

Exhibit No.:
Issue: Iatan 1 AQCS
Witness: Brent C. Davis
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2009-0090
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0090

REBUTTAL TESTIMONY

OF

BRENT C. DAVIS

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
March 2009**

**Certain Schedules Attached to This Testimony Designated "HC"
Contain Highly Confidential Information
And Have Been Removed
Pursuant To 4 CSR 240-2.135.**

REBUTTAL TESTIMONY

OF

BRENT C. DAVIS

Case No. ER-2009-0090

1 **Q: Are you the same Brent C. Davis who submitted Direct Testimony in this case on**
2 **behalf of KCP&L Greater Missouri Operations Company?**

3 A: Yes, I am.

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

5 A: The purpose of my testimony is to rebut the Direct Testimony of Cary Featherstone of the
6 Staff of the Missouri Public Service Commission concerning his proposal for the
7 Commission either (i) to limit the amount of costs the Company can include in this case
8 concerning the Company's investment in air quality control system ("AQCS") equipment
9 at Iatan 1 and/or (ii) to defer making a prudence determination on that project. Although
10 Mr. Featherstone's proposal appears to apply equally to the Company's investment in
11 AQCS equipment at Sibley 3 and the Jeffrey Energy Center, my Rebuttal Testimony is
12 limited to the AQCS project at Iatan 1. Company witness Terry Hedrick will speak to the
13 Company's investments at Sibley 3 and Dana Crawford will speak to the Jeffrey Energy
14 Center project. In addition, Chris Giles testifies to the appropriateness of the
15 Commission deferring a prudence determination on such significant plant investments.

16 **Q: What does Mr. Featherstone recommend concerning the Company's request to**
17 **include in rate base in this case its investment in AQCS equipment at Iatan 1?**

18 A: Citing the magnitude of the Company's construction projects, Mr. Featherstone explains
19 that "Staff will not be able to complete and present the results of construction cost

1 reviews for any of these projects in these rate cases” either now or as part of the true-up
2 procedures in this case. He therefore recommends “the Commission either, (1) to the
3 extent the costs of that project exceed KCPL’s and GMO’s definitive estimate, make that
4 portion of GMO’s rates interim subject to refund or (2) expressly state in its Report and
5 Order in this case that it is not deciding for the purpose of setting rates in this case the
6 issue whether the construction costs of the Iatan 1, Sibley and Jeffrey Energy Center
7 projects were prudently incurred and that it will take up the matter of the prudence of
8 those costs in future rate cases, if a party properly raises the issue before the Commission
9 in those cases.” Featherstone Direct, p. 33.

10 **Q: Do you agree with Mr. Featherstone’s proposal to limit the amount of costs the**
11 **Company can include in this rate case concerning its investment at Iatan 1 and/or to**
12 **postpone the Commission’s determination of whether the costs incurred by GMO**
13 **for the project were prudent?**

14 A: No. As I explained in my Direct Testimony, the AQCS project at Iatan 1 involves the
15 addition of (i) a selective catalytic reduction facility (“SCR”); (ii) a flue gas
16 desulphurization unit (“Scrubber”); and (iii) a fabric filter system for the removal of
17 particulates (“Baghouse”). The Company seeks to reflect in its rates as part of this case
18 the cost associated with the addition of that AQCS equipment. Given Staff’s
19 involvement with the project and the amount of information Staff has requested and
20 received concerning the project, I do not believe it is appropriate for either the
21 Commission to limit the level of costs to be included in this case or for the Staff to defer
22 its prudence review.

1 **Q: You noted that Staff has been involved with the Iatan 1 AQCS projects. Please**
2 **explain.**

3 A: As I explain in my Rebuttal Testimony in the pending rate case of Kansas City Power &
4 Light Company (“KCP&L”), Staff has requested and received extensive information
5 about the cost of the Iatan 1 project and KCP&L’s management of the project. As I noted
6 in my Direct Testimony, GMO owns an 18% interest in Iatan 1 and therefore is
7 responsible for 18% of the cost of the project.

8 **Q: Concerning Mr. Featherstone’s proposal, is there any reason why the Commission**
9 **Staff could not have completed its review of the construction projects in this**
10 **proceeding?**

11 A: Absolutely not. GMO Witness Chris Giles will address the Company’s response to this
12 assertion in detail. However, KCP&L has actively managed these projects, provided the
13 Commission Staff and Signatory Parties with periodic status reports throughout the
14 process, and has provided the Commission Staff with a multitude of information
15 requested by them to investigate these projects. I will detail the extensive efforts of the
16 Commission Staff to investigate the Iatan 1 and 2 projects below.

