

Exhibit No.:
Issue: Iatan Prudence
Witness: Brent C. Davis
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0355/ER-2010-0356
Date Testimony Prepared: January 12, 2011

MISSOURI PUBLIC SERVICE COMMISSION

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

SURREBUTTAL TESTIMONY

OF

BRENT C. DAVIS

ON BEHALF OF

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

**Kansas City, Missouri
January 2011**

***** [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.**

SURREBUTTAL TESTIMONY

OF

BRENT C. DAVIS

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

1 **Q: Are you the same Brent C. Davis who provided Direct and Rebuttal Testimony in**
2 **this proceeding?**

3 A: Yes, I am.

4 **Q: What is the purpose of your Surrebuttal Testimony?**

5 A: My testimony today rebuts the Rebuttal Testimony of Staff Witness Mr. Charles R.
6 Hyneman. Specifically, I respond to Mr. Hyneman's allegations regarding: (1) Schiff
7 Hardin's independence; (2) KCP&L's influence on the contractors' performance during
8 the course of the Iatan Project; (3) KCP&L's timely implementation of the backcharge
9 process; (4) criticisms of LogOn Consulting; and (5) that KCP&L's senior management
10 did not set the appropriate "tone at the top" for the Iatan Project team.

11 **Q: Mr. Hyneman alleges in his Rebuttal Testimony that Schiff Hardin lacked the**
12 **independence of an auditor in its evaluation of the Iatan Project. Do you agree?**

13 A: I disagree with Mr. Hyneman's assertion that Schiff Hardin's role could or should be
14 compared to that of an independent auditor. As I described in my Rebuttal Testimony,
15 Schiff Hardin was actively involved in the negotiations and administration of the
16 contracts that KCP&L entered into on the Iatan Project. Schiff Hardin also provided its
17 advice on project controls and project risks to the project team. We had the benefit of
18 hearing Schiff Hardin's point of view on a real-time basis because Schiff Hardin was on
19 the Iatan Project every day, and Schiff Hardin's presence on the project site allowed its

1 team to fully understand the issues as they arose. We provided the Schiff Hardin team
2 with an opportunity to assist us in the field to identify solutions and mitigation strategies.
3 Schiff Hardin reported the results to the Executive Oversight Committee. All of these
4 measures were very effective at helping us solve problems, because of the insight the
5 Schiff Hardin team was able to provide.

6 **Q: Was Schiff Hardin independent of the project team on the Iatan Project?**

7 A: Absolutely, yes. While we valued Schiff Hardin's advice, it was still KCP&L's project,
8 and we were accountable for the decisions we made. Moreover, Schiff Hardin provided
9 reports to the Executive Oversight Committee ("EOC") regarding the Project's progress
10 that were separate and distinct from the reports that the project team prepared.

11 **Q: On page 4 of his Rebuttal Testimony, Mr. Hyneman alleges that, "It is the Staff's
12 position, based on its audit, there is substantial evidence that KCPL has been
13 ineffective at managing its Iatan construction contracts and enforcing the terms and
14 conditions of its contracts with major Iatan construction contractors and
15 consultants." Do you agree?**

16 A: No. In both my Direct Testimony and my Rebuttal Testimony, I discuss at length the
17 active management that KCP&L's project team employed to coordinate the contractors
18 and hold them accountable for their performance. Company witnesses Mr. Downey and
19 Mr. Roberts also testified at length to the effectiveness of our management of the
20 contractors.

21 **Q: **** [REDACTED]
22 [REDACTED]

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A:

[REDACTED]

[REDACTED]**

** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]** I believe that we have been successful at holding the contractors

accountable to their contracts and have used the active management techniques described

to ensure that the work in the field met their contractual requirements, which is the real

goal of managing contractors. Often, this meant catching issues long before they would

be on a list of backcharges. A good example of this is the ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 [REDACTED]

2 [REDACTED]**

3 **Q: Do you agree with Mr. Hyneman regarding the alleged lateness of the backcharge**
4 **process?**

5 A: No. I disagree with Mr. Hyneman on that as well. First, the basis upon which Mr.
6 Hyneman states the Iatan Project lacked a backcharge procedure is wrong. ** [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]** See Hyneman

10 Schedule 2, p. 6. However, the Iatan Project was utilizing a backcharge procedure that
11 was part of the Change Management Process that was originally approved on October 25,
12 2006, not long after the contractors mobilized to the site and well before any backcharge
13 would have been required. Schedule BCD2010-18 is a copy of the Change Management
14 Process that was created on October 25, 2006. Moreover, as the audit report shows,
15 ** [REDACTED]**

16 Second, as is often the case with Staff and with Mr. Drabinski, Mr. Hyneman
17 found an internal audit report from very early in the Iatan Project that ** [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]** See Hyneman Rebuttal Testimony, p. 5, Ins 22-23

22 (emphasis added). I note that nowhere in Mr. Hyneman's Rebuttal Testimony nor in

1 Staff's Report does he provide an example of such charges nor are any of Staff's
2 recommended disallowances related to this allegation.

