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Witness: Brent C. Davis
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KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0355/ER-2010-0356
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MISSOURI PUBLIC SERVICE COMMISSION

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

REBUTTAL TESTIMONY

OF

BRENT C. DAVIS

ON BEHALF OF

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

Kansas City, Missouri
December 8, 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.

REBUTTAL TESTIMONY

OF

BRENT C. DAVIS

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

Q: Are you the same Brent C. Davis who provided Direct Testimony in this proceeding?

A: Yes, I am.

Q: What is the purpose of your Rebuttal Testimony?

A: The purpose of my Rebuttal Testimony is to: (1) address in-service testing for Iatan Unit 2; (2) the scope of MPSC Engineering Group review of change orders; (3) address Burns & McDonnell's performance; (4) address project management staffing; (5) respond to Staff's proposed adjustment for the JLG Incident and Construction Resurfacing Project; (6) respond to Staff's proposed adjustment for the Campus Relocation Project; (6) respond to Staff's proposed adjustment associated with the liquidated damages as a part of the ALSTOM Unit 1 Settlement Agreement; (7) respond to Staff's proposed adjustment for AFUDC costs as a result of the Turbine Incident; (8) respond to Staff's proposed adjustment for Cushman costs; (9) respond to Staff's proposed adjustment for WSI costs; and (10) respond to allegations of Missouri Retailer's Association witness, Walter Drabinski.

Q: Please summarize your Rebuttal Testimony.

A: In my Direct Testimony, I testified regarding the complexity of KCP&L's undertaking in constructing the Iatan Project. Designing, procuring and constructing the Iatan Project involved the efforts of 4,000 individuals who worked close to 6 million man-hours.

KCP&L entered into approximately 150 contracts, issued 1100 Purchase Orders, and coordinated 55 separate on-site contractors. The amount of concrete that was poured on the Iatan Unit 2 Project would be sufficient to create a sidewalk that would stretch approximately 325 miles, or from Kansas City, Missouri to Little Rock, Arkansas. There are 25,000 tons of steel and 950 miles of electrical cable installed in Iatan Unit 2. While the Iatan Project was under construction, it was one of the largest projects in the United States; now that Iatan Unit 2 is on-line, the combined units' are providing over 1,500 mw of reliable, baseload power to KCP&L's customers.

While the Iatan Project was an immensely complex and difficult undertaking, KCP&L's processes and systems for controlling costs for a project of this magnitude were not. In my testimony today, I address Iatan Unit 2's completion of the in-service criteria. The MPSC confirmed that Iatan Unit 2 successfully completed the in-service criteria on August 26, 2010. With both Iatan Units 1 and 2 operational, KCP&L is producing more than twice the electricity and emitting less NO_X, SO_2, mercury, and particulate than the previous emissions of Iatan Unit 1.

I address the disallowances recommended in the Missouri Public Service Commission Staff's Report on Construction Audit and Prudence Review of Iatan Construction Project for Costs Reported as of June 30, 2010, filed on November 3, 2010 ("Staff's Report") from the Iatan Project's costs. Some of Staff's recommended disallowances are very general in nature, in part because Staff claims – wrongly – that KCP&L has neither identified nor explained the reasons that costs on the Iatan Project have increased. Company witnesses Mr. Forrest Archibald and Mr. Daniel Meyer explain the nuts and bolts of the cost systems that KCP&L put in place, and in Mr.

Meyer's case, he testifies that he has been able to make independent judgments regarding both the extent and the reasons for cost variances throughout the Iatan Project. My testimony will focus on specific processes we have utilized to manage the Iatan Project and factual responses to the sections of Staff's Report addressing specific recommended disallowances. I also address how the MPSC Utility Operations Staff reviewed nearly $200 million of change orders on both Iatan Unit 1 and Iatan Unit 2 and concluded that there were no engineering issues with any part of the construction of the Iatan Project.

Staff's Report claims that the Iatan Project "lost six months" by delaying its hiring of a project manager. I have been on the Iatan Project since May 2006 as the Project Director. I do not know, nor does Staff say, when this 6 months was allegedly "lost" and due to whom, but I can tell you that Staff's conclusion in this regard is baseless. Staff also asserts that KCP&L was imprudent in how it managed and performed the project on a fast-track basis, which is simply not true. In my Rebuttal Testimony, I discuss in detail the experienced staff we added and the schedule and project controls we utilized to manage the work on fast-track basis. Staff, in quoting a newspaper article that summarizes Mr. Drabinski's testimony in the Kansas rate case, claims that KCP&L was not ready for the Project at its start, which I also rebut.

Another of Staff's general allegations is that **[redacted]** I testify that Burns & McDonnell met the key deadlines for the foundations for Unit 2 and supported the procurement schedule. I also discuss how the audit program was helpful to the project management to facilitate improvement and risk mitigation.

I also respond to several of Staff's more specific proposed adjustments to the cost of the Iatan Project including Staff's proposed adjustments including:

- The context for the JLG Incident and the Construction Relocation Project and associated settlement agreement with ALSTOM. Staff's proposed disallowance is based on a one-sided view of the facts. I rebut Staff's position by describing the commercial concerns of the project management team and corporate executives at the time, and how the resolution of these issues tied into KCP&L's overall strategy to resolve the disputed issues with ALSTOM.
- The Campus Relocation was reasonable value engineering and Staff's proposed disallowance for the associated costs is inappropriate.
- Why KCP&L is not eligible for the amount of liquidated damages that Staff alleges should be deducted from the Project costs because the start-up of Unit 1 was delayed by no fault of ALSTOM by a latent defect in the economizer casing material and the turbine incident. As Company witness Ken Roberts explains in more detail, as a result of these events, KCP&L would not have an argument that it was entitled to liquidated damages under the contract.
- Why Staff's argument to adjust the Project costs to deduct AFUDC during the turbine incident delay is inappropriate because the turbine upgrade work was related to and necessary for the operation and maintenance of Iatan Unit 1.
- The costs for Cushman's professional services were within industry standards and his assistance to the Project team was a valuable contribution. Because Cushman's services were a reasonable business decision, these costs should not be adjusted.

- The costs paid to ALSTOM for WSI's specialty welding team (Schedule BCD2010-11) were well-spent considering the significantly increased efficiency and lower weld rejection rate WSI achieved over ALSTOM's average welding performance.
- The benefits to delaying the installation of the auxiliary boiler. Having the experience of the initial start-up using the temporary auxiliary boilers allowed us to better identify the overall auxiliary steam needs for the Plant and properly size the permanent auxiliary boiler system. Additionally, postponing the permanent auxiliary boiler installation provided a favorable installation location that was occupied by construction equipment earlier in the Project and also allowed us to minimize congestion and access issues to other contractors.

I also discuss the role of Schiff Hardin LLP ("Schiff Hardin") on the Iatan Project, particularly the work Schiff Hardin performed at the jobsite during my four and half years on the project. I have worked closely with Schiff Hardin's on-site team a daily basis and believe that the project team benefitted from their presence on the Iatan Project. Schiff Hardin has helped us set-up processes, identify risks, perform schedule and commercial analyses, assist with our very successful procurement efforts and assist in very difficult commercial negotiations. We have benefitted from Schiff's wide experience and capabilities.

I also respond to many allegations in Walter Drabinski's Direct Testimony on behalf of the Missouri Retailers Association regarding the following issues:

- The Project Execution Plan ("PEP") was implemented in a timely manner and did not have any impact on the Project.

- KCP&L's project management levels were appropriate. Mr. Drabinski both argues that the staffing improved in 2008, but proposes 50% of the total costs should be disallowed. He can't have it both ways.
- Regarding the STS Report, I respond to Mr. Drabinski's use of this document in conjunction with other audit reports as the smoking gun demonstrating KCP&L's alleged ineffective project management. The purpose of this report was to provide the corporate executives feedback and areas for improvement in the functioning of the project team. The result of this report was that the members did gel as a team and morale, cohesiveness, and team functioning all improved.
- I rebut Mr. Drabinski's allegations that management turnover had an impact to the Iatan Project. Similarly, the staffing levels did not influence KCP&L's decision to hire Kiewit. We constantly evaluated the appropriate staffing needs and would have reevaluated, if necessary, based on the procurement strategy.
- I explain how KCP&L effectively used the available management tools including earned value, cost control system, change management, and SKIRE.
- I rebut Mr. Drabinski's vague allegations regarding Burns & McDonnell performance. I explain that it is not unexpected that the project documentation in the early years of the Project focused on engineering status because that was the critical path. Mr. Drabinski misuses audit reports to support his concerns regarding engineering, so I explain the context for these report and how management used them to improve the contractor's performance and assure the quality of the work was within industry standards. I also respond to Mr.

Drabinski's claim that Burns & McDonnell had a conflict of interest in the performance of its work on the Project.

- I explain that despite Mr. Drabinski's reliance on claims submitted by contractors as evidence of a weather impact, in certain circumstances, extremely cold weather altered the means and methods that contractors.

COMPLETION OF IN-SERVICE TESTING

Q: How were the in-service criteria for Iatan Unit 2 created?

A: The Company worked with members of the Missouri Public Service Commission's Utility Operations Division ("Utility Operations Staff") to draft and reach mutual agreement regarding the in-service criteria for Iatan Unit 2.

Q: Who from Utility Operations Staff were involved in this process?

A: Mike Taylor and Dave Elliott.

Q: When did this process begin?

A: Discussions regarding the criteria began in June 2009.

Q: What was the basis for the definition of the in-service criteria?

A: The basis for in-service criteria included: (1) the requirements of Appendix H of KCP&L's Regulatory Plan (referred to as the "Stipulation") that the Missouri Public Service Commission approved in Case No. EO-2005-0329; and (2) the previously agreed in-service criteria for the Iatan Unit 1 AQCS equipment.

Q: Who was involved, on behalf of the Company, in the discussions with Staff regarding the in-service criteria?

A: Primarily myself and Brad Lutz.

Q: Describe the process to reach agreement between the Company and the Staff

regarding the Iatan Unit 2 in-service criteria.

A: The Company discussed the first draft of the in-service criteria with Dave Elliott and Mike Taylor in June 2009. We conducted further discussions and revisions of the criteria during subsequent meetings and site visits. Ultimately, an agreement was reached in mid-September 2009.

Q: Has the Company and Staff reached agreement regarding the successful completion of the in-service criteria?

A: Yes. Staff's Report concluded that the Iatan 2 generating unit successfully met all of the in-service criteria and was "fully operational and used for service" as of August 26, 2010.[1] *See* MPSC Staff Construction Audit and Prudence Review Report (November 3, 2010) ("Staff Report") at p. 32, lines 26-27 and Schedule 8.

Q: What are the benefits to completing the Iatan Projects?

A: The combined Iatan Generating Station Units 1 and 2 generate more than twice the electricity previously produced, however, as a result of the advanced equipment utilized, the combined units will simultaneously emit less SO_2, NO_X, mercury and particulate emissions than the existing Iatan Unit 1 produced in the years immediately preceding the start of the Regulatory Plan projects.

UTILITY OPERATIONS STAFF'S ENGINEERING REVIEW

Q: Are you familiar with the section of Staff's Report that discusses the "Engineering Reviews" that is authored by Mr. Elliott of the Utility Operations Staff?

A: Yes, I am.

[1] KCP&L notes that a section of the Staff Report drafted by Mr. Schallenburg erroneously states that Iatan Unit 2 "is not yet fully operational and used for service at the time of this Report." *See* MPSC Construction Audit and Prudence Review Report (November 3, 2010) at p. 2, lines 6-8.

Q: Were you aware that Utility Operations Staff was performing an audit of the Iatan Project?

A: Yes. I have had numerous discussions with Mr. Elliott and his colleagues from the Utility Operations Staff regarding the Engineering Audit they were performing.

Q: What did you understand to be the scope of the Utility Operations Staff's audit of the Iatan Project?

A: I believe that Mr. Elliott's section on page 28 of Staff's Report explains it well. The Utility Operations Staff was examining the Iatan Project's change orders to: (1) "understand the reason for the change at the point of time when the change order was issued"; (2) determine whether the change corrected an engineering-related problem, resulted in a better design, or improved the operation or construction of the plant"; and (3) "determine whether the change resulted in a safety concern, caused unnecessary construction, or caused unnecessary duplication of facilities or work." See Staff's Report at p. 28, ln. 18-24.

Q: What was your observation and involvement with Staff's engineering review?

A: Individual members of Utility Operations Staff visited the Iatan Site approximately twenty (20) times throughout the Project. I met with them during their visits, gave them Site tours, participated in the scheduled meetings to address specific issues and addressed questions that they had regarding project issues or documentation. I also invited other members of the Iatan Project team to meet with Utility Operations Staff as requested. I included certain project controls team members like Company witness Mr. Archibald and Mr. Terry Foster in the meetings so that they could each provide the Utility Operations Staff team an overview of the Iatan Project's status.

Q: Did Utility Operations Staff review change orders from the Iatan Project?

A: Yes. Utility Operations Staff had a standing request for any change orders over fifty thousand dollars ($50,000.00). As a matter of course, KCP&L sent Utility Operations Staff copies of any such change orders. During their site visits, Utility Operations Staff would ask questions concerning these change orders. We also provided Utility Operations Staff with any requested related or supporting documentation.

Q: In your discussions with the Utility Operations Staff regarding the Change Orders did they frequently have questions?

A: Yes. I would assist in providing answers to any questions that the Utility Operations Staff had regarding the scope of work, background or supporting documentation to the Change Orders. Mr. Elliott would often have some very specific questions for our team.

Q: What were some of the questions raised by Mr. Elliott and his team during the Site visits?

A: Some recent examples of the questions that the Utility Operations Staff asked and the additional information we provided is listed below. These questions are typical of the types of questions Mr. Elliott posed to our team:

- Why was Change Order number AP-03288 necessary? After consulting with the contract manager, we explained that this Change Order had two aspects. First, KCP&L transferred responsibility to ALSTOM for handling and disposal of the waste generated during Unit 2 Boiler chemical cleaning, which was KCP&L's responsibility pursuant to Contract Exhibit A2 "Steam Generator Technical Specification," Section 15052.3.23 "Chemical Cleaning." The second aspect of the Change Order

transferred a scope of supply for chemically cleaning two specific sections of KCP&L provided pipe. Overall, this Change Order was executed to eliminate interferences and potential delays associated with introducing another contractor to a congested area around the Unit 2 boiler during the chemical cleaning process, and to place responsibility of the Unit 2 boiler chemical cleaning process fully in ALSTOM's control.

- With respect to Change Order KW-02344, what did KCP&L get from ALSTOM on the interface? After consultation with the contract manager, we explained that KCP&L executed a deductive Change Order with ALSTOM (AP-01856) in the amount of **[redacted]** to remove the scope of work associated with siding column line G2, which adjoins the Unit 2 Turbine building and Boiler enclosure, from elevation 789' - 933' (including 8 doors) as well as a small portion of siding on the north side of the Unit 2 Boiler where the coal transfer tower adjoins the boiler enclosure.
- Concerning change order AP-03433, why did the Unit 2 side cost so much more than the Unit 1 side? After consulting with the contract manager, we explained that as the stack breeching and absorber outlet duct designs matured, KCP&L identified a discrepancy in tolerances between the stack breeching duct (provided by Pullman) and the Absorber outlet expansion joint (provided by ALSTOM). As a result, the as-built condition of the stack breeching flange, while acceptable pursuant to Pullman's technical specifications, did not mate up within the maximum allowable tolerances

of ALSTOM's absorber outlet expansion joint. Unfortunately, the quantity and extent of the gaps were more numerous and worse on the Unit 2 side than on Unit 1. In order to minimize material and labor costs and avoid schedule impacts, KCP&L supported ALSTOM's proposal to install a 15" wide expansion joint as opposed to modifying the 12" expansion joint ALSTOM originally supplied. **[redacted]** At the time this condition was identified and detailed, a majority of cranes were demobilized from site, so ALSTOM had to rent a 150' JLG and erect a significant amount of scaffolding around the stack breeching/absorber outlet expansion joint interface. ALSTOM executed similar work from a crane basket on the Unit 1 stack breeching.

- The Utility Operations Staff requested summary statistics of ALSTOM's field welding performance on the boiler including testing and failure rates as it compared to WSI. KCP&L provided two summary charts containing the requested information and answered a follow-up question that Mr. Elliott had to understand the information contained in the spreadsheets.

Q: When Mr. Elliot or other Utility Operations Staff made such requests, what did KCP&L do?

A: As is apparent from my last answer, we provided as much detail as we could in response.

Q: Did any of the individual members of the MPSC Audit Staff ever accompany the Utility Operations Staff for their on-site meetings?

A: On one occasion (April 16, 2010), Mr. Art Rice, an engineer that works with the MPSC Audit Staff accompanied the Utility Operations Staff to an on-site meeting. Other than that, no.

Q: Were members of the MPSC Audit Staff invited to the site?

A: Absolutely. In fact, we set up a trailer on site just for MPSC and KCC staff members so that they could hold meetings and have privacy as they reviewed documents.

Q. Did you provide the same information to Audit Staff as you provided to the Utility Operations Staff?

A: Yes. KCP&L's philosophy for both the MPSC Staff and the KCC Staff has been to be open and transparent and provide all information requested to assist the construction review and prudence audits. KCP&L has tried to keep Staff informed of its actions in a time frame and content that should have allowed Staff to make its own judgment regarding KCP&L's prudence.

Q: Did members of the Audit Staff ever come to the Iatan site?

A: Yes, but much less frequently. I recall Audit Staff coming to the site on three occasions. One of those occasions was to the meet with our team regarding the 2009 Cost Reforecast. Company witness Mr. Archibald recounts that meeting in his Rebuttal Testimony. The second was in the spring/summer of 2009 to review the status of "common" in relation to Unit #1 AQCS going in service. The third was a general tour of the plant conducted in September of 2010. Most of Audit Staff's time was spent at KCP&L's downtown corporate offices.