17 **Q: Specifically with regard to the Iatan 1 AQCS costs, do you believe these costs were**
18 **prudently incurred and should be included in rate base in this proceeding?**

19 A: Yes. As I have discussed above, the KCP&L Management Team has very actively
20 managed this process, and has taken whatever steps were prudent to manage the
21 construction environment that existed to ensure the costs of construction were reasonable
22 and prudent.

1 **Q: Has anyone from Utility Operations Staff (“Operations Staff”) ever visited the site?**

2 A: Yes, Operations Staff visited the site on several occasions over the course of the Unit 1
3 project. On February 9, 2007, Mike Taylor and Leon Bender came to the site to see the
4 progress made to the construction activities. I led a presentation that began with a
5 discussion of the Burns & McDonnell plans and included a complete tour of the site.
6 Then, on June 29, 2007, Dave Elliott, Warren Wood and Lena Mantle of Operations Staff
7 toured the Iatan site and met with Iatan personnel to discuss reporting and documentation
8 expectations. At that time, we walked Staff through the cost portfolio and other
9 processes including change orders and other process documentation. Additionally, the
10 balance of plant contracting methodology was discussed, including the Limited Notice to
11 Proceed that had been given to Kiewit as well as the vetting process that was on-going
12 relative to Kiewit’s proposal. After this initial visit, KCP&L invited Operations Staff to
13 return to the site as it felt necessary.

14 **Q: Did Operations Staff request additional visits to the Iatan site?**

15 A: Yes. In January 2008, Dave Elliott contacted KCP&L stating that he wanted to make
16 another trip to Iatan to view the construction on Iatan Unit 1 and Iatan Unit 2. Mr. Elliott
17 indicated that he wanted to discuss the schedule, cost, change orders, and progress of
18 both Iatan projects with various KCP&L personnel. This meeting occurred on February
19 6, 2008.

20 **Q: Did Mr. Elliott come to the Iatan site again after February 6, 2008?**

21 A: Yes. Mr. Elliott visited the site on April 16, 2008. Then, beginning in May 2008
22 KCP&L and MPSC Staff began a series of on-site meetings. Mr. Elliott started coming
23 to Iatan on a monthly basis.

1 **Q: When was the first monthly meeting?**

2 A: The first monthly meeting occurred on May 16, 2008.

3 **Q: How many meetings have occurred since the May 16, 2008 meeting?**

4 A: Seven. Operations Staff attended site meetings on June 24, 2008, July 23 and 24, 2008,
5 August 29, 2008, September 23, 2008, November 21, 2008, December 19, 2008, and
6 January 16, 2009. Additionally, Mr. Elliott came to the site immediately after the crane
7 accident that occurred on May 23, 2008.

8 **Q: Who from Operations Staff attended these on-site meetings?**

9 A: I believe Dave Elliott and Shawn Lange attended all of the monthly meetings.
10 Additionally, Mr. Mike Taylor attended the meetings on July 23 and 24, 2008, August
11 29, 2008, November 21, 2008, December 19, 2008 and January 16, 2008.

12 **Q: Who are Mr. Lange and Mr. Taylor?**

13 A: Both Mr. Lange and Mr. Taylor are Engineering Specialists with the Engineering
14 Analysis Section of the Energy Department of the Missouri Public Service Commission.

15 **Q: Who from KCP&L attended these meetings?**

16 A: Brad Lutz and I attended all of the meetings. We also requested participation from
17 various other KCP&L project team members as needed to provide information that was
18 the subject of the various meetings.

19 **Q: What occurred at the meeting held on May 16, 2008?**

20 A: KCP&L took Mr. Elliott and Mr. Lange on an extensive walk-through of the Unit 1 and
21 Unit 2 job sites. The first meeting was held shortly after KCP&L had completed its
22 reforecast of the Iatan budget for both Unit 1 and Unit 2. Therefore, I thoroughly
23 described the Control Budget Estimate number of \$484.2 million, and the four main

1 drivers for the increase in cost: 1) design maturation (Scope); 2) design maturation
2 (Schedule); 3) Optimization, Operation and Construction; and 4) Regulatory/External
3 Permit. I also explained the increase in contingency.

