iatan Unit 2 Project Schedule. The factors that could have
11 caused a delay to the Iatan Unit 2 Project include and influenced KCP&L's decision-
12 making included:

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- Replacement Crane. ALSTOM had to find a replacement crane with large enough lifting capacity and reach to complete its work on Iatan Unit 1. ALSTOM's executives explained to me at the time that its original schedule was built around being able to use the 18000 because of its extraordinary combination of lifting capacity and its being able to reach high in the air. There are a limited number of large, mobile cranes the size of the Manitowoc 18000 in the world, and at the time of the incident, KCP&L and ALSTOM believed that most, if not all, of the potential replacement Manitowoc 18000 cranes were currently engaged on other construction projects. As a result, ALSTOM needed to find a crane that had both the lifting capacity and reaching capability similar to the 18000 or create a recovery plan that altered the size of the duct pieces to permit a smaller crane to perform the lifts.
- Damaged Ductwork. As the pictures provided above show, the crane collapsed on top of a piece of the steel ductwork needed for the SCR. Below is a picture of the damaged ductwork with a large section of the boom still on top:



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Visual inspection of the duct prior to the removal of the crane revealed that the duct has sustained damage, but the extent of the damage would not be known until the crane was removed and metallurgical testing could be conducted. The testing would evaluate the structural integrity of the duct and provide additional information necessary to determine whether the damage could be repaired. If the damage was too extensive, ALSTOM would have to obtain materials and fabricate a replacement duct. Because of demand, steel was in short supply, and obtaining replacement pieces could have caused a several month delay to fabricate a replacement.

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Q: What management actions did KCP&L take based on the considerations above?

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A: In order to minimize the occurrence of the potential delays caused by the factors described above, KCP&L took immediate action to engage both legal and technical experts to develop a strategy to address all interested parties' concerns with the minimal disruption to the construction work. This plan included engaging: (1) metallurgical experts to develop a strategy to preserve important information from the scene including

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1 3-D scans of the incident area and to draft a disassembly and removal plan to relocate
2 the crane pieces to a secure laydown area for further examination and inspection; (2)
3 multiple legal experts to draft and negotiate an information sharing agreement between
4 the interested parties, a protocol to catalogue the artifacts on the site, a schedule for each
5 party to have access to the crane and the site for inspections and manage any litigation
6 arising from the incident; and (3) additional security to the Crane incident site and the
7 laydown yard to preserve the integrity of the evidence and ensure no unauthorized access
8 to the equipment or artifacts.

9 **Q: What were the benefits of KCP&L's project management's actions?**

10 A: All delays or potential delays from the Crane Incident to the Iatan Project were
11 effectively mitigated. ALSTOM acted quickly to locate a replacement crane and repair
12 the damaged ductwork. ALSTOM and KCP&L worked on re-sequencing the Unit 1 pre-
13 Outage schedule that allowed ALSTOM to maintain its schedule without any financial
14 burden to KCP&L. Additionally, OSHA did not issue a citation to KCP&L for the Crane
15 Incident. KCP&L has been dismissed from the wrongful death litigation arising from the
16 Crane Incident. KCP&L is not currently involved in any action or proceeding alleging its
17 liability or wrongdoing associated with the Crane Incident.

18 **Q: Could the Crane Incident have caused a serious delay to the Iatan Projects?**

19 A: Absolutely. It cannot be disputed that the Crane Incident had the potential of both
20 derailing the Iatan Unit 1 Outage and jeopardizing the Unit 2 construction schedule. If
21 you had asked me in early June of 2008 whether the Iatan Project would be adversely
22 impacted as a result of the Crane Incident, I would have stated that there was a strong
23 possibility that the Project could face a very lengthy delay, along with contractor claims

1 for additional costs. KCP&L demonstrated decisive leadership by utilizing industry
2 experts to develop a plan and present accurate and timely information, appropriately
3 evaluated the potential courses of action, took immediate action to minimize and/or
4 mitigate any potential delay, and managed the recovery plan and the contractors to
5 recover the schedule. The schedule recovery from this incident demonstrates that
6 KCP&L had instituted the processes, procedures, and strong cooperative relationship
7 with the contractors to overcome one of the most challenging circumstances that can
8 occur on a construction project.