Q: Going back to Utility Operations Staff, have you had an opportunity to review Mr. Elliott's work papers that were produced as part of this rate case?

A: Yes, I have.

Q: What conclusions could you draw from both your meetings with Utility Operations Staff and your review of Mr. Elliott's work papers?

A: Company witness Mr. Giles testifies regarding the methodology Mr. Elliott used to review the Iatan Project change orders that were provided to him. Between the section of Staff's Report that Utility Operations Staff prepared, the work papers Mr. Elliott created and my recollection of the meetings and further correspondence we had, I believe that Mr. Elliott and his team knew and understood the origin of the change orders that they reviewed and took no exception to any of them. I note that between Iatan Unit 1 and Iatan Unit 2, it appears from his work papers that Mr. Elliott was able to review and catalogue each of the change orders he studied as part of his engineering audit.

Q: What is the basis for your conclusion?

A. In his section of Staff's Report, Mr. Elliott concluded that, "Based on its Engineering Review of KCP&L's change orders, Engineering Staff found no engineering concerns with any of the Iatan 2 or Iatan common plant change orders reviewed." *See* Staff's Report at p. 29, ln. 11-12. Mr. Elliott's analysis illustrates that cost variances to the Iatan Project's CBEs documented change orders are both identified and adequately explained.

Q: Do you know how many change orders Mr. Elliott reviewed on the Iatan Project?

A: I have attached as Schedule BCD2010-12 KCP&L's log of all change orders that were transmitted to Utility Operations Staff and Audit Staff during the course of the Iatan Project. Mr. Elliott's work papers show that of those we sent him, on Unit 1, he reviewed

227 change orders and on Iatan Unit 2, he reviewed 647 change orders. Mr. Elliott described to me on multiple occasions that he only studied change orders related to "engineering issues" which he defined as scope related in some manner. Mr. Elliott did not intensely review change orders for indirect costs once he determined their cause.

Q: What was the value of the change orders Mr. Elliott reviewed?

A: On Iatan Unit 1, it appears that Mr. Elliott reviewed and classified $53,471,153 of change orders and $28,602,672 of credits, for a net value of $24,602,672. On Iatan Unit 2, Mr. Elliott appears to have reviewed $247,417,576 in change orders, and ($72,196,684) in credits for a net value of $175,220,892.

Q: Staff alleges that "KCPL has not even identified or . . . explained the cost overruns, nor did it manage them or even demonstrate that it took positive steps to mitigate them." What is your response to this claim?

A: This is simply not true. As Company witness Mr. Meyer explains in his testimony, KCP&L has provided sufficient documentation to track, identify and explain all costs to the original CBE. Additionally, the Quarterly Reports identify risks and the actions KCP&L was taking to mitigate the risks throughout the Project. I believe that KCP&L has provided all requested information regarding the underlying facts associated with any cost on the Project.

BURNS & MCDONNELL PERFORMANCE

Q: **[redacted]**

A: **[redacted]**

Q: Were the audit reports from KCP&L's Internal Audit team useful to you in management of the Iatan Unit 2 Project?

A: Yes. KCP&L's management wanted the project team to have significant oversight of our work, and these audits were able to provide us with both confirmation of what we were doing well and suggestions for how to make improvements.

Q: Were the audits performed timely?

A: I believe so, yes. We were able to make changes to incorporate Internal Audit's suggestions before the problems they foresaw impacted the Iatan Project.

Q: When audits were issued with negative findings, what did the project team do?

A: Each audit finding was assigned to an accountable project team member or corporate manager. That manager would develop a written response and an action plan to mitigate and eliminate the identified risk. I should note that the project team action plans adequately addressed each and every audit finding and senior management and internal audit consider all findings as satisfactorily closed and the associated risk(s) mitigated.

Q: Are you aware of the audits that KCP&L's Internal Audit team and E&Y performed regarding Burns & McDonnell?

A: Yes, I am. Burns & McDonnell was the source of three separate audits.

Q: How would you characterize Burns & McDonnell's overall performance on the Iatan Project?

A: I believe that Burns & McDonnell has been an asset to KCP&L and to the Iatan Project. Their team's commitment to the Iatan Project cannot be challenged, and the fact that the Iatan Unit 2 is in-service and functioning well to this point shows that the quality of their work was very good.

Q: In the section of its Staff's Report discussing the Project history, Staff quotes from an internal KCP&L audit report that states that ** [redacted] ** (Staff's Report at p. 22) Do you agree that ** [redacted] **?

A: No. At the beginning of the Project, Burns & McDonnell worked under a General Services Agreement and not a project-specific contract with KCP&L on Iatan Unit 2 until the first quarter of 2007. The form of the contract document during this period of time had no effect on Burns & McDonnell's performance. Burns & McDonnell performed all the work that KCP&L asked of them in the period from their initial involvement to the execution of the contract. Company witness Bill Downey testifies in his Rebuttal Testimony that there was no impact to Burns & McDonnell's performance from not having a project-specific contract, and I agree with that testimony.

Q: **[redacted]**

[redacted]

A: **[redacted]**

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Q: **[redacted]**

A: **[redacted]**

Q: **[redacted]**

A: **[redacted]**

Q: **[redacted]**

A: **[redacted]**

Q: Did Burns & McDonnell's engineering work support the procurement of the project?

A: Yes. The project team actively managed the T-45 procurement schedule on a daily basis and reported on a weekly basis. The buyers, the legal representatives, and the engineers met weekly at Burns & McDonnell's offices to discuss the status of each procurement and ensure that all critical dates were met. As discussed in Company witness Steve Jones' Direct Testimony, KCP&L timely procured all necessary material and equipment to support the construction schedule.

Q: What did KCP&L do to manage disagreements and conflicts between Burns & McDonnell and the other contractors on site?

A: KCP&L actively managed these types of issues. For example, some communication problems between ALSTOM and Burns & McDonnell existed in late 2006. When we learned of this issue, the project team brought the issue to the attention of KCP&L's executive management. The executive management teams got involved and coordinated a meeting of KCP&L executives and ALSTOM's management in February of 2007. *See* Downey Direct Testimony at pp. 13 -15. This meeting occurred in Knoxville, Tennessee (referred to as the "Knoxville Meeting") and included an executive level discussion regarding how to resolve the key issues that had arisen between or among ALSTOM, Burns & McDonnell, and KCP&L. Specifically, **[redacted]**

PROJECT MANAGEMENT STAFFING

Q: Staff refers to an AP article regarding Kansas testimony alleging that KCP&L's management was not ready or able to begin this project with the resources, assets

and systems needed to ensure success and should have hired a construction manager. (See Staff's Report at p. 13, lines 29-32) Do you agree with this assertion?

A: No. I don't agree because these conclusions are not based on a full understanding of the facts. As I explained to the Kansas Corporation Commission in my rebuttal testimony in that docket, that opinion by Mr. Drabinski is supported with very little actual information from the Project's records and essentially ignored or disregarded KCP&L's testimony that has been filed in this case.

Q: Staff also quotes a KCP&L Internal Audit report concern that the Hawthorn project did not prepare KCP&L to manage the Iatan Project. (See Staff's Report at p. 22) Do you agree with the conclusion reached by Internal Audit?

A: I agreed to one narrow aspect of their finding, that because Hawthorn 5 was funded by insurance, KCP&L did not have significant cost pressures on that project, thus there were some limits to the applicability of Hawthorn 5 to the Iatan Project. However, I do believe that our project team learned a considerable amount about these large, multi-year and multi-phase projects because of the scope and complexity of the Hawthorn project.

Q: Will you please explain the scope and complexity of the Hawthorn project?

A: The Hawthorn 5 rebuild project occurred between 1999-2002. I was the plant manager and was in charge of operations and involved in the overall construction of the rebuild of the unit. Hawthorn 5 was a large, complex, multi-year project that included start-up of four different units over a three (3) year period including the following activities: (1) rebuilding the Hawthorn 5 which is a 550 megawatt coal unit; (2) adding new environmental emissions control equipment and upgrading and refurbishing the turbine generator on the Hawthorn 5 Unit; (3) construction and commissioning of a new 265

megawatt combined cycle unit; (4) construction and commissioning 2 – 70 megawatt simple cycle units; and (5) rebuilding the fuel yard including the addition of a new rotary car dumper.

Q: From scope and complexity, how does Hawthorn compare to Iatan?

A: The Hawthorn Project was similar to Iatan with the exception of construction of the turbine building. All of the component projects I described above were executed concurrently on a very small site with numerous contractors involved. The skills and logistics required to manage this work were very similar to those required to manage the Iatan Construction Project. Both KCP&L and Burns & McDonnell, who was the owner's engineer on that project as well, involved many of the members of the Hawthorn project management team on the Iatan project at various times through the life of the project. The main contributors to the Iatan Project who also worked on Hawthorn 5 include from KCP&L: Steve Easley; John Grimwade; Mack Hargis; Jeffery Fleenor; George Burnett; Stan Prenger; and myself, from Burns & McDonnell: Dan Froelich; Rodney Robertson; Bob Heina; Steve Bjorklund; Chet Stumpf; and Randy Sedlacek.

Q: Describe how KCP&L created its staffing plan for the Iatan Unit 2 Project.

A: The initial work in developing the Project's staffing plan began before my involvement with the Project. It is my understanding that KCP&L with the assistance of Burns & McDonnell began developing a staffing strategy for the Iatan Project in the first quarter of 2006 simultaneously with the development of the Project's estimate. I saw a later version of this estimate when I joined the Project in June 2006. The initial basis for this estimate of manpower, man-hours and associated costs was developed by Burns & McDonnell on the basis of its experience with other large utility plants and our mutual

experience with the rebuild of Hawthorn Unit 5. This initial, preliminary plan was subject to vetting along with the remaining elements of the estimate at that time.

The project team, Burns & McDonnell and Schiff Hardin, who was also engaged in review of the estimate, continued to evaluate this plan after my arrival in the spring of 2006. In the meantime, we added resources as necessary to manage the work that was ongoing at that time.

Q: When you started work on the Iatan Project in June of 2006, did you think the project team was understaffed?

A: No. At that time, we had all the personnel we needed for the work that was available at the time.

Q: What resources were added in the spring and summer of 2006?

A: Because the primary focus of the Project at that time was engineering and procurement, we focused on those areas first. Company witness Steven Jones started in March 2006 and began building the team he needed for procurement. We had already engaged in-house KCP&L engineering staff to manage Burns & McDonnell's work to facilitate the support of the procurement effort and the vetting and negotiation of the ALSTOM contract. By the summer of 2006, we recognized the need to begin work on the Project's integrated schedule, so we hired Terry Foster as the director of project controls. Mr. Foster quickly added the resources he needed in both the schedule and cost control areas, including Forrest Archibald for our cost department. Also by that time, we hired Mac Hargis as the construction manager. Mr. Hargis had worked for KCP&L on Hawthorn Unit 5 and was well respected within our organization. As we completed procurements of engineered materials, we started assigning our KCP&L engineering

leads to administer these contracts, which included evaluating the contractors' compliance with submittal of design information. We also hired Mr. Michael Hermsen as our director of safety. By August 2006, we reported that we had staffed all departmental lead management positions on the project team except the start-up manager, which is a position you typically do not fill until later in a project.

Q: Why would you wait to hire the start-up manager, or for that matter, any key personnel you need on the Project?

A: Good management practice dictates that you should not add personnel until they are needed because of the budget implications. KCP&L also recognized that because the management demands would shift and change over the life of the Project, it was not necessary or appropriate to have the entire staff hired and in place when the first shovel hit the ground. Instead, KCP&L prioritized the more immediate staffing needs and took proactive steps to recruit experienced construction industry professionals to fill key positions that would have a significant role in the early project development. We also identified the positions that would be appropriate to fill in subsequent hiring stages as the construction progressed.

The start-up manager position is a perfect example. There is no reason to hire a start-up manager until the design is sufficiently mature for that individual to begin planning the start-up sequence and details. As it was, we took the initiative to hire a start-up manager in the summer of 2007, which was well in advance of what is typical, because of the combined complexity of the Iatan Unit 1 and Unit 2 Project. We made careful evaluations of this kind for each individual we added to the Project. The broad outline of our plan for hiring was developed and subsequently refined though the summer

and fall of 2006.

Q: Is the staffing plan documented?

A: Yes. The project team under my direction developed an initial staffing plan in summer of 2006. In October 2006, this plan was presented to and vetted by Mr. Steven Easley, who was accountable for the Project at the executive level. Mr. Easley made certain adjustments to the staffing plan based on his experience. This plan was the basis for our Control Budget Estimate that was approved by the Executive Oversight Committee ("EOC") and KCP&L's Board of Directors in December 2006. That staffing plan is memorialized in the Project Execution Plan ("PEP") which was adopted in June 2007.

Q: How did KCP&L's staffing level change over the course of the Iatan Project?

A: The project team's staffing level gradually increased until October 2008 and remained relatively constant at the peak through April 2010 at which time the project team staffing started to decrease as the contractors started demobilizing from the Project. The attached chart generated from gate log records shows the number of KCP&L staff working at the Iatan site throughout the Project, which was consistent with the needs of the Project itself. (Schedule BCD2010-13).

Prior to October 2008, Kiewit and ALSTOM would have been largely working in distinct and independent areas of the Iatan site. There was a steady increase in the amount of owner management and coordination activities directly resulting from the contractor's work required during this period, warranting a steady increase in staffing. The point at which the work on Iatan Unit 1 was nearing completion in the fall of 2008 marked the beginning of KCP&L's increased need for contractor coordination and management on Iatan Unit 2. As a result, KCP&L's peak manpower, shown between

October 2008 and April 2010, is consistent with the nature of the construction occurring in the field.

Q: The chart shows that KCP&L doubled its project management personnel between February 2007 to December 2007. What was the cause of this increase?

A: In general, this change reflects adding staff as the work on site increased, which was always contemplated. In addition, when Dave Price joined the Project in May 2007, he made his own assessment of the Project's planned staffing levels and believed that there were certain areas that needed to be expanded to meet the then-existing Project challenges.

Q: The chart shows a second significant increase in KCP&L's project management personnel between April 2008 and October 2008. What was the basis for this increase?

A: This increase brought the on-site construction management staffing to the level that the project management team thought necessary to monitor and manage the peak construction phase of the Project. All contractors achieved their peak craft numbers between September and December 2008 during the Unit 1 outage and maintained a similarly high level of craft labor on site through September 2009, which was the point when construction work started ramping down. KCP&L's staffing level increase prior to October 2008 directly coincides with the preparation to manage the height of the construction activity on site. This was always contemplated by the project team and is consistent with my previous experience on other projects and what you would expect to see on a project with this number of years in duration.

Q: Did adding personnel increase the Iatan Project's cost?

A: Yes. As noted, we had a variance to our original Control Budget Estimate. However, we determined the need for those additional people and we added them in a timely manner without any premiums, so the only cost incurred or underestimated was the number of people and their hourly pay rate. And, once we saw that we had underestimated the size of the team, we were able to quickly ramp up to meet the Project's needs.

Q: How has KCP&L documented these changes?

A: As Company witness Meyer testified, after the completion of the Control Budget Estimate in December 2006, the KCP&L project team started identifying risk and opportunity ("R&O") items. These R&O items mostly resulted from the continued maturation of the Iatan Project's design. Mr. Meyer identifies that he was asked to present the R&Os to the Executive Oversight Committee on July 11, 2007. (Meyer Direct Testimony at pp. 16-18). One of the early R&O items identified in 2007 was additional increases to the construction management staffing levels on the Project (R&O No. 009, Schedule FA2010-4). This R&O was updated as even more definition was given to the project team we needed to manage the work, and was part of the increase that in the budget as of the May 2008 Reforecast. This R&O as updated resulted in an increase of **[redacted]**. The supporting documentation for KCP&L's analysis of the appropriate staffing level based on the information available at the time is included in Schedule FA2010-4. This increase to the budget included both costs already incurred as a result of additions to staff as well as the projected future costs of additional project management personnel.

Q: Were these changes to the Iatan Project clearly identified in the Iatan Project's cost reports?

A: Yes. It is very easy to see from the cost reports that project team generates that there is a cost variance in Project staffing. Company witness Mr. Archibald discusses how the Project's Cost Portfolio includes details like these.

Q: Were KCP&L's staffing increases timely?

A: Yes. The Project's department managers constantly evaluate the staffing needs within their areas and during each of the cost reforecasts we have performed, we have asked for detailed projections of staffing needs and we make judgments based on those types of assessments. For example, the construction management organization constantly evaluated its staff based on a variety of factors, including: the number of different contractors on site at a given time; the number of craft labor personnel on site; and whether the craft is working overtime or double shifts. Similarly, the procurement organization bases its needs on the level and intensity of contract administration activity, including: the volume of monthly invoices received; the volume and nature of the commercial correspondence received on a weekly basis; the velocity of change order requests submitted by contractors; and the volume and nature of procurement activities.

Q: You said that Mr. Price initiated some changes to the Project's staffing plan. Did you agree with Mr. Price about those changes?