4 At this meeting, Mr. Elliott reviewed, then requested copies of approximately
5 eighteen Change Orders of value greater than \$50,000, with all supporting
6 documentation.

7 Mr. Elliott and Mr. Lange then reviewed the following: 1) all Iatan status reports
8 and contractor meeting minutes through March 2008; 2) a set of site photographs that
9 were contained on approximately twenty (20) CDs; and 3) a copy of the ALSTOM
10 contract.

11 **Q: What documents did KCP&L provide to Operations Staff as a result of this**
12 **meeting?**

13 A: KCP&L provided to Operations Staff the following documents as a result of this meeting:
14 1) Copies of all monthly status reports prepared by the project team, as well as all
15 contractor meeting minutes through March 2008. Additionally, KCP&L committed to
16 provide copies of all subsequent monthly status reports for the remainder of the project as
17 they were completed; 2) copies of the Change Orders and supporting documents
18 identified by Mr. Elliott during his visit. Additionally, KCP&L committed to provide
19 copies of the supporting documents for all Unit 1 related Change Orders greater than
20 \$50,000 on a going forward basis; 3) copies of all existing CDs containing site
21 photographs, as well as copies of future photos as they are formally issued; and 4) a list
22 of all Unit 1 contracts.

1 **Q: When did the next on-site meeting with Operations Staff occur?**

2 A: Sometime in late May of 2008.

3 **Q: What was the purpose of this meeting?**

4 A: To discuss the crane accident that occurred on May 23, 2008, and the possible
5 implications for the project.

6 **Q: The next meeting occurred on June 24, 2008?**

7 A: Yes.

8 **Q: How long was the meeting?**

9 A: The meeting began at approximately 8:30 a.m. and concluded at approximately 2:30 p.m.

10 **Q: What happened at this meeting?**

11 A: At this meeting, Mr. Elliott and Mr. Lange attended the Iatan Project coordination
12 meeting, and observed KCP&L personnel interact with contractor representatives to
13 monitor critical items and resolve coordination issues. I also discussed with Mr. Elliott
14 and Mr. Lange the crane incident and its potential impact on the Iatan project schedule. I
15 then reviewed the Critical Issues lists published in the April Unit 1 and Unit 2 Status
16 reports.

17 As with all of Operations Staff site visits, I led a job site tour, focusing on the
18 Unit 1 SCR, the Unit 2 boiler and West End areas. We also observed the area north of
19 Iatan where the sections of the dismantled Manitowic 18000 crane had been placed after
20 the crane incident.

21 **Q: What documents did KCP&L provide to Operations Staff prior to or during this
22 meeting?**

23 A: KCP&L provided copies of final change order documentation; and copies of the site

1 photo CDs through May 2008.

2 **Q: The next meeting occurred on July 23, & 24, 2008?**

3 A: Yes.

4 **Q: What happened at this meeting?**

5 A: Over the course of the two days, Operations Staff attended two Critical Area Schedule
6 Review & Progress Daily Meetings that were attended by KCP&L construction and the
7 various on-site contractors. We led them on two separate job tours of the jobsite, that
8 included individuals from KCP&L engineering and plant operations who could provide
9 additional information regarding specific areas. The tours included the west end areas,
10 the Unit 1 SCR, ZLD and Tank areas, all of Unit 2, the Coal Handling Systems and the
11 coal yard.

12 We also went through, in detail, the Unit 1 and Unit 2 cost summaries, schedules,
13 and performance metrics with KCP&L's Project Controls. We also discussed the
14 rebaseline of the Unit 1 schedule and our plans to rebaseline the Unit 2 schedule.

15 KCP&L and Operations Staff then had a discussion regarding the Unit 1 in-
16 service criteria and I provided an update on tasks related to the crane incident. KCP&L's
17 start-up manager also discussed start-up planning activities and start-up documentation
18 templates.

19 Finally, KCP&L provided Operations Staff with a list of recent change orders.
20 From that list, MPSC Staff identified fifty-two (52) additional changes orders for
21 duplication and further review.