3 **Q:** On page 7 of his Rebuttal Testimony, ** [REDACTED]
4 [REDACTED] **

5 **Do you know why this is the case?**

6 **A:** Yes. I would not have expected it to be otherwise. Items that are typically backcharged
7 to contractors relate to the quality of the contractors work. Many of those issues are not
8 discovered until commissioning of systems, which didn't occur until late 2009 and into
9 2010. In addition, as I stated, many of the issues that we identified throughout the Iatan
10 Project were simply resolved before they could ever land on a backcharge list and be
11 monetized.

12 **Q:** ** [REDACTED]
13 [REDACTED] **

14 **A:** ** [REDACTED]
15 [REDACTED]
16 [REDACTED] **

17 **Q:** ** [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED] ** See Hyneman Rebuttal Testimony at p. 9, Ins.

21 **14-16. Do you agree?**

22 **A:** I agree that what the audit team prospectively identified was a risk, but I also know that
23 our team was very aggressive in notifying contractors of any deficiency or potential

1 deficiency, so I do not believe that this was a risk that materialized. Furthermore, Mr.
2 Hyneman does not point to a single specific failure by KCP&L which impacted KCP&L's
3 ability to recover certain costs.

4 **Q: What is the total to date of backcharges recovered from the contractors on the Iatan**
5 **Project?**

6 A: To date, KCP&L has collected ** [REDACTED] **. That number could increase as we
7 continue to close-out contracts.

8 **Q: Has KCP&L done everything reasonably within its power to hold the contractors to**
9 **their contractual obligations including seeking compensation for additional costs**
10 **incurred by their failure to perform?**

11 A: Yes.

12 **Q: Mr. Hyneman identifies a number of criticisms regarding the Iatan Project's project**
13 **team from assessments by LogOn Consulting. When did you first read these**
14 **assessments by LogOn?**

15 A: I had not read these assessments until I received a copy of the schedules attached to Mr.
16 Hyneman's Rebuttal Testimony. I knew that certain members of the LogOn team had
17 prepared assessments though these were never finalized or distributed. I note that each of
18 the LogOn assessments were stamped, "Draft Do Not Distribute" on the bottom. I recall
19 attending multiple meetings with LogOn team members who discussed many of the
20 observations I read in these assessments.

21 **Q: Now that you have read these assessments, do you have any general observations**
22 **regarding their content?**

1 A: ** [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]**

18 Q: **Nonetheless, did KCP&L make changes to how the project team functioned over**
19 **time?**

20 A: Absolutely we did, but that should not be viewed as an admission that we were doing
21 something wrong. Construction projects are very dynamic and have many different
22 phases, and what was successful in one phase may not be equally successful in the next
23 phase. Plus, this was a very lengthy project, and individuals will always leave for a

1 different job, retirement or other reasons, so we had to ensure we had a steady stream of
2 talented individuals coming to work for us. We looked for reasonable opportunities to
3 continuously improve our management's level of effectiveness throughout the Iatan
4 Project. As an example, we revised the process for tracking and answering contractors'
5 requests for information ("RFIs") and engineering change notices ("ECNs") so that rapid
6 responses could be provided during the most intense period of construction. We also
7 instituted "Gaps and Clashes" meetings with key members of the project team and the
8 contractors management teams to try to resolve any potential scope or schedule conflicts
9 before they impacted field work. Perhaps our most important improvement was refining
10 the Iatan Unit 2 schedule with the process I described in my Direct Testimony. We
11 needed ALSTOM and Kiewit on the same page with our start-up team regarding the last
12 part of the construction and the start-up and commissioning phase of the work. All of
13 these changes over time show how we maintained effective management of the Iatan
14 Project.

15 **Q: Did LogOn provide value to the Iatan Project?**

16 A: Absolutely, yes. The vast majority of the work that LogOn provided the Iatan Project was
17 as seconded staff. LogOn has a number of experienced individuals who filled key
18 positions for our team. Also, LogOn prepared and updated procedures for use on the
19 Iatan Project and on future large capital projects. ** [REDACTED]

20 [REDACTED]

21 [REDACTED]**

22 **Q: ** [REDACTED]**

23 [REDACTED]

1 [REDACTED]

2 [REDACTED] ** See Hyneman Rebuttal Testimony, p. 11.

3 Do you agree?

4 A: ** [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] ** See Hyneman Rebuttal Testimony, p. 11, lns 27-28. ** [REDACTED]

13 [REDACTED] **

14 ** [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED] ** See Hyneman Schedule 2-4. ** [REDACTED] **

22 Q: ** [REDACTED]

23 [REDACTED]

1 [REDACTED] ** See Hyneman

2 **Rebuttal Testimony, p. 11. Do you agree?**

3 A: ** [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] ** See

13 Hyneman Schedule 2-4.

14 Q: ** [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED] ** See Hyneman Rebuttal Testimony, p. 11. Do you agree?