A: Yes. Mr. Price and I were in agreement that we needed to increase our staffing level and our budget to meet the challenges at the time. We recognized that the complexity of the Unit 1 rehabilitation work had grown, and that we needed both more people and certain individuals with specialized experience at an earlier stage. As discussed, one of the

individuals that Mr. Price wanted to add at a very early stage was an experienced start-up and commissioning manager, who started on the Project in July 2007. As I explained in my Rebuttal Testimony in Docket No. ER-2009-0089 (the "0089 Docket"), the addition of the start-up and commissioning manager at this time allowed the project management team the opportunity to plan the work and identify and resolve potential outage start-up and commissioning problems well in advance of the actual Unit 1 outage period. In addition, the start-up manager was able to revise the start-up sequencing of certain common facilities to prevent additional costs and coordination difficulties that would have otherwise developed. (See Davis Rebuttal Testimony in 0089 Docket at pp. 3-4). Mr. Price and I also agreed that Iatan Unit 1 needed additional leadership, which is why Iatan Unit 1 was my primary responsibility from the fall of 2007 until Iatan Unit 1 was returned to service in April 2009.

Q: Based on your experience, did KCP&L employ appropriate numbers of qualified project personnel throughout the Project?

A: Yes, based on my experience, the project team members individually and collectively had appropriate experience and qualifications for their position. **[redacted]** (See Schedule BCD2010-14 at p. 6.)

Q: Did you observe any adverse impact to the Project due to the absence of a Project Manager or during the transition periods between the individuals who were accountable for management of the Iatan Unit 2 Project?

A: No. I didn't get involved in the Project until June 2006, but Company Witnesses Downey and Giles describe the activity during that time. I can tell you that from the time I started on the project through the rest of 2006, there was significant planning, engineering, and procurement activity by the project team. Staff must have ignored the Project's significant accomplishments during 2005-07, as discussed throughout KCP&L's Direct Testimony, including: (1) contracted with ALSTOM for an EPC of the boiler and AQCS; (2) established all of our control systems and major processes; (3) established the Control Budget for the Project; (4) completed all of the Project's major foundations on time for turn-over; and (5) received the estimate from Kiewit, resulting in the execution of the Kiewit contract.

Staff argues that KCP&L's failure to hire a Project Manager caused a six month time loss on the Project and that a personnel matter caused further delay. *See* Staff's Report at p. 12. There is no evidence to support this conclusion.

Q: Staff also alleges that "[p]roject control was stalemated, causing a degree of paralysis of the Iatan project team, which contributed to the failure to meet several project commitments regarding documentation and planning." Do you agree with Staff's conclusion?

A: No. I frankly have no idea on what Staff bases this conclusion. While I don't know what Staff is referring to, as I stated above, there was significant project activity in 2005-07. Since the beginning of the Project, KCP&L has sought to establish processes and procedures to govern all important aspects of the Project, particularly when there was a potential for cost and/or schedule impact. In July 2006, KCP&L provided the Staff with the Cost Control guidance document (See Direct Testimony of Company witness Steve

Jones, Schedule SJ2010-1) which provided guidance for preparation of the Project's major processes and procedures, and as I previously testified, those essential processes and procedures were in place in time to govern the Project. Company witnesses Mr. Jones and Mr. Roberts testify as to the effectiveness of these procedures.

In addition, as noted, we were able to bring key people on board early and a number of the Project's key managers and directors have been on the Project for extended periods. Having the team largely intact has provided continuity even when changes at the Senior Management level have occurred. In addition to me, there is Terry Foster, who has led the project controls effort since August 2006, and Forrest Archibald, our Manager of Cost Controls, started soon thereafter. Russ Finkle, our recently retired Construction Manager, has been on the Project since the site mobilization in August 2006. Denise Schumacher, our Compliance Manager, has been on the Project since its inception. Michael Hermsen, the Safety Manager, has held his current position since the summer of 2006. We have also been fortunate to have virtually the same construction management team out in the field and most of our key lead engineers in place since the start of significant site activity. Given the length of the Project and the number of individuals who are here on a temporary basis, it is expected that there will be turnover. We have been fortunate that so many talented individuals have been with us from virtually the start of the work.

Q: Did you observe any adverse impact to the Project during the transition periods between the individuals who were accountable for management of the Iatan Unit 2 Project?

A: No. Company witness Mr. Downey testified as to the hand-offs that occurred at various transitions and I agree with that testimony.

Q: What else contributed to KCP&L's ability to manage the Project during project leadership transitions?

A: There has been consistency at the KCP&L Executive Management level and on the EOC, and the key decisions affecting the Project have been timely. Additionally, the processes and procedures for the Project enable consistent administration of project functions during leadership transitions.

SCHEDULE DEVELOPMENT & EARLY PROJECT TEAM ACTIVITY

Q: In Staff's Report, Staff alleges that KCP&L did not identify or explain its cost overruns "nor did it manage them or even demonstrate that it took positive steps to mitigate them." (Staff's Report p. 37) Do you agree with Staff's assertions?

A: Absolutely not. The Iatan Project was well managed and took steps every day to mitigate risks. Company witnesses Mr. Meyer and Mr. Archibald explain in their testimony how the Iatan Project identified and explained costs, and I agree with their testimony. My focus in responding to Staff's incorrect allegation is to detail for the Commission the tools that project team put into place and used on a daily basis to actively manage the work of the contractors in the field. These tools included scheduling and cost tracking metrics as well as other information-based data collection and reporting that I will describe below. I note that KCP&L has provided Staff with all of these tools so that it can make its own independent judgment regarding KCP&L's management. However, since Staff's Report is not specific regarding how we allegedly mismanaged the Iatan Project, I can only assume that Staff did not look at the materials we have provided.

Q: Please describe the scheduling tools that the project team utilizes for management of the Iatan Unit 2 Project.

A: As an initial point, I should say that there is only one true Project schedule that contains all of the details for the over 15,000 logically linked tasks that we use for managing and tracking the work. For ease of reference, I will refer to the fully integrated schedule that includes all of the contractors' work and its weekly updates in the "live" schedule network as the "Level 3 Project Schedule." We summarize the data in summary fashion from the Level 3 Project Schedule into a high-level overview of the Project's progress in what is called the "Level 1 Schedule." In my Direct Testimony, I described the creation and purpose of the Project's Level 1 Schedule. As I noted in that testimony, this schedule was developed to provide a high-level overview of the Project's major work in a critical path format. It shows the key sequences of work on a sub-project basis for the following areas: (1) Boiler/Steam Generator/Selective Catalytic Reduction System ("SCR")/Pulverizer & Air Heater (the "Boiler Path"), which was primarily ALSTOM's scope of work; (2) Powerhouse/Turbine (the "Turbine Generator Building Path"), which was primarily Kiewit's scope of work; (3) Air Quality Control Systems ("AQCS") including the absorber, fabric filter and ID fans (the "AQCS Path"), for which ALSTOM had the primary responsibility; and (4) the Unit 2 BOP, which is a series of ancillary systems such as the Coal and Limestone Handling, Water Treatment, Cooling Tower and miscellaneous other structures (the "Ancillary BOP Path"), which were procured and constructed from a number of different vendors. The Level 1 Schedule summarizes the Project's detailed activities through its series of yellow, blue and red arrows on the Schedule. The flags that are shown in the Level 1 Schedule signify key milestones or

events that occurred throughout the Iatan Unit 2 Project. These bars and flags on the Level 1 Schedule also include reference to two sets of dates: the "planned" dates for an activity and the "actual" dates for an activity. The "actual" dates referenced, or the dates that reflect when actual events occurred, are accompanied by an "A".

Q: What is the genesis of the Level 1 Schedule?

A: Company witness Chris Giles testifies that during the first quarter of 2006, Burns & McDonnell, the project team and Schiff jointly collaborated on and developed a strategic schedule for the work that identified the key procurement dates needed for planning purposes. (Giles Direct Testimony p. 14) Company witness Mr. Giles discusses the creation of the strategic schedule in his Rebuttal Testimony, and attaches a copy of the initial strategic schedule as Schedule CBG2010-5. That strategic schedule was developed to provide a guideline to the project team for the major procurements and is now the Level 1 Schedule. That strategic schedule was used as the outline for developing the Level 3 Project Schedule in use today. Nonetheless, we continue to use the Level 1 Schedule as a planning tool and for providing information to Staff and to our partners regarding the Project's status. We continue to update the information monthly to reflect the actual dates, update the color coding and record milestones as they occur.

Q: Please describe the detailed Level 3 Project Schedule.

A: As I noted in my Direct Testimony, the Level 3 Project Schedule is one of the essential management tools on the Iatan Unit 2 Project. It encompasses all of the activities for the work by all of the contractors on site, who contributed their planned schedules at the outset of their work so that these individual schedules could be integrated. Our Project Controls Team worked with the contractors to develop the Level 3 Project Schedule so

that it reflects the proper sequence and duration for all of the work. The Level 3 Project Schedule is used in every discussion KCP&L has with the contractors on the Project. It was developed after the execution of the contract with ALSTOM in August 2006.

Q: Did KCP&L have ongoing work in engineering, procurement and even some site work in the summer of 2006?

A: Yes, we did. We were aggressively pursuing the procurement of long lead materials and engineered equipment, and by early August 2006, we began some of the site preparation work. By the fourth quarter, we had engaged Kissick for the foundations and underground and Pullman Construction Company ("Pullman") for the chimney.

Q: How did you track the schedule of that ongoing work while you developed the Level 3 Project Schedule?

A: With respect to engineering, as Company witness Mr. Jones testified, the procurement effort including the associated engineering work was ongoing, and was working in accordance of what Mr. Jones refers to as the "T-45 Schedule." (Jones Direct Testimony at p. 10-13.) In addition, both Kissick and Pullman submitted detailed schedules for their work which, as I will explain further, were merged into the integrated schedule in April 2007. In the meantime, we had enough data and key information to manage the Burns & McDonnell, Kissick and Pullman work that was ongoing at that time.

Q: Staff quotes an audit report stating in part ** [redacted] ** (See Staff's Report at p. 24). Why did the project team wait until the ALSTOM contract was executed to begin preparation of the Level 3 Project Schedule?

A: There were multiple reasons, the most notable of which are: (1) because the Project's critical path and so much of the critical work scope of the Project were tied to the ALSTOM contract, it would have been premature to begin preparation of a detailed schedule without ALSTOM's contribution; (2) ALSTOM's work was part of an EPC contract in which ALSTOM is fully in control of its work sequences and means and methods; and (3) the remainder of the Project's schedule, including most of the BOP work, was largely built around ALSTOM's scope. Without ALSTOM's schedule, there was no integration possible or necessary.

Q: Can you define the term "Baseline Schedule" as you used the term on the Iatan Unit 2 Project?

A: Yes. The Iatan Unit 2 Project's Baseline Schedule is the initial version of the Level 3 Project Schedule that was produced when we had enough information to show in the essential logic and duration of detailed activities and enough detailed activities to begin tracking the integrated work on site. The Baseline Schedule is used as a basis for measuring progress for the remainder of the Project. As an example, on the Iatan Unit 2 Project, the Level 1 Schedule reflects the key dates that we track against are the same dates as determined by the Project's Baseline Schedule.

Q: When was the Project's Baseline Schedule established?

A: April 9, 2007.

Q: Was the development of the Level 3 schedule timely?

A: Yes, based on my experience, it was timely.

Q: In general, what activities were included in the Project's Baseline Schedule?

A: The Baseline Schedule included all activities from ALSTOM as well as all the BOP work that was known at the time. As of that date, KCP&L had contracted with Kissick to perform the early foundation and substructure work. In addition, the Baseline Schedule included a detailed schedule from Pullman, who was constructing the Iatan Unit 1 and Unit 2 chimney. The Baseline Schedule also included all engineering work and procurement of major engineered materials that KCP&L was purchasing. The Baseline Schedule also included placeholders for the remaining BOP work that could be approximated at that time.

Q: How many activities were represented by the Baseline Schedule?

A: The Baseline Schedule, also referred to as the "Integrated Schedule," contained over 20,000 total activities, representing construction as well as procurement and engineering tasks.

Q: Why was the remaining BOP work not included in detail in the Baseline Schedule?

A: Because we had not procured the remaining BOP work as of that time. During this period, Kiewit was preparing its estimate for our review, which was not presented until April 13, 2007. However, including placeholders for this work allowed us to better understand Kiewit's estimate and the time of performance we would need for the BOP work.

Q: **[redacted]**

A: **[redacted]**

[redacted]

[redacted]**

Q: **[redacted]**

[redacted]**

A: **[redacted]

[redacted]**

Q: Since it was re-baselined, how has the Level 3 Project Schedule been maintained?

A: KCP&L's Project Controls team acts as the repository for all of the schedule information that is used in the Level 3 Project Schedule. The schedule itself is compiled in a software package commonly used in the industry called Primavera 5, or "P5". Each contractor maintains and updates its own portion of the schedule and, on a weekly basis, submits its updates to KCP&L. These updates include details of how many man-hours each contractor earned, which activities in the schedule were started and which were

completed, and the contractors' assessments of how much effort it will take to complete its remaining work. Occasionally, contractors also make minor adjustments to their logic if they identify a better, more efficient way of doing the work or if an activity, for one reason or another, cannot be completed within the planned window of time. KCP&L's Project Controls has been maintaining this Level 3 Project Schedule since work started on the site, utilizing input from the contractors on a weekly basis to update as the work is completed. Project Controls also monitors the input to the Level 3 Project Schedule from all contractors and monitors it for any variances or incorrect changes by the contractors. The Level 3 Project Schedule also forms the basis for the Iatan Unit 2 Project's earned value system that is used for tracking the progress and productivity of the contractors.

Q: How often is the Level 3 Project Schedule updated?

A: The full Level 3 Project Schedule is typically updated on a weekly basis to include the contractors' assessments of their own progress and the remaining work, both near term and in the future. The schedule was baselined on April 9, 2007. Since then, the contractors report weekly updates to KCP&L and KCP&L has updated the Integrated Schedule and reported the schedule status and other metrics at regular intervals throughout the project.

Q: Does the Level 3 Project Schedule record variances to scheduled dates?

A: Yes. The Level 3 Project Schedule would show when activities were late or early. The Level 3 Project Schedule is also logic-driven, so when an activity that is on the critical path completes, the Schedule keeps adjusting to the next item on the critical path. The detailed Level 3 Project Schedule also is updated with the actual dates that activities start

and stop, so once the work is completed, it is possible to measure any variances on each Schedule line item.

Q: From a management perspective, why is it important to identify variances in a schedule?

A: Schedules such as the Level 3 Project Schedule are the most important management tool on a construction project. When the schedule identifies variances, often this is an early warning sign that there could be issues that require resolution or mitigation. The Level 3 Project Schedule gave our team and me accurate information to use in our management of the work.

Q: Do all variances in a schedule mean that the project is delayed?

A: No. If an activity is not on the critical path, which is defined as the string of activities that comprise the logical duration for the Project to complete, then a variance may not have actual impact on the schedule for the work or result in any additional costs to the owner.

Q: How can you verify if there was a delay to an activity that impacted the Level 3 Project Schedule?

A: The Level 3 Project Schedule shows which activities had an impact when the contractors submit their actual schedule status on a per-line item basis. However, the real impact is when an activity finishes later than planned and it is a critical activity. The Level 3 Project Schedule has so much information at the detail level, it takes someone who has experience with scheduling to identify the impact any one activity or set of activities may have. We were very fortunate to have an experienced Project Controls team under Terry Foster's direction and constant assistance from Schiff and its scheduling team under Jim

Wilson, who reviewed the schedule constantly to help us get ahead of potential problems. In addition, the Project's earned value system has been critical in pointing out problems.

Q: What is earned value?

A. As stated by KCP&L's Cost Control System: "earned value . . . is an industry-standard measurement of cost and schedule progress as compared to the Project's original plan." (Jones Direct Testimony, Schedule SJ2010-1) Company witness Ken Roberts explained in his Direct Testimony on page 11-12:

> [T]he results of the comparison [of the original plan to actual progress] are then expressed in the form of ratios over time. As work is completed, man-hours are "earned" and compared against the original plan for both the amount of work completed and its timeliness. The ratio of earned hours to planned hours is known as the Schedule Performance Index ("SPI"). Cost Performance Index ("CPI") is the ratio of a contractor's actual, or expended, man-hours as compared to the hours it has earned. This is a measure of the contractor's productivity.
>
> As an example of SPI and CPI, if a scheduled task was planned to take 100 man-hours over a one week period, and the contractor earns 100 hours for the week, its SPI would equal 1.0. However, if the contractor earns 20 hours less than its plan, it will have an SPI of 0.80. If the same contractor spends 100 man-hours to earn 100 hours in that week, its CPI is 1.0. If it expends 120 hours and earns 100 man-hours, its CPI will be

only 0.80. In other words, it cost more money than planned. These indices can be further reduced into percentages: in the hypothetical above, the contractor who has an SPI of 0.80 is 20 percent behind schedule for the period measured, and if its CPI was 0.80, it had a 20 percent loss of efficiency/productivity. With these indices, an SPI of 1.0 or greater means that the contractor has maintained or bettered its planned pace, and for CPI an index of 1.0 or better means that the contractor is working productively.

(Roberts Direct Testimony at pp. 11-12.)

Q: From a management perspective, how does the project team utilize earned value?

A: Earned value allows us to understand a contractor's schedule progress quickly and easily. Having an index like SPI that aggregates all of the data collected in the Level 3 Project Schedule allows us to take a quick pulse of progress and make judgments on whether some aspect is falling behind schedule. We also could make the same judgments regarding productivity from the contractors' CPI. These indices allow you to drill down further because they provide immediate visibility to schedule and performance issues. When we meet with contractors' representatives to talk about their progress, often the first thing discussed is their SPI and CPI. We also use earned value for external reporting to the EOC and in our various reports because these indices give someone not involved in the day-to-day details of the Project an understanding of the Project's progress.

Q: When did you start using earned value on the Iatan Unit 2 Project?