22 **Q: What documents did KCP&L provide to Operations Staff as a result of this**
23 **meeting?**

1 A: KCP&L provided the following: (1) the change order log as of June 20, 2008; (2) copies
2 of the May Status Reports; (3) copies of the May site photo CD; (4) Iatan Schedule –
3 Critical Area Review (for the week of July 21, 2008); (5) Iatan 2 Cost Report Summation
4 through May 2008; (6) Iatan 2 Level 1 Summary Schedule as of June 29, 2008; (7) Iatan
5 Project Unit 2 CPI/SPI Measurements through June 29, 2008; (8) Iatan 1 Cost Report
6 Summation through May 2008; (9) Iatan Unit 1, SCR, Fabric Filter, Absorber, Reagent
7 Building Milestone Schedule – dated June 7, 2008; (10) Functional Test Procedure,
8 Commissioning Procedure; and (11) System Operating Procedure, and Training Manual
9 templates.

10 **Q: The next meeting occurred on August 29, 2008?**

11 A: Yes.

12 **Q: How long was this meeting?**

13 A: The meeting began at approximately 8:00 a.m. and concluded at approximately 4:00 p.m.

14 **Q: What happened at this meeting?**

15 A: Operations Staff attended the Iatan Construction Critical Area Schedule Review &
16 Progress Daily Meeting. This allowed them to observe KCP&L personnel interact with
17 contractor representatives to monitor critical items and resolve coordination issues in the
18 field. I then led a tour of the Iatan project, including the West End areas, Unit 1 SCR,
19 Unit 2, and Unit 2 Boiler Construction.

20 KCP&L personnel from Project Controls then reviewed Unit 1 and Unit 2 cost
21 summaries, schedules, and performance metrics with the MPSC Staff. This information
22 included outage planning activities.

23 In addition to the above, other miscellaneous issues were discussed, including an

1 update on the crane incident, (OSHA investigation, repair work and installation of the
2 duct piece that was damaged by the falling crane) and in-service criteria.

3 Finally, prior to the meeting, Dave Elliott had asked several questions regarding
4 change orders that had been previously provided to him. We reviewed and discussed the
5 supplemental data that KCP&L had gathered and provided in response to Mr. Elliott's
6 questions.

7 **Q: What documents did KCP&L provide to Operations Staff prior to or during this**
8 **meeting?**

9 A: We provided the following: (1) Change Order Log as of June 20, 2008 (14 pages); (2)
10 Copies of the June Status Reports (provided by FedEx on August 12, 2008); (3) Nine
11 Change Orders from June 2008; 4) Iatan Schedule – Critical Area Review (for the week
12 of August 25, 2008); (5) Iatan 2 Cost Report Summation through June 2008; (6) Iatan 2
13 Level 1 Summary Schedule as of July 13, 2008; (7) Iatan Project Unit 2 CPI/SPI
14 Measurements through July 13, 2008; (8) Iatan 1 Cost Report Summation through June
15 2008; and (9) Iatan Unit 1, SCR, Fabric Filter, Absorber, Reagent Building Milestone
16 Schedule – dated July 27, 2008.

17 **Q: The next meeting occurred on September 23, 2008?**

18 A: Yes.

19 **Q: How long was this meeting?**

20 A: The meeting began at approximately 8:00 a.m. and concluded at approximately 4:00 p.m.

21 **Q: What happened at this meeting?**

22 A: Operations Staff attended the Iatan Construction Critical Area Schedule Review &
23 Progress Daily Meeting. The job site tour for this meeting included contractor lay-down

1 areas, the landfill, coal reclaim area, Unit 1 SCR, Unit 1 Outage prep sites, and the Unit 2
2 Turbine/Boiler areas.

3 After the tour, we explained the details of the ALSTOM Settlement Agreement
4 and provided the relevant documentation. As a part of this discussion, we also reviewed
5 the ALSTOM contract itself. The Operations Staff requested copies certain pages from
6 the ALSTOM contract.

7 Operations Staff then reviewed Unit 1 and Unit 2 cost summaries with KPC&L
8 Project Controls. The usual discussion regarding schedule, metrics, and crane issues
9 were not discussed as they were covered in the CEP Quarterly Report meeting with all
10 members of the Operations Staff and other Signatory Parties held in Jefferson City on
11 September 9, 2008.

12 During this discussion a considerable amount of time was spent discussing the
13 contingency process and its relationship to the cost reforecast. This included a discussion
14 of how KCP&L would track whether change orders were charged to remaining budget
15 amounts or to contingency.

16 Operations Staff then reviewed KCP&L's efforts to formalize and streamline the
17 process used to provide copies of change orders to the Operations Staff.

