

Exhibit No.:
Issue: Policy
Witness: Curtis D. Blanc
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-0355
Date Testimony Prepared: January 5, 2011

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

SURREBUTTAL TESTIMONY

OF

CURTIS D. BLANC

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
January 2011**

*Blanc
Surrebuttal*

SURREBUTTAL TESTIMONY

OF

CURTIS D. BLANC

Case No. ER-2010-0355

1 **Q: Please state your name and business address.**

2 A: My name is Curtis D. Blanc. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same Curtis D. Blanc who prefiled direct and rebuttal testimony in this**
5 **matter?**

6 A: Yes.

7 **Q: What is the purpose of your surrebuttal testimony?**

8 A: The purpose of my surrebuttal testimony is to respond to the positions taken by certain
9 witnesses in their pre-filed rebuttal testimony. Specifically, I address (i) the rebuttal
10 testimony of Staff witness William Harris, who proposes to impose additional off-system
11 sales risk on the Company; (ii) the rebuttal testimony of Staff witnesses Lisa Kremer and
12 Gregory Brossier concerning the appropriateness of providing a performance incentive
13 for utilities to provide better service than is strictly required under Missouri law; (iii) the
14 rebuttal testimony of Staff witness Keith Majors, who argues that fees paid to Chris Giles
15 should be disallowed; and (iv) the rebuttal testimony of Staff witness Charles Hyneman
16 concerning KCP&L's management of the Iatan construction contracts.

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 **KCP&L MANAGED THE IATAN CONSTRUCTION CONTRACTS WELL.**

22 Q: Do you agree with Mr. Hyneman's contention that "there is substantial evidence
23 that KCPL has been ineffective at managing its Iatan construction contracts and

1 **enforcing the terms and conditions of its contracts with major Iatan construction**
2 **contractors and consultants”? Hyneman Rebuttal, at p. 4.**

3 A: No, I do not. To the contrary, there is substantial evidence that KCP&L was extremely
4 effective in managing its Iatan construction contracts, as explained in the pre-filed
5 testimony of KCP&L witnesses William Downey, Chris Giles, Brent Davis, Forrest
6 Archibald, Bob Bell, Steve Jones, Ken Roberts, Daniel Meyer, and Kris Nielsen. Iatan 2
7 was completed within three months of a target date established more than five years ago.
8 In addition, Iatan 2 was completed at a cost only 15% greater than the Control Budget
9 Estimate that was established in December of 2006. Those results are telling evidence
10 that KCP&L effectively managed its Iatan construction contracts.

11 **Q: What “substantial evidence” does Mr. Hyneman suggest supports his claim?**

12 A: Mr. Hyneman relies almost exclusively on self assessments and audits KCP&L
13 conducted to ensure it was effectively managing the Iatan projects.

14 **Q: Is it appropriate for Mr. Hyneman to use KCP&L’s self assessments and audits in**
15 **this manner?**

16 A: No. First, Mr. Hyneman recites the findings of KCP&L’s self assessments and audits
17 without also discussing how KCP&L reacted to its own findings. KCP&L responded to
18 issues as they arose. Second, Mr. Hyneman fails to acknowledge that conducting these
19 kinds of self assessments and audits is precisely what a prudent manager should do.
20 Considering this same issue, the Kansas Corporation Commission found that “use of
21 internal audits to criticize KCPL’s decisions ignore the fact that the process of conducting
22 on-going internal audits during a complex construction project is considered part of the
23 prudent management decision making process.” KCC Order, Docket No. 10-KCPE-415-

1 RTS (Nov. 22, 2010), at p. 27. Trying to hold against a company the findings of self
2 assessments and audits, as Mr. Hyneman proposes here, likely has a chilling effect on a
3 company's willingness to conduct such self assessments and audits in the first place.
4 Such a policy would be bad for Missouri utilities and ultimately their customers.

5 **Q: Does that conclude your testimony?**

6 **A: Yes, it does.**