A: Once the Baseline Schedule was established, we began generating earned value reports. We have used earned value ever since. I have attached as an example the package of weekly project metrics that was distributed at one of our status meetings on September 23, 2009 (Schedule BCD2010-15). This package includes charts that were created by the KCP&L project controls team and by Schiff Hardin's Jim Wilson. Some of these charts were hand-outs and others were posted on the wall of the conference room where we met on site.

Q: Who attended these weekly meetings where such metrics were discussed?

A: Mr. Downey attended each one, unless he had a serious conflict, and was usually on-site though occasionally would participate by telephone. Other regular participants during the course of the Iatan Project included at various times Mr. Giles, Mr. Blanc, Mr. Riggins, Mr. Reynolds, Mr. Bassham, Mr. Heidtbrink, Mr. John Marshall, Ms. Lora Cheatum, Ms. Lori Wright and Mr. Michael Cline from the corporate office. Mr. Churchman, myself, Mr. Bell, Mr. Foster, Mr. Archibald, Ms. Denise Schumacker, Mr. Jones and Ms. Burgess were regular attendees from the Iatan Project site. Schiff's attendees included Mr. Roberts, Ms. Okizaki, Mr. Gould, Mr. Wilson and Mr. Meyer when he was on-site. Depending on the issues at hand, others were invited to attend as needed.

Q: Could you describe the content of Schedule BCD2010-15?

A: Yes. The first page is a summary of the weekly earned value update by area and by contractor. From this sheet, you could identify each major contractor's overall schedule and productivity and their most recent week's progress. The next several pages are individual metric packages that our Project Controls team published weekly for ALSTOM and Kiewit. These packages have the same information as the first page,

though that data has been broken out for easier review. The charts with multi-colored vertical bars were prepared by Mr. Wilson and represented Schiff Hardin's independent view of the major contractors' earned value status and other issues that were identified on those charts. Following that are four pages of charts prepared by Mr. Wilson regarding tracking of Kiewit's quantities of work installed for major components and systems. Mr. Wilson used this data as a cross-check against Kiewit's earned value status to ensure that Kiewit was properly reporting its status. Also in this package are a series of charts on the Project's CTO status, which as of this particular meeting was a major topic of conversation. The last chart depicts some of the metrics the KCP&L start-up team updated to show its progress with training.

Q: How long were these weekly meetings?

A: They would typically last about 1 hour though often they would extend into smaller group meetings if there were issues that required added focus.

Q: Were these meetings effective?

A: Absolutely, yes. As one can see from the metrics package, there was often a very granular discussion regarding the Project's status. During the meetings, there would be a very open dialogue and the members of the senior management team would ask probing questions regarding the Iatan Project's status. Schiff Hardin's team would also present its issues and engage in the conversation. These meetings were key accountability tools for our site project team.

Q: Do you believe that the Level 3 Project Schedule has been an effective tool at measuring progress?

A: Yes, I think the schedule has been instrumental in how we have managed the work.

Q: You also discussed the Project's documentation as a tool that you have used for managing the work. In general, what types of documents does the project team regularly maintain that show the Project's schedule progress and any issues that may arise?

A: The project team maintains hundreds of documents per week. We typically summarize the most important of those documents into reports like our Monthly Report that are shared with KCP&L's management, and that same information is also summarized for the Quarterly Reports that are provided to Staff and other parties to the S&A. In a summary manner, we report our schedule progress, project risks and issues on a quarterly basis to the Staff as part of our Quarterly Reports. Company witness Mr. Giles discusses the Quarterly Reports at length in his testimony. Most importantly, we use the documents we maintain as management tools.

Q: Can you provide an example of the types of documents that the Iatan Unit 2 project team uses as a management tool?

A: Yes. We typically record the minutes of key meetings so that we can keep track of daily issues, action items that individuals take on to find answers or resolve issues, and to generally hold the Project's participants accountable for resolving any outstanding items.

Q: Will meeting minutes reflect evidence of problems on the Project?

A: Yes, though that is not the purpose of keeping them. Documents like meeting minutes, Project correspondence, notices of potential delays and other documents ordinarily kept on the Project are intended to highlight issues for management that need to be resolved. Construction projects like Iatan Unit 2 have issues everyday, and proper documentation

of these issues allows for mitigating, avoiding or resolving issues as expeditiously as possible.

Q: You also stated that another tool at the Project's disposal in 2006 to 2007 was the Project's Control Budget Estimate or CBE. When was the CBE approved?

A: The Board of Directors approved the CBE on December 5, 2006.

Q. How did the project team utilize the CBE?

A. The CBE has been the base budget for the Project since that time. The CBE has been used for cost tracking since that time. Company witness Mr. Archibald explains how the Control Budget Estimate and the reports generated by the project team in our Cost Portfolio have been used for identifying and explaining cost variances on the Iatan Project.

Q: In summary, you listed the Level 3 Project Schedule, the Cost Control System and the CBE as some of the tools that were implemented during the 2006 to 2007 period. Has KCP&L continued to utilize these and other tools for managing the work since 2007?

A: Yes. The Level 3 Project Schedule certainly has been maintained since it was baselined on April 9, 2007 and is comprehensive with respect to all work that has occurred on the Project. The types of documentation and the form or format of that documentation may have changed, but we may have attempted to document any and all issues that have arisen so that there is visibility of those issues to the people who need to resolve them. Skire, as mentioned, as well as the other procedures and controls put in place, have all been successful in managing the Project. Finally, per our commitments and as described by Company witness Mr. Archibald, the CBE continues to be used for tracking costs and

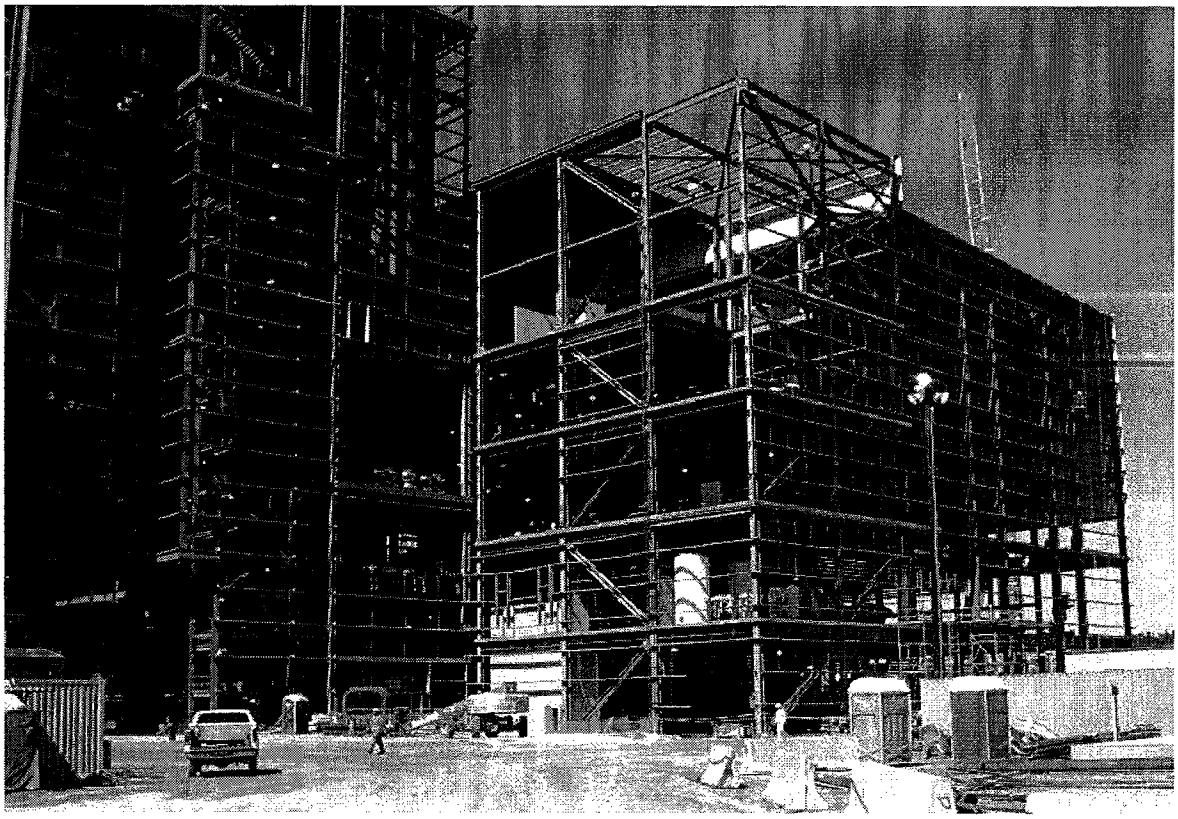
cost variances. Each of these tools has allowed KCP&L to transparently report the Project's cost and schedule progress to Staff since the Project's inception.

Q: How have these tools allowed KCP&L mitigate cost overruns on the Iatan Project?

A: Company witness Mr. Downey testifies at length regarding how the two major settlement agreements with ALSTOM on Iatan Unit 1 and Iatan Unit 2 were significant for the Iatan Project. Those agreements are the essence of mitigation of risk, for all of the reasons Mr. Downey describes.

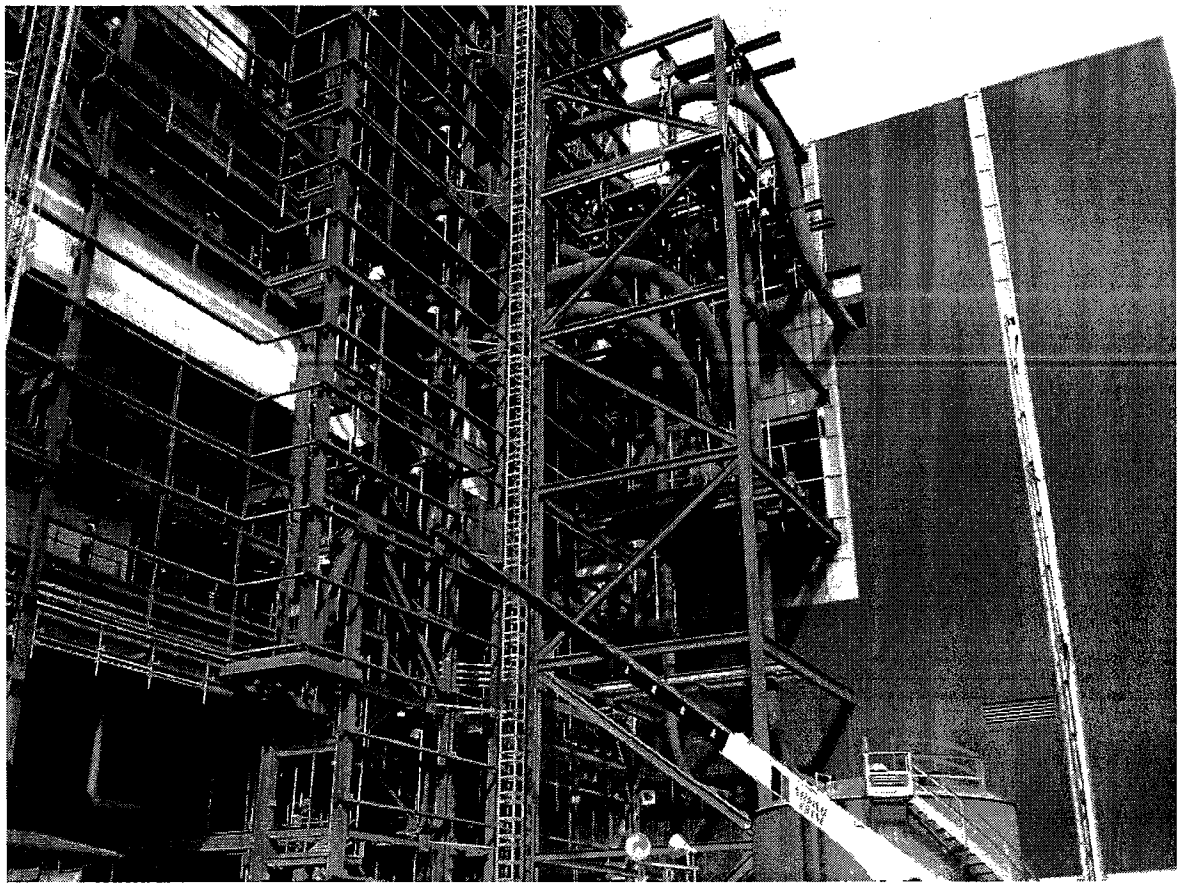
Q: Mr. Downey also describes the importance of coordination of the contractors as a major driver of those agreements. Could you provide an example of why KCP&L needed to maintain cooperation between the major contractors?

A: Yes. The photograph below is dated November 19, 2008 and shows the south side of Iatan Unit 2 under construction.

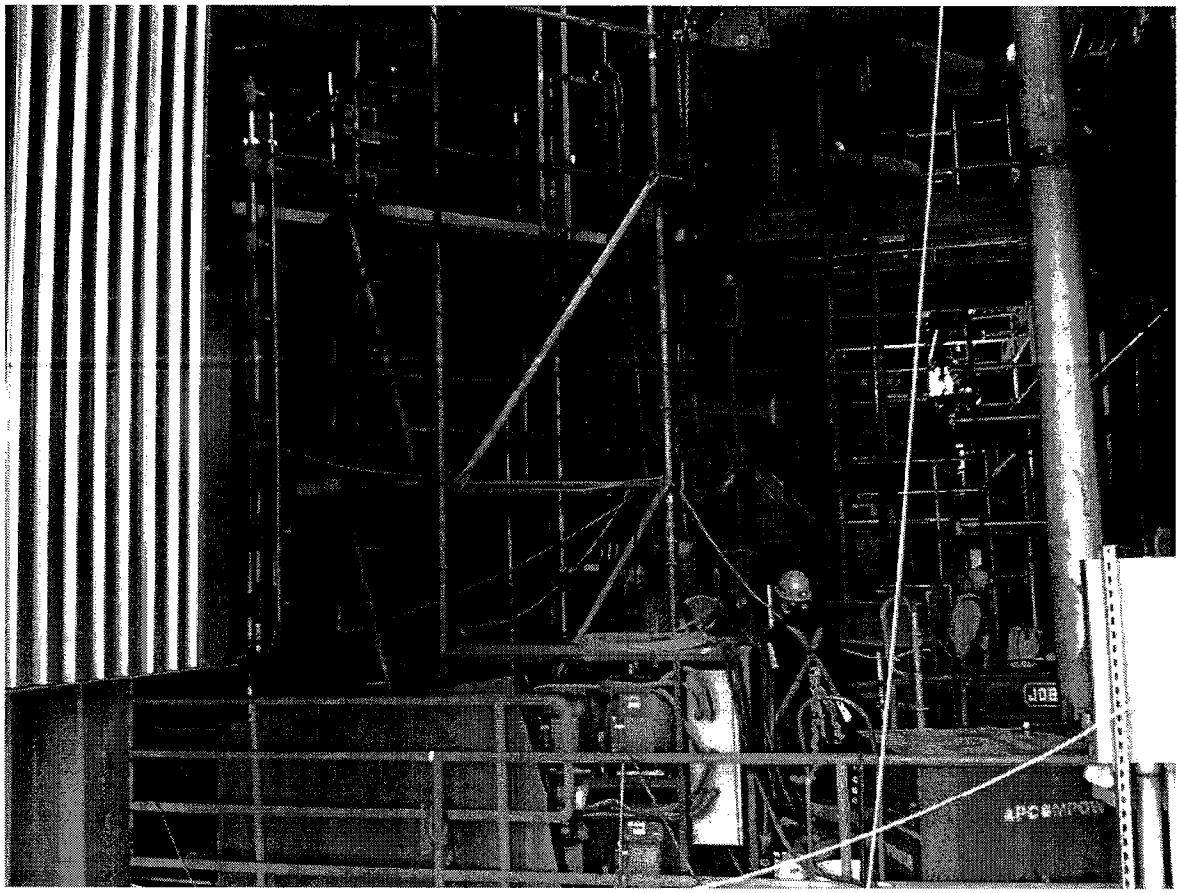


As of this time, ALSTOM's work was concentrated in the boiler building on the left-hand side of the photo, and Kiewit's work was concentrated in the turbine building on the right side. There was very little interaction between ALSTOM and Kiewit at that time in this area. ** [redacted] ** As of that time, the project team knew that it needed to develop construction turn-over ("CTO") dates in order to maintain coordination and proper hand-offs between ALSTOM and Kiewit.

The next photo was taken almost precisely one year later on November 3, 2009. This photo is a close-up of the corner where the boiler and turbine buildings meet. This picture depicts how ALSTOM and Kiewit were now required to coordinate their work.