18 **Q: What documents did KCP&L provide to Operations Staff prior to or during this**
19 **meeting?**

20 A: KCP&L provided the following: (1) copies of the July Status Reports; (2) copies of the
21 July Picture CD; (3) Iatan Construction Project Action Item List, dated September 23,
22 2008 from the Critical Issues Meeting with ALSTOM; (4) Iatan 2 Cost Report
23 Summation through July 31, 2008; 5) Iatan 2 Level 1 Summary Schedule as of July 31,

1 2008; (5) Iatan 1 Cost Report Summation and detail through July 31, 2008; (6) Iatan 1
2 Contingency Log through July 31, 2008; (7) Alstom Settlement Agreement (3
3 documents); and (8) the ALSTOM contract (review only).

4 **Q: The next meeting occurred on November 21, 2008?**

5 A: Yes.

6 **Q: How long was this meeting?**

7 A: The meeting began at approximately 8:00 a.m. and concluded at approximately 3:00 p.m.

8 **Q: What happened at this meeting?**

9 A: Operations Staff attended the 8:30 a.m. Daily Plan of the Day Meeting. This allowed
10 Operations Staff to observe KCP&L personnel interact with contractor representatives to
11 monitor critical items and resolve coordination issues between and among on-site
12 contractors. MPSC Staff also attended the 10:00 a.m. Plant Outage Meeting to listen to
13 discussions regarding the outage progress, plans, and issues.

14 I then led everyone on a comprehensive job site tour. We toured the Unit 2
15 Turbine/Boiler area, walking down the structure. We also toured the Unit 1 site,
16 including the inside of the boiler, the economizer addition, the burner levels, the turbine
17 deck, the SCR tie-in, the submerged flight conveyor area, the fly ash handling areas, the
18 limestone prep building, the limestone storage areas, and the cooling tower. We also
19 examined the economizer sections stored in the contractor lay-down area.

20 Finally, the in-service criteria for Unit 2 was discussed. Operations Staff was
21 seeking to clarify the criteria included in the Comprehensive Energy Plan Stipulation and
22 Agreement.

1 **Q: What documents did KCP&L provide to Operations Staff prior to or during this**
2 **meeting?**

3 A: KCP&L provided the following: (1) copies of August and September Status Reports; (2)
4 the August, September and October 2008 picture CDs; (3) a hard copy of pages from the
5 ALSTOM Contract requested by MPSC Staff; (4) an updated Change Order Log excel
6 file; (5) supplemental data for fifty-nine (59) change orders from May and June 2008; (6)
7 copies of 25 change orders and supplemental data from July and August 2008; (7) an
8 updated Change Order Log excel file (created November 19, 2008); and (8) an action
9 item list from the 8:30 a.m. Daily Plan of the Day Meeting dated November 20, 2008.

10 **Q: The next meeting occurred on December 19, 2008?**

11 A: Yes.

12 **Q: Did this meeting take place at the site?**

13 A: No, it was a conference call.

14 **Q: What was discussed during this conference call?**

15 A: During this call, I discussed the Unit 1 schedule with Mr. Elliott, Mr. Lange and Mr.
16 Taylor. We discussed a possible breaker closed date at the end of January. Additionally,
17 I gave an update on the project status, including the work to repair and structurally
18 support the latent condition in the economizer casing material and start-up and
19 commissioning of the various systems.

20 **Q: What documents did KCP&L provide to Operations Staff prior to or during this**
21 **meeting?**

22 A: Copies of the October 2008 Status Reports.

23 **Q: The next meeting occurred on January 16, 2009?**

1 A: Yes.

2 **Q: How long was this meeting?**

3 A: The meeting began at approximately 6:00 a.m. and concluded at approximately 12:30
4 p.m.

5 **Q: What occurred at this meeting?**

6 A: Operations Staff attended the 6:30 a.m. Daily Start-up Meeting, where they could observe
7 KCP&L personnel interact with contractor representatives to prepare for the day's work
8 and coordinate tasks and issues related to start-up. I then led a tour of Iatan Unit 1
9 including the following key areas: the economizer; the burner levels; the turbine deck; the
10 SCR tie-in; the control room; and the submerged flight conveyor area. Due to the
11 weather, we had to drive by the West End facilities, rather than walk them down. After
12 the tour, the Operations Staff attended the 8:30a.m. Daily Plan of the Day Meeting
13 ("POD") that is attended by both KCP&L construction personnel and contractor
14 personnel to coordinate the day's activities. After the POD, I took Mr. Elliott, Mr. Lange
15 and Mr. Taylor for a tour of Unit 2.