9 **Q: Did KCP&L inform the Staff of the incident and the activities KCP&L was**
10 **pursuing in order to mitigate the potential impacts and costs?**

11 **A:** Yes. I believe representatives from KCP&L including Curtis Blanc, Carl Churchman and
12 Brent Davis informed the staff of the incident the day it happened. Representatives from
13 Staff toured the site within a few days of the accident to see the damage. Additionally,
14 KCP&L informed the Staff of its activities in its Quarterly Reports and at each of its
15 Quarterly meetings. For example, in KCP&L's 2nd Quarterly Report for 2008, KCP&L
16 states:

17 *In order to assess the impact of the accident on the work, a scheduling*
18 *team, made up of representatives from ALSTOM, Kiewit, the Start-up and*
19 *Commissioning Team, and the Project Controls Team, conducted meetings*
20 *to determine the schedule impact to the Iatan Unit 1 2008 fall outage. This*
21 *team completed a comprehensive activity-by-activity review of the*
22 *remaining pre-outage and outage work to determine what, if any, impact*
23 *the incident would have on the outage start date, duration and labor*
24 *requirements. Upon completion, it was the scheduling team's*
25 *determination that all construction and outage milestone dates could be*
26 *maintained. There were two areas of concern identified relative to the*
27 *Iatan Unit 1 SCR construction: the replacement of the crane and fixing*
28 *damage to a piece of ductwork for the SCR that was on a fabrication table*
29 *in the area of the collapse. These concerns have now been mitigated.*

30 *See KCP&L 2nd Quarter Report 2008, attached as Schedule WHD2010-4 at p. 25.*

1 Q: Did KCP&L incur the costs identified by Staff as a result of the Crane Incident?

2 A: Yes. As of June 30, 2010, KCP&L incurred approximately ** [REDACTED] ** of
3 additional costs arising from the Crane Incident.

4 Q: Please explain why you believe that the costs incurred by KCP&L due to the Crane
5 Incident were prudently incurred and not unreasonable?

6 A: As I have explained, KCP&L's mitigation of the impacts of the Crane Incident was one
7 of our management's major successes on the Iatan Project and an example of our
8 management's ability to effectively and actively manage the contractors. Our
9 management team immediately took action and did everything in its power to minimize
10 the potential impact of this very unfortunate event, including preventing claims that could
11 have easily have been made by the contractors. ** [REDACTED]

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]

16 ** See Ken Roberts
17 Rebuttal Testimony, Docket Number 0089, p. 14, line 20 to p. 15, line 5. Without such
18 data, KCP&L might not have been able to defend against such a claim, the schedule may
19 not have been recovered, or both. ** [REDACTED]

20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

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[REDACTED]

[REDACTED]** KCP&L agrees that to the extent it does recoup some of the costs it incurred related to the Crane Incident from ALSTOM, KCP&L will credit that money back to the cost of the plant.

JULY 18, 2008 ALSTOM UNIT 1 SETTLEMENT AGREEMENT

Q: What is your understanding with respect to Staff's proposed disallowance related to KCP&L's Settlement Agreement with ALSTOM related to Unit 1?

A: In the aggregate, Staff proposes a disallowance of ****[REDACTED]**** related to this Settlement Agreement. ****[REDACTED]**** is for the actual amount paid to ALSTOM under this Settlement Agreement and another ****[REDACTED]**** for liquidated damages that Staff argues KCP&L did not collect from ALSTOM. See Staff Construction Audit and Prudence Review Report (November 3, 2010) at p. 57, lines 22-28 and p. 59, lines 16-18. A copy of the Settlement Agreement is attached as Schedule WHD2010-5.

Q: Do you agree with Staff's assessment that it was not prudent for KCP&L to enter into this Settlement Agreement with ALSTOM?

A: No, I do not. This Settlement Agreement is part of KCP&L's active management strategy over its Contractors. KCP&L used this strategy to identify problems and commercial issues early and to resolve them in a manner that is the most beneficial to the Project. I believe that had we not entered into the Settlement Agreement with ALSTOM

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