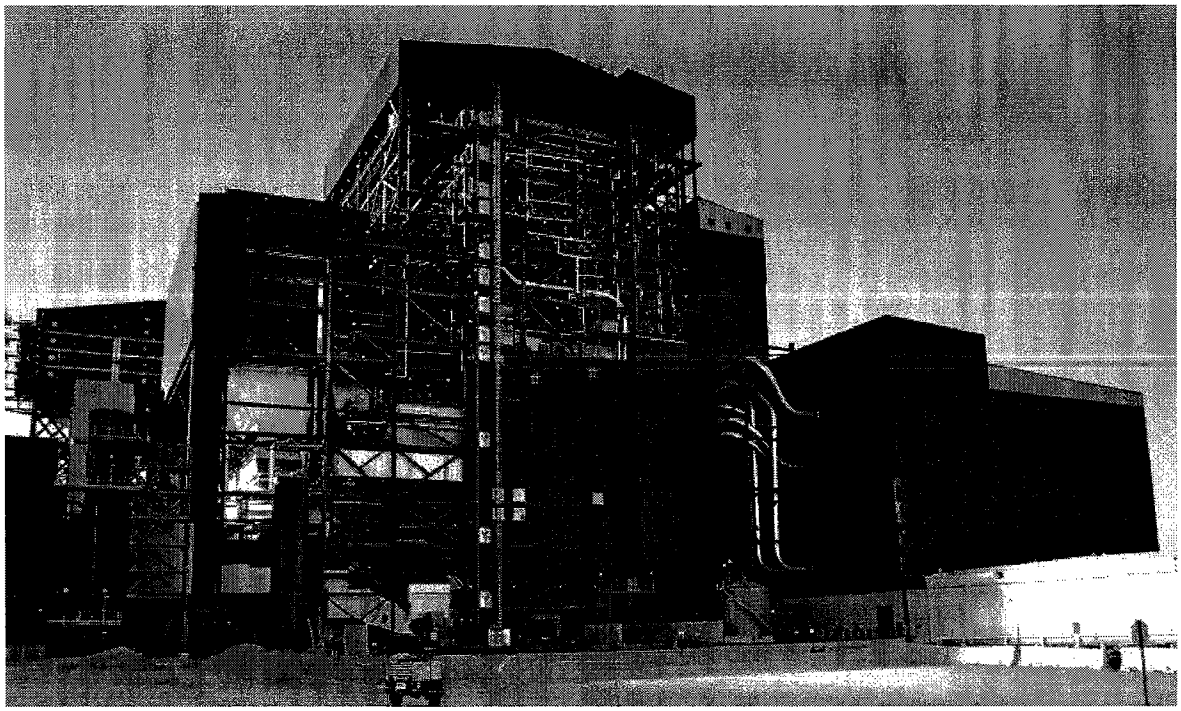


All of the large orange colored piping in this picture is large bore piping that Kiewit had to snake through the boiler building and terminate in the turbine building. Each of these large bore piping lines represented a CTO with hand-off's and tie-in points. These large pipes run the length of the boiler and are the main steam and hot and cold reheat lines that go from the boiler to the turbine. For Kiewit to install these pipes in ALSTOM's boiler, it had to coordinate space, scaffolding, equipment needs and work hours with ALSTOM. The picture below, which was also taken on November 3, 2009, depicts the tight quarters that ALSTOM and Kiewit had to share at this time.



The silver pipe on the far right side of the picture is large bore piping that Kiewit installed and insulated in virtually the same space as ALSTOM's workers were assembling one of the boiler's burners. Kiewit's piping assembly had to run both vertically and horizontally through sections of the ALSTOM boiler that looked much like this picture.

The final photograph in this series was taken on October 5, 2010. This photograph depicts the completed construction of this same area. The large bore pipes that were orange in November 2009 are now silver because they have been insulated and are supported in their final position.



This is just one example of how KCP&L had to actively manage the coordination of ALSTOM and Kiewit in order to complete the work on the Iatan Project. But for the agreements KCP&L concluded with ALSTOM and Kiewit that ensured their mutual cooperation, I do not believe that Iatan Unit 2 would have been in-service on August 26, 2010.

STAFF'S PROPOSED ADJUSTMENT FOR JLG INCIDENT AND CONSTRUCTION RESURFACING PROJECT

Q: Describe the "JLG Incident."

A: JLG is a company that manufactures various types of equipment that includes mobile lift platforms. This type of equipment provides a lift range of anywhere from 10 to 150 feet to access and elevated work areas. On August 25, 2007, a JLG mobile man lift operated by ALSTOM personnel toppled over while the lift platform was in an extended position (referred to as the "JLG Incident"). ALSTOM submitted a claim for additional time and

an increase to its contract price for alleged impacts and delays arising from the JLG Incident.

Q: Describe the Construction Resurfacing Project.

A: In support of its claim arising from the JLG Incident, ALSTOM asserted that the soil conditions were the cause of the incident. Regardless of the actual cause of the incident, the remaining construction work on the Iatan project required the use of a lot of heavy equipment. So the mere occurrence of the JLG incident on the Iatan Site created concern of the safe operation of similar equipment and the stability of the surface of the Site among the operators of large equipment. In support of its commitment to project safety, to improve the contractors' confidence regarding the safe operation of equipment on the Iatan site, and to minimize disruption to the construction, the Iatan project management team felt it was important to voluntarily and proactively commence a multi-phase construction resurfacing project to improve the quality and stability of the soil surface ("Construction Resurfacing Project"). ALSTOM submitted a claim for acceleration costs based on the alleged impacts and delays caused by KCP&L's execution of the Construction Resurfacing Project.

Q: What did KCP&L evaluate in assessing ALSTOM's claim arising from the JLG Incident and Construction Resurfacing Project?

A: We evaluated both the merits of ALSTOM's individual claims and worked with KCP&L's senior leadership to develop a broader commercial strategy. We also reviewed the results of soil testing and KCP&L's Safety Department incident analysis which indicated that operator error or mechanical failure caused the incident and confirmed that the soil composition on site was within acceptable composition and tolerances. Based on

this information, **[redacted]**

The documentation supporting ALSTOM's claim included a letter from one of its subcontractors refusing to return to Site or operate equipment until KCP&L provided evidence of acceptable soil conditions.

At the time that KCP&L and ALSTOM were exchanging letters and negotiating a resolution of the JLG Incident and Construction Resurfacing Project, there were many other outstanding commercial issues between KCP&L and ALSTOM. These issues included, for example:

- **[redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

- [redacted]

- [redacted]**

KCP&L determined its path forward based on both the merits of ALSTOM's claim arising from the JLG Incident and the Construction Resurfacing Project as well as the broader context of a strategy to resolve all of the outstanding issues.

Q: What did KCP&L management decide and what were the benefits of this action?

A: **[redacted]

[redacted]** To accomplish this, we engaged in a few mediated settlement meetings with ALSTOM and made a few settlement offers for the JLG Incident and Construction Resurfacing Project claim before reaching a Settlement Agreement with ALSTOM on March 19, 2008 ("JLG Settlement Agreement"). **[redacted]

[redacted]**

Q: What is your response to Staff's position regarding the JLG Settlement Agreement?

A: Staff believes that KCP&L was unreasonable for executing the JLG Settlement Agreement. *See* Staff Report at pp. 46-47. As I explained above, this management action was a crucial step to gain ALSTOM's commitment to resolve the outstanding commercial issues in a single negotiation. Company witnesses Downey and Roberts explain the benefits of the ALSTOM Settlement Agreement and that the alternative to proactively settling these disputed issues could have derailed the project both from a construction and commercial perspective.

STAFF PROPOSED ADJUSTMENT FOR CAMPUS RELOCATION

Q: Describe the background of the Campus Relocation.

A: The "Campus Relocation" was the move of construction trailers in response to a request from Kiewit, the Balance of Plant Contractor, for additional laydown space close to the turbine building to streamline its assembly and installation of the steam turbine generator. Additionally, KCP&L discovered as contractors submitted their crane plans showing the location of the cranes they would use to complete their work, that the contractors were planning to put cranes and conduct material lifts very close to some of the construction management trailers.

Q: What factors did KCP&L consider when evaluating the proposed Campus Relocation?

A: The project team weighed the pros and cons of keeping the trailers where they were and requiring Kiewit to use an alternate space farther away as well as the pros and cons of relocating the trailers. The factors included: risk of claims from contractors, best practices in handling/storing equipment, safety of construction management personnel, safe crane operation, the anticipated costs of both courses of action, and the needs of the project based on already known and future anticipated laydown plans and crane plans of other contractors.

Q: What did KCP&L's project management decide?

A: Based on an analysis of the relevant circumstances, we decided that it was in the best interest of the construction project to relocate the trailer campus. In the spring of 2008, KCP&L relocated the existing construction management trailers on the Iatan site from their original position approximately 100 feet to the east (referred to as the "Campus Relocation").

Q: Staff asserts that the Campus Relocation is a result of a design error. (*See* Staff's Report at p. 44, ln. 27.) Do you agree?

A: No. Laydown space is a dedicated space for storage of material and equipment to be used during construction. The general arrangement drawings for the Project identify general laydown space available to the contractors. The owner and engineer plan a certain amount of laydown space as a part of the initial site arrangement, but the original laydown plan is only as accurate as the level of the design. Additionally, the amount of laydown space available for a project depends on the site, operations activities, transportation routes in and out of the plant, access issues based on the work of other contractors, and other logistical concerns. Laydown plans are dependent upon special

equipment storage requirements, unique material, and delivery dates which are not known until after they have been procured. Accordingly, the amount of laydown space necessary and when it is needed evolves with the knowledge of those requirements as the design and procurement progress. On a project like Iatan, it is not uncommon for the use of laydown space to change several times over the life of the project as the equipment and material is designed, procured, fabricated, delivered, sequenced, and installed. At Iatan, the original laydown plan was created at approximately ten percent (10%) complete. When Kiewit came to the Iatan Project almost a full year later, its team brought new and additional information regarding the laydown plan, the sequence of delivery and installation of the turbine generator components and other ideas based on its experience. This was a normal consequence of design maturation.

Q: Would it be appropriate to assert a backcharge against anyone for the Campus Relocation costs?

A: No. Staff's assertion that KCP&L should recover the costs of the Campus Relocation as a backcharge is not appropriate. *See* Staff Report at pp. 43-44. A backcharge is a bill for costs incurred by one party that, in accordance with the contract, should have been performed by the billed party. As I previously stated, any projects' needs for laydown space can evolve significantly as the design progresses, equipment is specified, and delivery and installation dates become firm. Kiewit's proposal for additional laydown space near the turbine building was a proposal based on value engineering and efficient installation and was not an indication of inadequate design of the laydown space. As a result, it is not appropriate to backcharge anyone for these costs.

Q: Staff rejects the possibility that the Campus Relocation provided project savings or other benefits because was KCP&L could not produce documentation proving cost savings or benefits. (*See* Staff's Report at pp. 43-44.) Is this appropriate?

A: No. Staff may be dissatisfied with the amount of documentation of the benefits and cost savings associated with the Campus Relocation, but it does not mean that the decision was without savings. Kiewit suggested this additional laydown plan as a value engineering (*i.e.* cost savings) suggestion based on its vast experience in the industry. Kiewit would have only prepared documentation of the costs it actually incurred. Because KCP&L accepted its proposal, Kiewit would not have generated a cost comparison of the costs that would have been incurred if KCP&L had rejected its proposal. As a result, KCP&L does not have any cost comparison documents.

Q: What is your opinion regarding the reasonableness of the Campus Relocation?

A: Based on my experience, the Campus Relocation was a sound business decision. KCP&L had the responsibility to coordinate many contractors on site. If KCP&L had rejected Kiewit's proposal, it would have made Kiewit's assembly and installation of the turbine more time consuming, risky, costly, and complicated, as well as increasing the risk of delays, damage, and other issues. It is reasonable to set the contractor's up for success and accommodate design maturation issues to facilitate the contractor's productivity.

STAFF PROPOSED ADJUSTMENT FOR LIQUIDATED DAMAGES

Q: Staff cites an audit report addressing Burns & McDonnell's performance to support its argument that Burns & McDonnell is responsible for "most if not all" of the delays resolved by the ALSTOM Unit 1 Settlement Agreement. (Staff's Report pp.

58-59) Do you agree that the audit reports Staff cites in its Report[redacted]**?**

A: No, I do not agree. As with virtually any project, engineering was on the critical path for the early years of the Iatan Project, and the Project documentation was focused on the risks that were apparent at that time. One of the key early Milestones on the Iatan Project was the turnover of boiler foundations. As a result, a lot of the Iatan Project's documentation and meeting minutes pointed out the risks right up to the time the foundation was turned over *on time* to ALSTOM. Timely completion of the design work to support early equipment procurements was the other significant risk to the scheduled completion date. Therefore, in my mind it was appropriate that the project documentation, audit reports, and quarterly reports would have contained significant discussion of potential risks, delays, and other concerns regarding the status of engineering.

Q: Was KCP&L owed liquidated damages by ALSTOM on Unit 1?

A: No. The facts do not support Staff's argument that KCP&L should have offset the amount of the Unit 1 Settlement Agreement with liquidated damages. *See* Staff Report pp. 55-56. As Company witness Kenneth Roberts testifies, KCP&L would have had to demonstrate damage by ALSTOM's failure to meet the Milestone, however, there were other events unrelated to ALSTOM's construction performance that delayed the start-up of Unit 1. The Iatan Unit 1 Project schedule included an outage to take Unit 1 off-line and tie-in the new AQCS equipment (the "Unit 1 Outage"). During that outage, the construction team discovered a latent defect in the economizer casing. This defect and the necessary repairs impacted the duration of the Unit 1 Outage by thirty-two (32) days.

See Churchman Rebuttal Testimony, Docket Number 0089, at p. 6; Davis Rebuttal Testimony, 0089 Docket, at pp. 7-8; 4Q 2008 Strategic Infrastructure Investment Status Report. The risks associated with the Unit 1 Outage were communicated to the Staff in the Quarterly Meetings and in Quarterly Reports which explain KCP&L's outage planning. *See* 4Q 2008 Strategic Infrastructure Investment Status Report.

Additionally, during the Unit 1 start-up after the Unit 1 Outage, a vibration event with the turbine caused an additional delay to start-up of the Unit. *See* Davis Rebuttal Testimony, 0089 Docket, at pp. 9-10. **[redacted]** The effect of the economizer incident and the turbine made it impossible for ALSTOM to achieve the remaining Milestone Dates. As a result, ALSTOM would be entitled to an adjustment of the Milestone Dates and KCP&L would not be able to impose liquidated damages from the original Guaranteed Unit 1 Provisional Acceptance Milestone Date. Contrary to Staff's assertion and putting aside the terms of the ALSTOM Unit 1 Settlement Agreement that Company witness Mr. Downey discusses at length, KCP&L did not have a credible claim to collect **[redacted]** in liquidated damages associated with ALSTOM's Unit 1 work.

STAFF PROPOSED ADJUSTMENT REGARDING AFUDC DUE TO TURBINE INCIDENT

Q: Staff proposes that the increase in AFUDC accrued during the delay to Unit 1 Start-Up resulting from the turbine incident should be removed from the rate case. (See Staff's Report at p. 93, lines. 21-30) What is your response to this proposal?

A: I disagree with Staff's proposed exclusion of these AFUDC costs. The basis for Staff's position is that the turbine work performed during the Unit 1 Outage was not an Iatan Project cost. Staff is wrong because this work was relevant to the Iatan Unit 1 Project. The turbine work was required to support the Unit 1 retrofit project and included installing a new rotor, repacking the low pressure section to increase the unit output and reworking the turbine spindle in order to support the performance of the new AQCS equipment. KCP&L discussed the turbine incident in its Quarterly Reports to Staff as a part of the discussion of the Iatan Project. *See* KCP&L Strategic Infrastructure Initiatives – Quarterly Status Updates, 1Q 2009 Report at pp. 6-7, 23-25. Regardless of the accounting of these costs, the turbine work was relevant to the Iatan Unit 1 Project.

STAFF'S PROPOSED ADJUSTMENT TO SCHIFF HARDIN'S FEES

Q: Are you aware of the proposed disallowance from Staff regarding Schiff Hardin's fees and rates?

A: Yes.

Q: Do you agree with Staff regarding its recommended disallowance of a large portion of Schiff Hardin's fees?

A: Not in the least. Schiff Hardin has been an asset to the Iatan Project and the Company should be applauded for obtaining expert assistance in a number of areas that KCP&L recognized it did not have in-house expertise. Our senior management recognized areas it needed to strengthen and brought in a team of industry-knowledgeable professionals and advisors to help us get the Project out of the gates, and they did help us do that. Company witnesses Curtis Blanc and William Downey further respond to these proposed disallowances.

Q: How much have you worked with Schiff Hardin's team on-site on the Iatan Project?

A: I have worked with Schiff on a daily basis since I joined the Iatan Project in May 2006. Virtually the first thing that I worked on after joining the Iatan Project was the negotiation of the ALSTOM contract, which was ongoing at that time, and Schiff Hardin's team played a major role in negotiating that contract.

Q: With who from Schiff Hardin have you worked?

A: When I first joined the Project, I quickly got to know Schiff Hardin's commercial team, in particular Virgil Montgomery and Carrie Okizaki, who were actively engaged in the ALSTOM negotiations. Soon thereafter, I met Ken Roberts and Eric Gould from Schiff Hardin and Jim Wilson, Dan Meyer and Tom Maiman, who are consultants that work with Schiff Hardin. Mssrs. Gould, Wilson and Meyer contributed their expertise in Project Controls to both the negotiations with ALSTOM and the ongoing development of the Iatan Project's cost estimate and schedule. Mr. Maiman brought his perspective from his years of experience in the industry to help with the schedule and some of the engineering challenges. Mr. Roberts provided, and continues to provide, advice to KCP&L's senior management regarding the events in the field, large commercial issues and project risks and is the overall manager/coordinator of Schiff Hardin's team.

Over time, some of the individuals from the Schiff Hardin team have changed. Once the ALSTOM contract was completed, Mr. Montgomery spent much less time with KCP&L and Ms. Okizaki took the lead on the commercial issues on site, including the negotiation and administration of the Iatan Project's contracts. Mr. Maiman chose to retire and other individuals were later added to the Schiff Hardin team, including Joe Byce, who has been integral in assisting our team during the Project's Cost Reforecasts,

and Ms. Amanda Schermer, who works with Ms. Okizaki on legal, commercial and procurement issues. Schiff Hardin also brought in other technical, legal and paralegal help as their workflow varied and the issues that the Iatan Project was facing at the time.