16 Members of KCP&L's Project Controls then walked through the Unit 1 and Unit
17 2 schedule reports. KCP&L reported on its Unit 2 schedule rebaseline efforts as well as
18 the 2009 cost reforecast efforts that were on-going. The meeting concluded with a
19 discussion regarding the Unit 2 in-service criteria.

20 **Q: What documents did KCP&L provide to Operations Staff prior to or during this
21 meeting?**

22 A: KCP&L provided copies of the following documents: (1) copies of the November Status
23 Reports; (2) copies of Change Orders for September 2008; (3) the CD of November

1 photos; (4) copies of the October 2008 Status Reports; (5) Iatan Unit 1 CTOs remaining
2 report, printed January 16, 2009; (6) Iatan 1 Cost Report Summation through November
3 2008; (7) Iatan 1 Cost Report through November 2008 (detail); (8) Iatan 1 Level 1
4 Summary Schedule as of January 11, 2009; (9) Iatan Unit 1 Economizer and SCR Tie-in
5 Completion Schedule as of January 11, 2009; (10) Iatan Project Unit 1 CPI/SPI
6 Measurements through January 11, 2009; (11) Iatan 2 Cost Report Summation through
7 November 2008; (12) Iatan 2 Cost Report through November 2008 (detail); (13) Iatan 2
8 Level 1 Summary Schedule as of January 11, 2009; (14) Iatan Project Unit 2 CPI/SPI
9 Measurements through January 11, 2009.

10 **Q: At these meetings, did the Operations Staff ask questions?**

11 A: Yes. Mr. Elliott, Mr. Taylor and Mr. Lange all asked, and we answered questions
12 regarding every aspect of the Iatan Project, including questions regarding schedule, cost,
13 construction and engineering issues.

14 **Q: Did the Operations Staff ever request any documentation during these visits?**

15 A: Yes. As I discussed above, the Operations Staff requested numerous documents that we
16 provided subsequent to their visits.

17 **Q: Do you have a list of all documents provided to Mr. Elliott as a result of these visits?**

18 A: Yes. This list is attached as Schedule BCD-1 (HC).

19 **Q: Was there ever any information requested by the Operations Staff during these
20 visits that KCP&L refused to provide?**

21 A: No.

1 **Q: You mentioned discussions with Operations Staff concerning in-service criteria.**
2 **Did the Company reach agreement with Operations Staff concerning in-service**
3 **criteria for the Iatan 1 AQCS equipment?**

4 A: Yes, we did. Those in-service criteria are attached as Schedule BCD-2. I attached the
5 same document to my Direct Testimony in KCP&L's pending rate case (ER-2009-0089).

6 **Q: Do you understand the in-service criteria to require the equipment to demonstrate**
7 **compliance with all of the performance guarantees included in the underlying**
8 **contracts related to the procurement, construction, and/or installation of the**
9 **equipment?**

10 A: No, I do not. The Commission has not applied in-service criteria in that manner because
11 it would be unworkable to do so.

12 **Q: Why would it be unworkable to tie in-service criteria to contractual performance**
13 **guarantees?**

14 A: There are probably a variety of reasons, but an obvious one that comes to mind is that the
15 timing would not work. It is not uncommon for contractual guarantees to be tied to
16 months or even years of equipment performance. If the Commission used satisfaction of
17 such performance guarantees as in-service criteria, it would take months if not years after
18 completion of the equipment to satisfy the in-service criteria and include the plant in
19 rates. That is not how in-service criteria are written and that is not how the Commission
20 has interpreted them.

21 **Q: Could you provide an example of how the Commission typically handles contractual**
22 **performance guarantees that require a significant amount of time to satisfy?**

1 A: Yes, the in-service criteria for the Iatan 1 AQCS equipment presents a good example.
2 See Schedule BCD-2. One of the criteria is to demonstrate that “Equipment successfully
3 meets operational control guarantees. (Note: Some operational contract guarantee
4 verification periods may extend beyond the duration of the schedule for a rate case.
5 These guarantees will be evaluated for applicability.)” In looking at whether such
6 guarantees are applicable, the Commission typically looks to whether the equipment is
7 doing what it was designed to do, whether it be generating power or removing sulfur
8 dioxide or nitrous oxides from flue gas. Ultimately, the Commission has to determine
9 whether the equipment at issue is “fully operational and used for service.” That is the
10 appropriate test.