19 A: ** [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED] ** See Hyneman

23 Schedule 2-5.

1 Q: ** [REDACTED]
2 [REDACTED]
3 [REDACTED] ** See Hyneman Rebuttal Testimony at p. 11. Do you agree?

4 A: ** [REDACTED]
5 [REDACTED]
6 [REDACTED] **

7 Q: ** [REDACTED]
8 [REDACTED]
9 [REDACTED] ** See Hyneman Rebuttal
10 Testimony at pp. 9-10. Do you agree with Mr. Hyneman's testimony?

11 A: No, I don't. ** [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED] ** I believe that our Executive Management team was extremely
15 well-informed of all substantive issues during the course of the Iatan Project.

16 Q: ** [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED] ** See Hyneman Rebuttal Testimony at p.
20 10, lns 1-4. Do you agree?

21 A: Not in the least. I believe that the project controls implemented for the Iatan Project were
22 extremely successful. Company witnesses Mr. Roberts, Mr. Meyer and Dr. Nielsen have
23 each testified that the project controls on the Iatan Project were in keeping with industry

1 best practices, and I agree with that testimony. ** [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]**

5 Q: ** [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]** See Hyneman Rebuttal

9 Testimony at p. 12, lns 6-8. Do you agree with Mr. Hyneman's assessment?

10 A: No. I have already testified extensively on Burns & McDonnell's work on the Iatan

11 Project and will not repeat that testimony here. ** [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]** See Hyneman Rebuttal Testimony at p. 12. ** [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]**

19 Q: Have you read page 14 of Mr. Hyneman's Rebuttal Testimony in which he alleges

20 that corporate expenses and other charges that KCP&L removed from the

21 Commission's consideration in this rate case were nonetheless important because it

22 is "critical to a project or an organization that the 'tone at the top' be a strong tone

23 of strict cost control and prudence, reasonableness and appropriateness in project

1 expenditures and the practice required all be faithful to the tone. This ‘tone at the
2 top’ sets an example for the rest of KCPL Iatan Construction Project employees and
3 contractors to follow.” See Hyneman Rebuttal Testimony at p. 14, lns. 6-10.

4 A: Yes, I have read it.

5 Q: Is Mr. Hyneman correct that the officers’ corporate expenses established a “tone at
6 top” for the Iatan Project’s project team?

7 A: No. Details of the expense accounts of the Company’s executive and senior management
8 team are not known or shared with anyone at the Iatan Project site. I have no idea where
9 our executives dine and whether they charge the company when they eat out, nor do I or
10 anyone else on site have any business knowing that. In fact, had Staff not insisted on
11 airing these matters through its multiple and voluminous data requests, I would have
12 never have had knowledge of any officer’s corporate expenses. ** [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED] ** See Hyneman Schedule 2-5 (emphasis added).

16 I also do not think that any of the conduct that Staff apparently believes sets the
17 wrong “tone at the top” has had a negative impact on the Iatan Project. In fact, I believe
18 that the opposite is true – the Company’s executive management has set a very positive
19 “tone at the top” for the rest of us to follow.

20 Q: How has KCP&L’s executive management set a positive “tone at the top?”

21 A: The true “tone at the top” has been set by the Company’s executive management’s
22 support of the Iatan Project. Since even before I joined the Iatan Project in May 2006,
23 there have been regular meetings of the Executive Oversight Committee (“EOC”) at

1 which major issues and status of the Iatan Project have been discussed in detail. Starting
2 in mid-2008 and ending when Iatan Unit 2 went into service in August 2010, we
3 conducted weekly status meetings every Wednesday morning at the Iatan site, and Mr.
4 Downey attended virtually every one of those meetings in person and those he could not
5 attend in person he joined by phone. Those Wednesday meetings were followed-up with
6 meetings with site management leads that Mr. Downey also regularly attended. In
7 addition to Mr. Downey, the other members of the EOC often attended in person or by
8 conference call. Mr. Downey and the other members of the EOC regularly walked the
9 site and talked to members of the project team to understand issues that arose. Mr.
10 Downey also actively engaged the executives from the major contractors and his
11 involvement was critical to resolving disputed commercial issues. This commitment by
12 Mr. Downey and the executive team to helping the Iatan Project to its successful
13 completion was the true “tone at the top” that was set for the rest of us.

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

15 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariffs to) Docket No. ER-2010-0355
Continue the Implementation of Its Regulatory Plan)

In the Matter of the Application of KCP&L Greater)
Missouri Operations Company to Modify Its) Docket No. ER-2010-0356
Electric Tariffs to Effectuate a Rate Increase)

AFFIDAVIT OF BRENT C. DAVIS

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Brent C. Davis, being first duly sworn on his oath, states:

1. My name is Brent C. Davis. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Iatan Unit 1 Project Director.

2. Attached hereto and made a part hereof for all purposes is my Surrebittal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

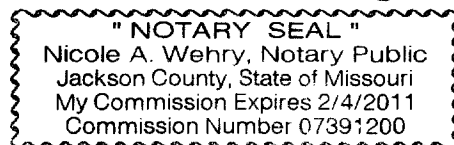
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Brent C. Davis
Brent C. Davis

Subscribed and sworn before me this 5th day of January, 2011.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011



SCHEDULE BCD2010-18

**THIS DOCUMENT CONTAINS
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