Schiff Hardin also recommended Packer Engineering to us the day of the Crane Incident. Packer's team was on-site by that evening, along with Schiff Hardin attorney Kevin Kolton, documenting the accident site and cataloguing the evidence. Packer continue to help us assess a number of other difficult structural issues upon request, including the Iatan Unit 1 economizer casing brittle failure, reviewing of crane lift plans, analysis of the failed steam blow piping, and perhaps most notably assisting KCP&L with the investigation of the T-23 material in the Iatan Unit 2 boiler. These were all significant risks that required individuals with very specialized knowledge and experience. Because of Schiff Hardin's prior work with Packer and its team's knowledge of the industry, Schiff Hardin could attract such an eminent team as Packer's at a moment's notice.

Q: Of the individuals you just named from Schiff Hardin, who are the lawyers and who are the non-lawyer professionals?

A: Mr. Roberts, Mr. Kolton, Mr. Montgomery, Ms. Okizaki and Ms. Schermer are all lawyers; Mssrs. Gould, Wilson, Meyer, Maiman and Byce are non-lawyers.

Q: Can you describe how the Schiff Hardin team's work on site is divided?

A: Ms. Okizaki and Ms. Schermer are engaged day-to-day with our procurement and in-house legal team in assisting with legal and commercial issues that come up with our contractors. They also participate in reporting to our senior management team on those issues in various forums that have been used for communication, including the weekly

meeting I described earlier with senior management. Ms. Okizaki and Ms. Schermer are responsible for contract negotiations, contract interpretation questions, review of commercial correspondence from a legal perspective and insuring that commercial processes and procedures are being followed. Ms. Okizaki has a tremendous appreciation for the balancing act that owners have to do with contractors to enforce the contracts while maintaining positive working relationships with the contractors' project teams. Ms. Okizaki and Ms. Schermer have been tremendous assets to the Project.

Mr. Wilson is a project scheduler with decades of experience. Mr. Wilson's first project out of college was the original construction of Iatan Unit 1 in the 1970's. Mr. Wilson has helped our project controls team on a day-to-day basis. Mr. Wilson also produces his own analysis of the schedule and metrics that he presents to our project management team and our senior management team. Mr. Wilson has provided his expertise in scheduling and construction management and was instrumental in developing the project's Level 1 and Level 3 schedules and the Project's strategic plan, and later the plan to mitigate the impacts from the crane accident, among other key events on site.

Mr. Meyer and Mr. Byce focus on the Iatan Project's cost and budget. Mr. Meyer is able to apply his experience as a dispute review board ("DRB") panelist and his long history in the industry to provide us with a basis for how we compare with the rest of the industry. Mr. Meyer and Mr. Byce have been instrumental in assisting our team in the cost reforecasts and vetting of the information regarding cost issues.

Mr. Gould coordinates the work of the Schiff Hardin project controls team and the other technical experts on site, and works on both schedule and budget issues, as well as with Ms. Okizaki on reviewing contractor claims and progress related to defending

KCP&L in commercial claims. Mr. Gould has also helped in the creation of the original strategic schedule, Control Budget Estimate and risk matrix. He helped the project team develop the multiple risk analyses that the project team has created, provides support in developing the Quarterly Reports and has been key link between the technical and commercial sides of the Iatan Project.

Schiff Hardin's team works well together and I believe they each benefit from the other's experience.

Q: Have you ever seen Ms. Okizaki or Ms. Schermer engage in the Project Controls work that Schiff Hardin performs on the Iatan Project?

A: No. Ms. Okizaki and Ms. Schermer use the project controls team from Schiff as a resource and vice-versa. While Schiff Hardin's team works very closely together, there is a clear division of the work, though I do believe that Ms. Okizaki and Ms. Schermer have very advanced knowledge of project controls and construction issues that they are able to utilize in the commercial and legal realms.

Q: Staff estimates that Schiff Hardin has spent approximately 80% of its time on project controls and 20% on legal procurement. *See* Staff's Report at p. 82. Do you agree with that assessment?

A: No, and I don't understand why Staff has a need to estimate something that could be easily verified on invoices, assuming you are looking at them.

Q: Do you know why KCP&L's Internal Audit has not audited Schiff Hardin?

A: My understanding is that Internal Audit decided its resources were better utilized evaluating risks to the construction itself, construction cost control issues, and management efficacy in adherence to project and corporate procedures rather than focus

on our oversight team. Considering that Schiff Hardin's total billings for the Iatan Project are less than 1% of the total cost, that seems like a very good decision.

Q: Has Schiff Hardin been useful to the project team during the Project?

A: Absolutely, yes. Their team has significant and very specific experience on large utility projects and has lent that experience to our team in many ways. Mr. Roberts has been very effective in working with our Senior Management to help them understand the risks of this very complex project. The team that Schiff has deployed in the field has provided us with everything from our day-to-day commercial issues and schedule tracking to helping in a crisis, as they did after the Crane Incident, to helping us model risks from start-up and T-23 material.

STAFF PROPOSED ADJUSTMENT OF CUSHMAN COSTS

Q: Do you agree with Staff's adjustment of the Project Costs by decreasing the rate Cushman charged for consulting work on the Project?

A: No. Cushman was hired to develop processes and procedures for the Iatan Project including the Project Execution Plan ("PEP"). Mr. Cushman is highly respected in the industry and had a proven track record with KCP&L from Hawthorn. The basis for Staff's adjustment is a comparison of Cushman to the staff augmentation services provided by LogOn. This is inappropriate. KCP&L evaluated the costs for Cushman's specialized services and determined that the costs were reasonable.

STAFF PROPOSED ADJUSTMENT FOR WSI COSTS

Q: Please explain Welding Services, Inc.'s involvement in the Iatan Project as a subcontractor to ALSTOM.

A: The boiler construction requires a significant amount of pressure part welding. **[redacted]** ALSTOM's plan for pressure part installation was dependent upon timely arrival of pressure part assemblies from its overseas fabricators in the Czech Republic and Indonesia, as well as domestic suppliers of critical pipe. The project team has reported in its Quarterly Reports that ALSTOM had received pressure parts **[redacted]** KCPL Strategic Infrastructure Intiatives – Quarterly Status Update: 2Q 2008 Report at p. 10; 3Q 2008 Report at pp. 8, 11, 31, 35; 4Q 2008 Report at p. 31. When ALSTOM's structural steel erection of the boiler was completed in May 2008, ALSTOM was approximately **[redacted]** behind schedule on the Unit 2 boiler. When the work shifted to pressure parts, ALSTOM immediately fell farther behind. **[redacted]**

Based on this information, KCP&L engaged in discussions with ALSTOM regarding a schedule recovery plan as a part of its ongoing active management and weekly meetings to discuss opportunities for improvement of the schedule. KCP&L was familiar with the high quality of Welding Services Inc. ("WSI") based on previous work. Accordingly, WSI's involvement in the Iatan Unit 2 Project as a subcontractor to ALSTOM arose as a part of its recovery plan to overcome delays in installing the boiler pressure parts.

Q: What did KCP&L take into consideration when it negotiated with ALSTOM regarding hiring WSI?

A: ** [redacted] ** the fact that ALSTOM has to pursue a Recovery Plan has impact not only its work but also on Kiewit and the timely completion of the other Balance of Plant work. Accordingly, KCP&L evaluated the potential options to align Kiewit and ALSTOM's progress to the same schedule. Additionally, KCP&L was interested in obtaining high quality welds on the boiler performed as quickly and accurately as possible.

Q: Was WSI's welding performance significantly better than ALSTOM's?

A: Yes. WSI is a specialty contractor that focuses on specialty repair and overhaul construction projects. WSI utilizes highly trained craft who are fast, efficient, and reliable. ** [redacted] ** *See* Schedule BCD2010-11. ** [redacted] **

Q: What is your response to Staff's proposed disallowance of these costs?

A: I believe these costs were reasonable given the circumstances. I believe that had ALSTOM not employed WSI that the Iatan Unit 2 Project could have been significantly delayed and the overall costs of the Project would have far exceeded the premium cost for WSI.

STAFF PROPOSED ADJUSTMENT OF THE AUXILIARY BOILER

Q: What is your understanding of Staff's disallowance for the permanent auxiliary boilers as discussed on pages 98-99 of Staff's Report?

A: Staff proposes to transfer $633,493 from the Iatan 1 AQCS costs to the Iatan Common Plant costs related to the addition of three permanent auxiliary electric boilers. Staff asserts that these boilers will serve both Units 1 and 2 and therefore should be charged to the Iatan Common Plant. Staff states that the total cost of the permanent auxiliary boilers is $7,577,732 but are outside the scope of its Report.

Q: What is your understanding of Staff's disallowance for the temporary auxiliary boiler discussed on pages 101-02 of Staff's Report?

A: Staff proposes a disallowance of $7.75 million related to the use of a temporary auxiliary boiler during the start-up of Iatan Unit 2. Staff relies on testimony of Mr. Nielsen filed in Kansas Docket Number 10-KCPE-415-RTS that the costs were imprudently incurred and proposes to true-up this cost in its January 2011 true-up report.

Q: Do you agree with Staff's assessment?

A: No. There is no basis for shifting a portion of the permanent auxiliary boiler costs from Unit 1 to Common. Additionally, Staff's proposed disallowance associated with the temporary auxiliary boiler was based on an estimate to complete as of the April 2010 cost reforecast. These costs were evaluated during the most recent cost reforecast and the current estimate to complete is $5.3 million and the actual amount paid through June 2010 was $4.8 million.

Q: To provide the Commission with some context, please explain what an auxiliary boiler does and why was it needed to support the Iatan Project.

A: An auxiliary boiler is a piece of equipment that produces steam when the main boiler is not producing enough for the unit's needs. The steam necessary to support the unit during the start-up process is more than normal operating needs. There are numerous pieces of equipment throughout the plant that use auxiliary steam including the air heater coils and air heater sootblowers on the boiler and steam seals and turbine pre-warming systems on the turbine. Therefore, it was always contemplated that a supplemental source of auxiliary steam would be needed during the start-up process. During the second quarter of 2009, KCP&L reviewed equipment information and the requirements of both quality and quantity of steam that would be required during the start-up of Iatan Unit 2. Based on the supercritical components of Iatan Unit 2 and **[redacted]** the field engineering staff expressed concern about the Iatan Unit 1 auxiliary boiler's ability to supply a sufficient volume and quality of steam to support Iatan Unit 2.

After evaluation of the available options, KCP&L decided to construct three permanent electrode auxiliary boilers. There was insufficient time to design, fabricate and install these permanent auxiliary boilers in time to support the scheduled start-up of Iatan Unit 2. As a result, in parallel to the design and procurement of the permanent auxiliary boilers, KCP&L rented and installed temporary auxiliary boilers to meet the Unit's start-up needs. The permanent auxiliary boilers include one 60 kpph electrode boiler and two 30 kpph electrode boilers. KCP&L also installed a separator between the Unit 1 and Unit 2 piping to ensure that the steam coming from Iatan Unit 1 meets the quality requirements for Unit 2. The contracts for the temporary auxiliary boilers and the deaerator were awarded to Nationwide Boiler, Inc. on October 6, 2009 and a notice to

proceed was issued for the permanent auxiliary boiler on June 30, 2010. The installation of the permanent auxiliary boiler and related equipment is schedule to begin during the fourth quarter of 2010.

Q: Was there any benefit to using a temporary auxiliary boiler for the start-up process and waiting to install the permanent auxiliary boiler?

A: Yes. The auxiliary steam requirements can be highly variable due to start-up conditions and the ambient temperatures experienced during a given start-up. Having the experience of the initial start-up using the temporary auxiliary boilers allowed us to better identify the overall auxiliary steam needs for the Plant and properly size the permanent auxiliary boiler system. Using the temporary auxiliary boilers during the startup process allowed us to gain this experience and knowledge. Postponing the permanent auxiliary boiler installation also allowed us to minimize congestion and access issues to other contractors. By waiting, we were able to utilize an optimal location for the permanent auxiliary boilers that would have been unavailable earlier in the Project.

R&O ITEMS 139 AND 330

Q: Staff's Report recommends disallowance of two R&O items, R&O #139 and R&O #330. Do you agree that these items should be disallowed from the Iatan Project's costs?

A: No, I do not.

Q: Can you explain why KCP&L incurred the costs discussed in these R&O's?

A: Yes. R&O #330 in the amount of $82,180 was the cost associated with accelerating the vendor's supply of steel for the Ash Piping rack by 3-6 weeks. This steel was needed but the design documents were prepared after the main mill run was issued, so there were

charges to insure that the steel arrived in time for installation. Kiewit's erection sequence changed the original sequence for these mill orders. This steel needed to be expedited to take advantage of the efficiency that Kiewit needed, and to reduce coordination problems on site. I believe that this nominal cost was a benefit to the Project.

R&O #139 was for Kissick to add pilings to what we called the North Tank Farm. There are a series of tanks and other structures on the north side of Iatan Unit 1 that were installed for the Iatan Project for the water treatment, wastewater and chemical systems that serve both units. The original design concept for these tanks was to allow the foundations to settle through weight and gravity, and not put structural piling below them. The settling process would take approximately 6 months. In April 2007, Kiewit's proposal for the Balance of Plant work included a number of ways to spread out the work on site over time so that the potential impacts of labor availability and poor productivity did not affect the schedule. Kiewit's plan was based on reducing the peak manpower as much as was practical. Kiewit and our team reviewed the work on site and resequenced the tank farm so that the work would be completed in 2008. This meant that the six months of settling time no longer worked with the schedule, so we asked Burns & McDonnell to design and Kissick to install piling for the tanks. It was the best option at the time we had to smooth out some of the work on site, and it was fortunate that we did the tank farm work earlier than planned.

Q: How was accelerating work, especially when it costs more money, the best option for the Iatan Project?

A: Accelerating portions of work on a construction project is something that you consider all the time, especially when doing so improves the overall site coordination or makes the

workers more efficient. If the cost of accelerating a portion of the work is less than not doing it, it would be the most cost-effective solution. If the tank farm work had not been advanced in the schedule and the productivity of all of Kiewit's workers was affected, it would not have taken long for Kiewit's costs to increase well above what we paid in cost for these added piles.

RESPONSE TO WALTER DRABINSKI

Q: Mr. Drabinski testifies that, "During the 2006 to 2007 period, ... KCP&L management was not ready or able to begin this project with the resources, assets and systems needed to ensure success. These problems were highlighted by significant turnover of Project Management, poor morale and disputes between various factions, delays in implementing needed management systems, an underestimate of the number of Construction Management personnel needed," (Drabinski Direct Testimony at p. 37, lines 13-19) among other alleged reasons. Do you agree with Mr. Drabinski's testimony?

A: No. I disagree with Mr. Drabinski's testimony. I do not believe that Mr. Drabinski's conclusions are based on a full understanding of the facts. In general, I believe that Mr. Drabinski has supported his opinions with very little actual information from the Project's records and essentially ignored or disregarded the testimony that has been filed in this case.

Q: With respect to the Project Execution Plan ("PEP"), Mr. Drabinski relies on an audit report dated February 4, 2008 to support his testimony that **[redacted] (Drabinski Direct Testimony at p. 88) Is that your recollection?**

A: No. As noted above, and as reflected in the audit report, the PEP was adopted by the Project in June 2007. Mr. Drabinski's testimony leads you to believe that the PEP was adopted sometime in 2008, however he attaches the PEP to his Direct Testimony as Exhibit WPD-25, so he should have recognized that his statement was incorrect and that the PEP had been already adopted at the time the report was issued.

Q: Was there any impact to the Project from not having the PEP in place until June 2007?

A: No. With respect to our staffing of the Project, as noted, KCP&L had already hired or placed experienced industry professionals to fill key project positions over a year prior to the execution of the PEP. The PEP merely documented the staffing plan. The same could be said of the processes and procedures that were being utilized for that period until the PEP was completed.

Q: Mr. Drabinski asserts, "Had a sufficient number of qualified construction management staff been available from the onset, risk of mismanagement would have been significantly reduced, as evidenced by the overall improvement following the substantial management changes in 2008-2009." (Drabinski Direct Testimony at p. 64). Do you agree with Mr. Drabinski?

A: No, I do not agree with Mr. Drabinski. Based on my reading of Mr. Drabinski's testimony, he wants to have it both ways. He wants to say that KCP&L's project management team was deficient, yet he recommends that the Commission disallow costs we incurred when we increased the size of the team. Mr. Drabinski does not give KCP&L credit for finding and mitigating this potential issue before there was any impact to the Project. As I have explained above, KCP&L's staffing and management work

ramped-up with the level of on-site activity. When Mr. Price came on board, we recognized that we needed to increase our staffing and management capabilities. That does not mean that KCP&L's staffing levels in 2006 and 2007 contributed or created any risk of mismanagement of the Project.

Q: Are you familiar with the Strategic Talent Solutions report ("STS Report") cited as Schedule WPD-10 in Mr. Drabinski's direct testimony?

A: I did not see the STS Report at the time it was issued but have since reviewed this report. Around the time that this document was provided to our Senior Management, I had discussions with Mr. Easley and Ms. Lora Cheatum regarding some of the conclusions and recommendations STS made. They explained to me the purpose of KCP&L's engagement of STS.

Q: What is your understanding of STS' role?

A: **[redacted]**

Q: Now that you have read the report, what is your opinion regarding the criticism of the functioning of the project team in the STS Report?

A: Having personally experienced the events upon which the report is based, I believe that some of the disagreements and debates referenced in the STS Report were healthy and increased the quality of the analysis that went into the project team decision making.

Having STS on-site provided our team with a sounding board for some the issues that were bubbling at the time. We had a number of individuals who had never met before, each one of them with some experience from prior projects or positions, some who were industry professionals in construction and others who were KCP&L employees who were assigned from downtown desk jobs to a construction site. Construction projects like Iatan Unit 2 bring with them a unique culture and level of intensity that to others can appear coarse and rude. It is unrealistic to expect that we could be thrust into limited quarters with the expectation that we would immediately get along. It was inevitable that there would be some resistance, and STS helped us through the interviews they conducted and ultimately through their recommendations to come together and work more effectively.