11 **Q: Please describe GMO’s oversight of the Iatan 1 project.**

12 A: As I have noted, GMO owns 18% of Iatan 1. Although GMO has diligently monitored
13 the project in its capacity as a joint owner, ultimately KCP&L is responsible for the
14 project. Prior to the acquisition of GMO’s predecessor, Aquila, Inc. (“Aquila”) by
15 KCP&L’s parent company, Great Plains Energy Incorporated, Aquila actively monitored
16 and audited project costs and the allocation of those costs to Aquila. Since the
17 acquisition, GMO’s and KCP&L’s interests are even more directly aligned. GMO
18 continues to monitor KCP&L management of the project, as well as the allocation of
19 project costs to GMO.

20 **Q: Does Mr. Featherstone provide any evidence in his Direct Testimony that either**
21 **KCP&L has not prudently managed the Iatan 1 AQCS project or that GMO has not**
22 **diligently reviewed costs allocated to it as a joint owner?**

1 A: No, he does not. He merely suggests that the Company be held to the “definitive
2 estimate” of the project or that a prudence determination be postponed. Such courses of
3 action would only be appropriate if there was serious doubt about either KCP&L’s
4 prudent management of the project or GMO’s monitoring of the costs allocated to it as a
5 joint owner.

6 **Q: Do you have any reason to believe that KCP&L has not prudently managed the**
7 **Iatan 1 AQCS project?**

8 A: No, I do not.

9 **Q: Do you believe GMO has diligently reviewed the costs it has incurred concerning the**
10 **Iatan 1 AQCS project?**

11 A: Yes, I do.

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

13 A: Yes, it does.

SCHEDULE BCD-1

**THIS DOCUMENT CONTAINS
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In-Service Criteria for Iatan 1--Particulate and Opacity Control Equipment

1. All major construction work is complete.
2. All preoperational tests have been successfully completed.
3. Equipment successfully meets operational contract guarantees. (Note: Some operational contract guarantee verification periods may extend beyond the duration of the schedule for a rate case. These guarantees will be evaluated for applicability.)
4. The equipment shall be operational and demonstrate its ability to operate at a stack opacity (six minute average) less than or equal to 11% over a continuous four (4) hour period while the generating unit is operating at or above 95% of its design load (670 MWnet).
5. The equipment shall also demonstrate its ability to operate at a stack opacity (six minute average) less than or equal to 11.5% over a continuous 120-hour period while the generating unit is operating at or above 80% of its design load (670 MWnet).
6. Continuous emission monitoring systems (CEMS) are operational and demonstrate the capability of monitoring the opacity emissions to satisfy the parameters in items (4) and (5) above.

In-Service Criteria for Iatan 1--NO_x Control Equipment

1. All major construction work is complete.
2. All preoperational tests have been successfully completed.
3. Equipment successfully meets operational contract guarantees. (Note: Some operational contract guarantee verification periods may extend beyond the duration of the schedule for a rate case. These guarantees will be evaluated for applicability.)
4. The equipment shall be operational and demonstrate its ability to operate at a NO_x emission level of 0.090 lb/mmBtu over a continuous four (4) hour period while the generating unit is operating at or above 95% of its design load (670 MWnet).
5. The equipment shall also demonstrate its ability to operate at a NO_x emission level of 0.100 lb/mmBtu over a continuous 120-hour period while the generating unit is operating at or above 80% of its design load (670 MWnet).
6. Continuous emission monitoring systems (CEMS) are operational and demonstrate the capability of monitoring the NO_x emissions to satisfy the parameters in items (4) and (5) above.

In-Service Criteria for Iatan 1--SO₂ Control Equipment

1. All major construction work is complete.
2. All preoperational tests have been successfully completed.
3. Equipment successfully meets operational contract guarantees. (Note: Some operational contract guarantee verification periods may extend beyond the duration of the schedule for a rate case. These guarantees will be evaluated for applicability.)
4. The equipment shall be operational and demonstrate its ability to operate at a SO₂ reduction efficiency equal to or greater than 91% over a continuous four (4) hour period while the generating unit is operating at or above 95% of its design load (670 MWnet).
5. The equipment shall also demonstrate its ability to operate at a SO₂ reduction efficiency equal to or greater than 86% over a continuous 120-hour period while the generating unit is operating at or above 80% of its design load (670 MWnet).
6. Continuous emission monitoring systems (CEMS) are operational and demonstrate the capability of monitoring the SO₂ emissions to satisfy the parameters in items (4) and (5) above.