Q: **[redacted]**

A: For a time, yes. We experienced some initial growing pains, and as the Project Director, it was my responsibility to insure that those did not get in the way of our effective management of the Project. Looking back on that time in 2006, the exchanges we had were necessary and healthy, and made the Project more successful. From the start, the EOC has emphasized the need for the free flow of information and encouraged the members of the project team to vocalize their honest opinion and interpretation of the data, options, or issues. The EOC has also insisted on oversight from Schiff and Internal

Audit. It took some time for everyone on the team to recognize the value that process itself brought to the Project, and that everyone wanted the same thing – for the Project to be a success. Once STS reported out their findings, we recognized how to make that same dialogue more friendly, which long term was a good thing. However, we never stopped debating the issues in a full and frank manner.

Q: In your view, why was it important for KCP&L's Senior Management to hear from multiple different voices?

A: The majority of issues that arise on a complex construction project like Iatan do not have a clear right and wrong option. Instead, there are pros and cons for each of the potential courses of action that the project leadership could take. The process has always depended upon the members of the team honestly discussing the possible courses of action by considering all points of view and elevating key decisions to the EOC as necessary. Moreover, building a new power plant is a very complex and costly endeavor and decisions often have to be made quickly. Our management recognized this and made a commitment to have external oversight on site to help us pull together critical information for making decisions.

Q: **[redacted]**

A: The processes we needed to implement for a large, multi-year construction project were different than those we have been using for our outage work. **[redacted]**

[redacted] ** Most importantly, I do not believe that any of these changes caused the Project's costs to increase – just the opposite is true. The new procurement processes implemented have been enormously successful in reducing the Project's risks and costs.

Q: What were some of the things the project team did to improve morale and cohesiveness in early 2007?

A: As the STS Report suggests, we conducted off-site team building activities. The project management also held partnering sessions with representatives of ALSTOM, Kiewit, Kissick, and Burns & McDonnell to improve communication and project management. During a partnering session in November 2007, the project charter was developed and agreed to by all parties. (Schedule BCD2010-16)

Q: Do you believe that the input STS provided to management was timely?

A: Absolutely, yes. I think having STS perform this evaluation at a time when we had relatively little on-site work and a relatively small project team was prudent and allowed us to make changes before significant ramp-up of Project activity.

Q: Do you agree with Mr. Drabinski's assertion that the turnover in the project manager position caused problems on the Iatan Project?

A: No, I do not agree with Mr. Drabinski. As an initial point, Mr. Drabinski uses a chart on page 60 of his testimony that has several inaccuracies. As an example, John Grimwade's involvement on the Project was as a Senior Director, not as a Project Manager, and Mr. Grimwade's primary focus was early development of the Project through the 2004 to early 2006 period. He also depicts Mr. Price's start date as February 2006 and his end

date as April 2008. Mr. Price started on May 1, 2007 and departed on February 1, 2008 to return to his previous employer. Mr. Drabinski also incorrectly assigns titles to various individuals. Mr. Bell and I are Project Directors.

Q: Nonetheless, you have had turnover on the Project, correct?

A: Yes, we have. Company witness William Downey testifies that there has been no negative impact from this turn-over, and I agree with that testimony.

Q: Were KCP&L's project management staffing levels a driving factor in KCP&L's decision to hire Kiewit?

A: No. The primary reason KCP&L decided to use Kiewit was that Kiewit provided a better alternative than the one we were pursuing. In my Direct Testimony, I discuss both my concerns and the concerns of others on the project team regarding the potential problems we could have attracting smaller specialty contractors to work on the remaining BOP work. (*See* Davis Direct Testimony at pp. 29-30.) Had it not been for the sudden availability of Kiewit, we may have had to continue mitigating the potential problems associated with that strategy. In my Direct Testimony, I discussed how Kiewit approached me on December 21, 2006 to see if there was a chance to perform as the BOP contractor. (Davis Direct Testimony at p. 31.) Company witnesses Mr. Downey and Mr. Jones each testify as to the tightness in the market for large general contracting firms. It is true that we identified the potential risk of managing the multiple contractors who would have performed in place of Kiewit, though because of Kiewit's presence, this risk never materialized. I note that Mr. Drabinski testifies that the change in our approach for the BOP "**[redacted]**" (Drabinski Direct Testimony at p. 155.)

Additionally, as I already indicated, ** [redacted] ** (See Schedule BCD2010-14 at p. 6.)

Q: ** [redacted] **

A: No. I disagree with Mr. Drabinski's characterization of these findings. First, Mr. Drabinski's statement that as of February 2008, KCP&L lacked a formal Project Execution Plan is inaccurate. As noted, the Project Execution Plan was finalized and effective in June 2007, and key processes adopted within the PEP were in place for a full year. ** [redacted] **" (See Schedule BCD2010-14, Project Organization Audit, January 2008, at p. 2.)

Q: Mr. Drabinski testifies on page 66 that, " [redacted] **" Do you agree with that testimony?**

A: No, I do not. I believe that we had all the tools necessary to effectively manage the work in 2006 and 2007. As I described earlier in my testimony, most importantly, we had: (1)

a functioning Project schedule as early as possible that was capable of tracking the work and providing the project team and our management team with meaningful project metrics; (2) a series of key processes for procurement and cost control; and (3) an approved Control Budget for measuring the Project's cost performance. At the same time, we began instituting other management tools that were very advantageous for management, particularly when the pace of the work increased in the later portion of 2007.

Q: Mr. Drabinski testifies that neither ALSTOM nor Kiewit willingly provided CPI and SPI information to the Project management team for tracking, that "Both companies were reluctant to provide this information." Mr. Drabinski further testifies that, "**[redacted]**" (Drabinski Direct Testimony at p. 117.) Do you agree with this testimony?**

A: No. Neither allegation is true. Both ALSTOM and Kiewit agreed to provide earned value data in their respective contracts. **[redacted]

[redacted]** This would have been the point at which we received enough data from Kiewit to begin tracking its schedule.

Q: You testified earlier that you met Mr. Drabinski on multiple occasions, correct?

A: Yes.

Q: In those meetings, did you and the KCP&L team provide him with access to documentation?

A: Yes. On each visit to the site, Mr. Drabinski and his associates asked to see portions of the Project's documentation. We even set up a trailer on site for his and Staff's review of documents and meetings so that they could have privacy. At the end of each day, if we had not already had such a discussion, we would ask Mr. Drabinski whether he had any questions and attempt to answer them.

Q: Do you recall the types of documents Mr. Drabinski and his associates reviewed while on site?

A: In general, they reviewed contracts of the major vendors, change orders, back-up documentation to the Project's cost reforecasts, our cost portfolio and schedule information. They had access to all documents that we maintained except for those protected by attorney-client privilege. There were some documents that KCP&L required Mr. Drabinski review only on our premises, which he did without complaint.

Q: In any of the meetings you had with Mr. Drabinski and his team, did he state that KCP&L was unable to provide him with documentation he was looking for?

A: No. Mr. Drabinski did mention that he was searching for analysis that he was hoping our team or Schiff had done on select portions of the work, though when we told him that there were no such documents, he seemed to accept that.

Q: Do you recall if Mr. Drabinski requested to see time cards of members of the KCP&L project team?

A: I do not recall if he requested them, but had he done so, we certainly would have provided them.

Q: You stated earlier that Drabinski's testimony that "[redacted]**" was incorrect because KCP&L had implemented cost controls that were effective by that time. (Drabinski Direct Testimony at p. 66). Could you elaborate on that point?**

A: Yes. Company witness Mr. Jones testified regarding the Cost Control System that was prepared and issued in July 2006:

Q. What is the Cost Control System that is applicable to CEP projects?

A. The CEP Cost Control System is a guidance document that outlines the governance considerations, management procedures and cost control protocols that govern the CEP projects ("Cost Control System"). A copy is attached as Schedule SJ2010-1. The Cost Control System was developed in the second quarter of 2006 with the intention of providing guidelines for the CEP projects.

Q. Do you believe the guidance provided by the Cost Control System assisted KCP&L in the management of the Iatan Unit 2 Project?

A. Yes. The processes and procedures that were prepared on the basis of the guidelines discussed in the Cost Control System are commensurate with best practices that I have seen in my career. Based upon my experience, the Cost Control System provided a starting framework for the project management tools appropriate for KCP&L's project team and corporate leadership to manage a project of this size.

(Jones Direct Testimony, p. 3, line 12, to p. 4, line 2.)

Mr. Jones further testified that the, "The Cost Control System provides guidance with respect to the management of the Iatan Unit 2 project by establishing processes for developing and tracking schedule, project cost, earned value performance and cash flow. This information provides a basis for KCP&L to predict future cost and schedule issues, among other key trends necessary to manage a large utility construction project." (Jones Direct Testimony, p. 4, lines 12-16.) I agree with Mr. Jones' testimony. The Cost Control System provided KCP&L with the framework for the major procedures that were being put into place immediately after its issuance.

Q: Can you provide an example of a procedure that was put into place in 2006 that was based on the Cost Control System?

A: Yes. One of the most critical processes was the Change Management process, which helped us control costs and properly vet change orders that were submitted by the contractors. Company witness Mr. Jones testifies to this process on pages 4 to 7 of his Direct Testimony.

Q: **[redacted]

[redacted]

[redacted]**

A: No, a computerized change management system is not required to effectively manage change orders. KCP&L did implement an electronic program to manage several business processes; however, prior to the implementation of the SKIRE program at Iatan, the project management team easily processed change orders manually. The documentation was processed manually and the project leadership team discussed any significant change orders as a part of the weekly project leadership meeting.

Q: How much time during each meeting was devoted to discussing the pending change orders?

A: Approximately 10 to 20 minutes, depending on the complexity of the issue involved in the contractor's change request. This was not a significant agenda item because there was not a high volume of change orders to process in the early Project. For example, in Drabinski's chart in Schedule WPD-36, **[redacted]

[redacted]**

Q: Was Skire implemented timely?

A: Yes. Prior to its implementation, as I just stated, the volume of change orders was easily manageable.

Q: Mr. Drabinski alleges on p. 66 of his testimony that, "[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]**" **Do you agree with this testimony?**

A: It is true that like all new computer processes, there were some early issues with Skire, though those problems were corrected before the 2009 update, and Skire has been a useful tool for the Project and enhanced an already effective Change Management procedure.

Q: Do you know of any additional costs that the Project incurred because of Skire?

A: No. I also note that Mr. Drabinski, despite these allegations, made no finding of added costs to the Project associated with Skire.

Q: Mr. Drabinski also testifies that, "It appears that B&McD was unprepared to begin this project, with inadequate personnel, oversight, and engineering control systems in place." (Drabinski Direct Testimony at p. 89.) Do you agree with that testimony?

A: No, I do not. There were three primary services that Burns & McDonnell was tasked with providing early in the Project: (1) per Company witness Chris Giles, Burns & McDonnell was asked to work with Schiff to develop the strategic schedule; (2) work with KCP&L's Procurement Team led by Company witness Mr. Jones in procurement of the Project's major equipment; (3) design of the underground electrical and piping, and duct bank and foundations; and (4) development of the Project's cost estimate. Burns & McDonnell provided its expertise and sufficient manpower to perform all of these services.

With respect to the strategic schedule, as I previously testified, the work between Burns & McDonnell and Schiff resulted in the creation of a Level 1 Schedule that we refer to today. When I came on the Project, this strategic schedule was one of the first

tools that I used to understand the key sequences of the work necessary for the Project. The strategic schedule also assisted in the ongoing negotiations with ALSTOM.

Burns & McDonnell's support of the procurement effort was a key part of an enormous success on this Project. Burns & McDonnell was able to begin its work on the Project immediately and provided key assistance in evaluating the technical aspects of the ALSTOM contract. Burns & McDonnell assisted in developing approximately 140 technical specifications for contracts and performed technical evaluations for each. The proof of Burns & McDonnell's success is by the end of 2006, as Company witness Mr. Downey testifies, KCP&L had, with Burns & McDonnell's assistance, contracted for just under $1 billion of fixed-price contracts. Moreover, even with the significant constraints on the market for fabricated engineered equipment, the vast majority of the parts and materials we bought for the Project arrived on time, and there have been few significant change orders on these procurements

Regarding the foundations and substructures, as noted earlier, Burns & McDonnell was able to complete its design of the major Iatan Unit 2 structures on time to allow for completion of the foundations in support of our major contractors. Burns & McDonnell also planned and designed a network of underground duct banks that are used for the plant's large electrical cable and piping. Completing this design in the second quarter of 2006 allowed KCP&L to award this work early and have it largely completed before the major contractors' mobilization. These underground structures not only assisted in the constructability of the plant, thus reducing cost, but also will help with the long-term viability of the plant once it is in commercial operation.

Regarding the preparation of the estimate, Company witness Dan Meyer testifies that the quality of the information that Burns & McDonnell provided for preparation of the initial estimates and the CBE was consistent with industry best practices. (Meyer Direct Testimony at p. 15.) Burns & McDonnell not only provided its expertise in estimating but also played a significant role in helping our team model the Project's primary risks. As an example, Burns & McDonnell had the foresight to engage Schumacher Consulting to perform the labor study in February 2006 that assisted us in the management of labor issues throughout the Project.

**Q: Do you agree with Mr. Drabinski's Direct Testimony on pages 88 to 99 that ** [redacted] **

A: As an initial point, Mr. Drabinski's summaries of Schiff's reports (Drabinski Direct Testimony, Exhibit WPD-20), the regular weekly project reports (Drabinski Direct Testimony, Exhibit WPD-19), and the summary of audit reports (Drabinski Exhibit WPD-21) utilize snippets of information that, without context, could be misconstrued. On that basis alone, I would have to say no, I do not agree.

Q: Putting aside what Mr. Drabinski states in these exhibits, how would you characterize the ** [redacted] ** performance in 2006 and early 2007?

A: As I stated before, engineering was on the critical path for the early years of the Project, ** [redacted]

[redacted]

[redacted]

[redacted]** Therefore, in my mind it was appropriate that the project documentation and quarterly reports would have contained significant discussion of potential risks, delays, and other concerns regarding the status of engineering.

Q: Mr. Drabinski notes that there were a number of references ** [redacted] ** in the weekly meeting minutes. Do you agree with that testimony?

A: No. I disagree with Mr. Drabinski's statistics ** [redacted]

[redacted]** His testimony contains no evidence that he took these steps and I don't believe he would have found any.

Q: Have you read Mr. Drabinski's summary of the audit reports which he attaches to his testimony as Exhibit WPD-21?

A: Yes, I have.

Q: In general, what is your assessment of Mr. Drabinski's conclusions in Exhibit WPD-21?

A: **[redacted]**

Q: Mr. Drabinski states on page 119 of his Direct Testimony that "it is interesting to note areas that were <u>not</u> audited because they are relevant to the problems experienced on this project." Do you agree?

A: No. **[redacted]**

[redacted]

[redacted]**

Q: **[redacted]

[redacted]**

A: **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]**

Q: **[redacted]

[redacted]

[redacted]**

A: Frankly, I am not sure what Mr. Drabinski means by the word "negligent." **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]**

Q: **[redacted]

[redacted]

[redacted]

[redacted]**

A: **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]** In my experience, all contractors and service providers are contractually obligated to perform its work or services in accordance with all applicable industry standards. They have the contractual right to select their means and methods without owner interference. The owner does not follow them around checking everything that they do. That would be cost prohibitive. **[redacted]

[redacted]

[redacted]** In selecting Burns & McDonnell, KCP&L evaluated top engineering firms in the country to perform the owner's engineering services for the Iatan project. In order to be considered for the job, the firms had to meet the prequalification procedure and submit the resumes of its project team and past experience for KCP&L's review. Burns & McDonnell engineering firm is qualified to perform the design work for the Iatan project. **[redacted]

[redacted]

[redacted]**

Q: **[redacted]**

[redacted]

[redacted]**

A: **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]**

Q: **[redacted]**

[redacted]

A: **[redacted]**

[redacted]

Q: **[redacted]**

[redacted]

A: **[redacted]**

HIGHLY CONFIDENTIAL

[redacted]**

Q: **[redacted]**

A: **[redacted]

[redacted]**

Q: **[redacted]

[redacted]**

A: **[redacted]

[redacted]

[redacted]**

Q: Please discuss improvements in the Request for Information, or "RFI" process?

A: The RFI process, which is the process by which contractors request information from the engineer, has evolved as the Project progressed, which in my experience is always the case. In August 2007, KCP&L requested that Burns & McDonnell provide an experienced civil/structural engineer to work from the Iatan site to expeditiously process and disposition foundation-related RFIs until the completion of the foundation installations.

Q: Did the timeliness of RFI responses and tracking the disposition of RFIs improve?

A: Yes.

Q: Was there an increase to the Project's costs due to the RFI process?

A: No. The RFI process includes the ability to identify any back charges, if applicable. Engineering personnel work closely with the contract administration team to investigate and track any costs that should be recovered as a result of additional work identified in an RFI.

Q: What is your response to Mr. Drabinski's concern regarding **[redacted] staff augmentation services for the project?**

A: KCP&L exercised appropriate oversight for the **[redacted]** who performed staff augmentation services. The individuals **[redacted]** supplied have been among the most valuable KCP&L representatives on this Project. They did not make commercial decisions regarding invoicing or change management for KCP&L. They merely made recommendations that were always reviewed by KCP&L employees, who ultimately made the decision.

Q: Are you familiar with the summary Mr. Drabinski attaches to his testimony Schedule WPD-18 which purports to be Mr. Drabinski's summary of the project team's Monthly Reports?

A: Yes.

Q: What is your opinion of the summary of the Monthly Reports?

A: Documents like meeting minutes or monthly reports show day-to-day issues that, when taken out of context, can sound much worse than they actually are. Mr. Drabinski

repeatedly concludes that a snippet of information can be used to show a major issue, and more often than not, that is not the case.

Q: Do you agree with Mr. Drabinski's conclusion that the Iatan 2 Monthly Status Reports **[redacted]**

A: No. **[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]

- [redacted]

- [redacted]**

These statements are not explained in this testimony or Schedule WPD-18. His notes do not identify page numbers to the Monthly Status Reports that he is commenting on. Even if I wanted to respond to each point that Mr. Drabinski raises, I would be unable to do so based on the insufficient information he provides to locate the source information upon which he is claiming forms the basis of his opinion.

WEATHER

Q: Mr. Drabinski concludes that the weather in late 2009 and January 2010 did not support weather delays to the Iatan construction project. How did the weather impact the work in the field during this time?

A: The weather forced the contractors to perform additional construction activities including heat tracing and insulation due to the cold weather. Mr. Drabinski fails to acknowledge that there are two types of extreme weather that impact construction. First, the weather itself can prevent the contractor from performing work on the project. In this instance, the contractor would submit a change order request requesting an extension to the schedule and/or additional costs due to the delay to its work. Mr. Drabinski's conclusion is based solely on this impact and his review of change orders associated with force majeure weather events. But Mr. Drabinski ignores that the weather can impede the

construction progress by preventing the necessary conditions for a contractor to complete certain work. This is the impact that the cold weather had on the project. The contractors could perform the work, but because of the cold temperatures, they had to take additional steps or precautions that were not previously accounted for in the schedule and this therefore caused a delay.

Q: What additional construction work was required by the cold temperatures in late 2009 and January 2010?

A: The weather required additional heat tracing and insulation to certain piping systems. There were portions of the start-up sequence that must be performed within a range of ambient temperatures. The extreme cold ambient temperature threatened to pull the piping temperature below the permissible range. Additionally, KCP&L and the contractors had to add temporary heating and take other additional precautions to avoid liquid freezing in the piping after flushing activities were performed in cold temperatures. KCP&L and the contractors took reasonable steps to completely drain the piping, but eliminating all liquid is challenging if not impossible due to the length of piping involved. Despite these mitigation efforts, there were still some sections of piping that did freeze. When discovered, the contractors had to engage in testing and any necessary remedial action, which also added additional time to the schedule.

IATAN UNIT 2's 2004 PROJECT DEFINITION REPORT AND JANUARY 2006 PRELIMINARY COST ESTIMATES

Q: **[redacted]

[redacted]** **What is your response?**

A: As I explained in my Direct Testimony, the 2004 PDR examined a broad scope outline of the Iatan Unit 2 Project. It did not contain drawings or detailed design criteria, it did not contain a detailed scope of work, it did not contain details on the technology or equipment to be used. As discussed by Company witness Mr. Meyer, these factors severely limit the usefulness or accuracy of the PDR's preliminary cost estimate. **[redacted]

[redacted]

Q: Do you agree with Mr. Drabinski that there are **[redacted] in unexplained cost increases from the 2004 PDR cost estimate?**

A: No. Company witness Mr. Meyer discusses the cost data in more detail, but I strongly disagree with Mr. Drabinski's conclusion and believe that the Commission should not give any credence to such a comparison. As Company witness Mr. Giles testifies, the PDR was not even prepared for the same plant we are now completing.

Q: In your experience, how do owners use preliminary cost estimates like the 2004 PDR?

A: Preliminary estimates prior to the start of design work are frequently necessary, though as shown in with the 2004 Iatan PDR, these estimates can be highly variable because you would not expect a lot of design work to be done at this stage. Mr. Drabinski spends

quite a bit of time trying to support the notion that the design that was embedded in the PDR was more complete than it was. Mr. Drabinski is simply wrong.

Q: Mr. Drabinski asserts that an iteration of the project estimate that was prepared in January 2006 was "the real starting cost estimate" for the Iatan Project. ***See*** **Drabinski Direct Testimony, p. 17. Do you agree?**

A: No. The January 2006 was just an interim estimate that was prepared along the way to the Control Budget Estimate. Mr. Drabinski's attempt to attribute any added significance to this iteration of the evolving estimate is wrong and without any basis whatsoever. The estimate as of the time I joined the Iatan Project in May 2006 was still in development; the prior iterations were much less complete. Company witness Mr. Meyer testifies at length to the development of the Iatan Project's estimates in his Direct Testimony, pp. 6 to 15.

Q: Was the Iatan Unit 2's scope revised by January 2006 to add a deaeretor?

A: Yes. That decision was made after the PDR was completed.

Q: Mr. Drabinski believes that the addition of the deaerator to Iatan Unit 2 scope of work resulted in "increasing the size of the turbine building significantly resulting in the increase in structural steel and other commodities" because "an unidentified KCP&L employee made a decision to add the deaerator without knowing the unintended consequences" and that "neither KCP&L or B&McD were even aware of the change in scope caused by this project until the steel fabricators began to develop quotes for the required steel." ***See*** **Drabinski Direct Testimony, p. 135-7 Do you agree with these statements?**

A: No, and I have no idea why Mr. Drabinski would make them because there isn't a single fact I'm aware of that would lead anyone to this series of conclusions. First of all, the deaerator was necessary and was added to the Project's scope over a year before the final Control Budget Estimate was completed. Adding the deaeretor to Iatan Unit 2's scope was not a surprise. Burns & McDonnell was fully aware of the deaeretor in its design of the turbine building's main structure which it completed in the summer of 2006.

Second, I do not know how Mr. Drabinski could have arrived at the opinion that the deaerator was driving the design when KCP&L has clearly documented that the reason for the increase in the size of the turbine generator building from the earliest conceptual drawings was due to the size of the turbine KCP&L purchased from Toshiba in March 2006. Burns & McDonnell used the design information it received from Toshiba to begin its design of the building and turbine generator pedestal. The building's design itself was never wrong which is evidenced by the fact that the quantity of steel that was in the bid package for the turbine generator building was accurate. What we discovered was that that the preliminary cost estimate had somehow become disaggregated from the design. The original cost estimate had been based upon a simple scale-up of the existing Unit 1 turbine. However, once the actual design was completed, the assumption in the cost estimate that using a simple scale-up would be adequate was no longer accurate because once the turbine was purchased by KCP&L it was several times larger than what had been assumed in the estimate. As a result, the design proceeded utilizing the actual turbine specifications, meaning that the entire turbine house had to be made larger to support the turbine size. Unfortunately, the cost estimate was not changed to reflect this change in design until after the turbine steel bids came back

indicating that the amount in the estimate for the turbine steel was incorrect, as were other quantity cost estimates for the building. As I have previously testified, this issue was discovered before KCP&L completed the Control Budget Estimate and all of the increased costs were captured in the Control Budget Estimate.

Q: Mr. Drabinski claims that the increase in cost to the Iatan Unit 2 Project from the change to the turbine building could exceed **[redacted]. *See* Drabinski Direct Testimony p. 138. Do you understand his allegation?**

A: Not in the least. First, the total increase in the Iatan Unit 2 Project's estimate was **[redacted]** due to the recognition of the error in the earlier estimate. Second, even if there were **[redacted]** in changes to an estimate, nothing had been built yet – there was no rework and KCP&L did not pay a cent more in premium costs to buy or erect the turbine steel than if the estimate had been correct from the beginning. Third, it is impossible to conclude that KCP&L paid **[redacted]** more for something it had to install regardless of when the estimate was completed, if that is even what Mr. Drabinski is alleging. Finally, I note that despite all of his allegations, none of these alleged costs are part of Mr. Drabinski's recommended disallowance.

REBUTTAL TO DATA REQUEST NO. 125

Q: Are you familiar with the responses that Staff and Mr. Drabinski provided to KCP&L's Data Request No. 125 in the KCC Docket, which is attached as Schedule BCD2010-17?

A: Yes. KCP&L's Data Request No. 125 requests Drabinski to elaborate on his testimony on page 37, lines 8-9, in which Mr. Drabinski alleges that KCP&L made "poor

management decisions" from 2005 to 2007. My response below is limited to Subparts 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16 and 17.

Q: With respect to Subpart 4 of the response to KCP&L Data Request No. 125, Mr. Drabinski alleges, "KCP&L did not recognize the magnitude of effort required to effectively manage a large, complex multi-prime project and the need to implement control systems and a detailed schedule as early as possible. Early projects of Construction Management staff were a fraction of the level required. (This conclusion is supported by much of Drabinski direct testimony.)" Do you agree with the response to Subpart 4?

A: No. I previously testified regarding the development of the project controls for the Project and, as I stated, I believe that we had what Mr. Drabinski refers to as a "detailed schedule" for all portions of the work that was performed in 2006 with the T-45 procurement schedule and the detailed Level 3 schedules from Kissick and Pullman regarding their respective work. By April 9, 2007, the Project's Baseline Schedule was adopted. I also discussed the processes and procedures that emanated from the Cost Control System of July 2006 that were put into place to govern our procurements. Mr. Drabinski does not quantify what he means by "early as possible" but I believe we had all these tools as early as practicable, and these tools were very effective.

With respect to Mr. Drabinski's other point in Subpart 4, as I previously testified, I believe we had appropriate staffing levels at each phase of the Project. Mr. Drabinski wants to have it both ways; on one hand, he criticizes us for not staffing the Project sooner and on the other hand, he recommends a significant disallowance for our project

management costs. Mr. Drabinski also never states in his testimony nor in his responses to this or other data requests what level of staffing we should have had at any time.

Q: With respect to Subpart 5 of the response to KCP&L Data Request No. 125, Mr. Drabinski alleges, "KCP&L's selection and subsequent turnover of senior construction management personnel during 2006 and 2007 resulted in a lack of consistent management direction. (See table on page 60 of Drabinski Direct Testimony)." Do you agree with the response to Subpart 5?

A: No. I addressed this allegation in my prior testimony. I disagree with Mr. Drabinski's statement that there was a "lack of consistent management direction" during the years 2006 and 2007. I do not know, nor does Mr. Drabinski address, what "direction" was lacking. Mr. Drabinski must have ignored the Project's significant accomplishments during these years, as discussed throughout my testimony, including: (1) contracted with ALSTOM for an EPC of the boiler and AQCS; (2) established all of our control systems and major processes; (3) established the Control Budget for the Project; (4) completed all of the Project's major foundations on time for turn-over; and (5) received the estimate from Kiewit, resulting in the execution of the Kiewit contract.

Q: **[redacted]

[redacted]** **(See Exhibit 9[2] and response to DR 233)" Do you agree with the response to Subpart 6?**

A: No. In my testimony, I discussed how we built the project team from early 2006. Most of the key members of the project team were in place long before Mr. Churchman's arrival in May 2008, and many are still in place after Mr. Churchman's departure. I thoroughly disagree with Mr. Drabinski's characterization of the management of the contractors prior to Mr. Churchman's arrival, and Mr. Drabinski provides no basis whatsoever for his statement. As Mr. Churchman testified in his Direct Testimony, KCP&L has actively managed the work of the contractors and required the contractors to be accountable throughout the Project for their performance. Moreover, as with all of these responses, Mr. Drabinski provides no causal connection between these incorrect conclusions and any of his recommended disallowance.

Q: With respect to Subpart 7 of the response to KCP&L Data Request No. 125, Mr. Drabinski alleges, "Until the completion of the Project Execution Plan in mid 2007, there was no formal document defining project organization, reporting responsibilities and other key relationships. (Exhibit 25[3])" Do you agree with the response to Subpart 7?

A: I agree that we did not formalize the PEP until June 2007, but as I previously stated, there was no impact whatsoever from the not having this document being formally in place. The project team had already been working to the processes and the plan that was

[2] Exhibit 9 in the DR response referred to the exhibits to Mr. Drabinski's testimony in the KS Docket. The equivalent exhibit in the instant case is WPD-10.
[3] Exhibit 25 in the DR response referred to the exhibits to Mr. Drabinski's testimony in the KS Docket. The equivalent exhibit in the instant case is WPD-26.

formalized in the PEP. Mr. Drabinski ignores those staffing plans that existed, among other critical information that I have previously discussed in arriving at this conclusion.

Q: With respect to Subpart 8 of the response to KCP&L Data Request No.125, Mr. Drabinski alleges, "The non-productive labor costs associated with busing contractors to the parking lot could have been avoided with the National Labor Agreement or other agreements with local unions. (DR 395)" Do you agree with the response to Subpart 8?

A: No. KCP&L was not a signatory party to the labor agreements that govern the Project. Mr. Drabinski does not address how these costs could have been "avoided." Mr. Drabinski ignores that KCP&L was obligated to compensate contractors for these costs. Moreover, Mr. Drabinski does not address the alternative to using busses for transporting workers from remote parking lots. I believe that this was the least cost alternative for supporting the craft workers on site, and providing convenient facilities and good working conditions made Iatan a desirable work place. It was due to such measures and the effectiveness of the National Labor Agreement that KCP&L was able to avoid the industry-wide impact from labor availability that plagued other work. The reports from Schumacher Construction from February 2006 (Meyer Direct Testimony, Schedule DFM2010-5) confirms these facts.

Q: With respect to Subpart 9 of the response to KCP&L Data Request No. 125, Mr. Drabinski alleges, "**

[redacted]** **(See response provided in DR 52)" Do you agree with the response to Subpart 9?**

A: No. I previously testified that the implementation of Skire was timely and that the "manual system" we used for tracking change orders was very effective prior to Skire's implementation. In fact, Mr. Drabinski appears to testify that an organizational tool that the Project uses to organize and route change order review is a substitute for or somehow more critical than having the right people review and vet change orders. Skire only allows for the more efficient review of large volumes of change orders. As I testified, before Skire's implementation, the Project was receiving on average ten change orders per month. Mr. Drabinski alleges that the lack of integration had the "potential" for "excessive back charges and schedule inconsistencies" though he does not specify a single example of either that resulted from the timing of Skire's implementation or any other reason.

Q: **[redacted]

[redacted]**

A: **[redacted]

[redacted]

[redacted]

[redacted]**

Q: With respect to Subpart 11 of the response to KCP&L Data Request No. 125, Mr. Drabinski alleges, "The Quality Assurance program was ineffective and resulted in the delivery of sub-standard materials and systems **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]**" Do you agree with the response to Subpart 11?**

A: I do not agree with any aspect of Mr. Drabinski's response. **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]**

Q: **[redacted]**

(See review of Schedule prepared by KCP&L.)" Do you agree with the response to Subpart 12?

A: It is true that Burns & McDonnell participated in the development of the Level 3 Project Schedule, though the remainder of this response is incorrect. ** [redacted] ** The schedule that Burns & McDonnell re-baselined in June 2007 was its engineering schedule, and as I previously testified, I believe it was a good thing that Burns & McDonnell identified these issues as early as they did and fixed them. Mr. Drabinski's remaining allegations are too vague to understand. ** [redacted] ** There has been an integrated, resource loaded schedule since the Baseline Schedule was established on April 9, 2007. It would have been impossible for the Project to establish a baseline prior to that time that would be useable as a management tool.

Q: ** [redacted] ** **(See Exhibit 34[4])" Do you agree with the response to Subpart 13?**

A: No. In my testimony today, I discussed each and every allegation that Mr. Drabinski repeats in subpart 13. ** [redacted]

[4] [4] Exhibit 34 in the DR response referred to the exhibits to Mr. Drabinski's testimony in the KS Docket. The equivalent exhibit in the instant case is WPD-33.

[redacted]

[redacted]

[redacted]**

Q: **[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]** **Do you agree with the response to Subpart 16?**

A: No. Mr. Drabinski has completely mischaracterized this issue, and I do not recall that any of the "KCP&L CM personnel" or the "CBE revisions" actually provided Mr. Drabinski with the information he claims to know. First, Mr. Drabinski's allegation that KCP&L did something wrong or imprudent in connection with the re-estimating of the turbine generator building is simply wrong. **[redacted]

[redacted]

[redacted]**

Next, Mr. Drabinski is thoroughly wrong in his allegation that this resulted in a "significant cost overrun." **[redacted]

[redacted]

[redacted]

[redacted]** There was no such re-

engineering or rework of the engineering work because that work on these structures was in the embryonic stage at the time of this discovery, and there certainly was no relocation of cable trays or support piping in a building that would not be built for another 18 months.

Q: Finally, with respect to Subpart 17 of the response to KCP&L Data Request No. 125, Mr. Drabinski alleges, "** [redacted] **** Do you agree with the response to Subpart 17?**

A: No. This statement is thoroughly incorrect. As I previously testified, Burns & McDonnell's work on the foundations allowed KCP&L to turn over the boiler foundation and the other key Iatan Unit 2 foundations to ALSTOM on time. ** [redacted] **

Q: Do you have any general conclusions with respect to Staff's response to KCP&L Data Request No. 125?

A: I think this response is indicative of the same problems Mr. Drabinski displays throughout his direct testimony. Mr. Drabinski repeatedly mischaracterizes or incorrectly states facts. He reaches conclusions that are not supported or supportable. He also completely ignores the testimony that has been filed in this case and in the 0089 Docket.

Q: Does that conclude your testimony?

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 Continue the Implementation of Its Regulatory Plan	)))	Docket No. ER-2010-0355

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 Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of one hundred thirteen (113) 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 2nd day of December, 2010.

Stephanie Kay McCorkle

Notary Public

My commission expires: July 28, 2013

STEPHANIE KAY MCCORKLE
Notary Public - Notary Seal
State of Missouri
Commissioned for Clay County
My Commission Expires: July 28, 2013
Commission Number: 09451858