

Exhibit No.:
Issue: Iatan-Nashua and Sibley-Nebraska City
Construction and Cost Management Projects
Witness: Brent C. Davis
Type of Exhibit: Direct Testimony
Sponsoring Party: Transource Missouri, LLC
Case No.: EA-2012-
Date Testimony Prepared: August 31, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EA-2012-

DIRECT TESTIMONY

OF

BRENT C. DAVIS

ON BEHALF OF

TRANSOURCE MISSOURI, LLC

August 2012

1 **I. Introduction**

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

3 A: My name is Brent C. Davis. My business address is 1200 Main Street, Kansas
4 City, Missouri, 64105.

5 **Q: By whom and in what capacity are you employed?**

6 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as Project
7 Director – Transmission and Construction.

8 **Q: On whose behalf are you testifying?**

9 A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations
10 Company (“GMO”) (collectively referred to as the “Companies”). KCP&L and
11 GMO both are wholly-owned subsidiaries of Great Plains Energy Incorporated
12 (“GPE”).¹ I am also testifying on behalf of Transource Energy, LLC
13 (“Transource”) and Transource Missouri, LLC (“Transource Missouri”), the
14 former being a newly-formed joint venture between GPE and American Electric
15 Power Company, Inc. (“AEP”).

16 **Q: What are your responsibilities?**

17 A: As Project Director – Transmission and Construction, I have overall responsibility
18 for the construction of the two regional transmission projects that have been
19 assigned to KCP&L and GMO by the Southwest Power Pool, Inc. (“SPP”).

¹ GPE is a public utility holding company that does not own or operate any significant assets other than the stock of its operating subsidiaries KCP&L and GMO. KCP&L, through its employees and resources, is currently taking steps to move forward on the Projects on behalf of itself, as well as on behalf of GMO, pursuant to the terms and conditions set forth in the October 10, 2008 Joint Operating Agreement between KCP&L and GMO. Subsequent references in this testimony to GMO’s responsibilities with respect to the Projects are made in this context.

1 **Q: Please describe your education, experience and employment history.**

2 A: I received a Bachelor of Science degree in engineering management from the
3 University of Missouri at Rolla in 1980 and a Master in Business Administration
4 degree from Rockhurst University in 1999. I began working at KCP&L in 1981
5 as a maintenance engineer at the Montrose Generating Station. In 1985 I left
6 KCP&L for a short period of time to accept a position at Dayco Manufacturing in
7 Springfield, Missouri as maintenance superintendent. I returned to KCP&L later
8 that year. Since that time, I have held various engineering and management
9 positions at each of KCP&L's coal-fired generating facilities (*i.e.*, the Montrose,
10 LaCygne, Iatan, and Hawthorn Generating Stations), including serving as plant
11 manager at the Montrose and Hawthorn Stations. From June 2006 to November
12 2007, I was the Project Director for both the Iatan Unit 1 and Unit 2 construction
13 projects. In 2007, I was asked to turn my full attention to the construction of the
14 \$450M Iatan Unit 1 environmental retrofit as the Unit 1 Project Director, but
15 remained involved to a certain extent with the \$2B construction of Unit 2. Once
16 the construction was completed on Unit 1, I was asked to work as an advisor on
17 the Unit 2 construction project. In February 2010, I was asked to become the
18 Operational Interface/Project Director for Unit 2. In February 2012, I was named
19 Project Director – Transmission and Construction.

1 **Q: Have you previously testified in a proceeding before the Missouri Public**
2 **Service Commission (“Commission” or “MPSC”)?**

3 A: Yes, I previously testified before this Commission during each of the Companies’
4 last rate cases (Case Nos. ER-2010-0355 and ER-2010-0356), as well as other
5 cases.

6 **Q: What is the purpose of your testimony?**

7 A: The purpose of my testimony is to (i) identify and describe the status of two
8 regional transmission projects SPP directed KCP&L and GMO to construct and
9 which the Companies intend to novate to Transource Missouri; and (ii) describe
10 the construction and cost management process for these two projects.

11 **II. SPP Regional Transmission Projects**

12 **Q: Please identify the two regional transmission projects SPP directed KCP&L**
13 **and GMO to construct.**

14 A: SPP has directed KCP&L and GMO to construct two regionally beneficial
15 transmission projects, known as the Iatan-Nashua 345kV transmission project
16 (“Iatan-Nashua Project”) and the Sibley-Nebraska City 345kV transmission
17 project (“Sibley-Nebraska City Project”) (collectively the “Projects”). The Iatan-
18 Nashua Project is one of the seven (7) SPP regional “Balanced Portfolio” projects,
19 which were approved by SPP in 2009. The Sibley-Nebraska City Project is one
20 of the six (6) SPP regional “Priority Projects,” which were approved by SPP in
21 2010. Each project is described in detail below. The SPP “Balanced Portfolio”
22 and “Priority Projects” are discussed in the Direct Testimony of Todd E. Fridley
23 in Case No. EO-2012-0367.

1 **A. Iatan-Nashua Project**

2 **Q: Please describe the Iatan-Nashua Project.**

3 A: The Iatan-Nashua Project involves the construction of a new 345kV transmission
4 line in northwest Missouri. The transmission line will extend approximately
5 thirty (30) miles from an existing substation at the Iatan power plant near Weston,
6 Missouri (“Iatan Substation”), to the Nashua 161kV substation near Smithville,
7 Missouri (“Nashua Substation”). The 161kV Nashua Substation will be expanded
8 and upgraded to accommodate both the new 345kV Iatan-Nashua line, and the
9 connection with the existing St. Joseph-Hawthorn 345kV transmission line, at the
10 Nashua Substation by installing a new 345/161kV autotransformer between the
11 existing 161kV substation and the 345kV facilities at the Nashua Substation. SPP
12 has issued Notifications to Construct (“NTCs”) for the Iatan-Nashua Project to
13 both KCP&L and GMO; these NTCs are attached hereto as Schedule BCD-1.²
14 The estimated cost of the project is \$64,800,000, which is a control budget by
15 which the project will be measured. A map of the Iatan-Nashua Project is
16 attached hereto as Schedule BCD-2.

17 **Q: Why is the Iatan-Nashua Project necessary?**

18 A: As explained in detail in the Direct Testimony of Todd E. Fridley in Case No.
19 EO-2012-0367, the Iatan-Nashua Project is a 345kV transmission project that will
20 reduce congestion on the region’s transmission system and provide essential

² There are three NTCs associated with the Iatan-Nashua Project as follows: (1) the 345kV line (Network Upgrade 50449 under NTC-200189), which was issued to GMO (Schedule BCD-1 at pp. 1-3); (2) the upgrades at the Iatan and Nashua Substations (Network Upgrade 10935 under NTC-200188), which was issued to KCP&L (Schedule BCD-1 at pp. 4-6); and (3) the new 345/161kV transformer at Nashua Substation (Network Upgrade 10945 under NTC-20042), which was issued to KCP&L (Schedule BCD-1 at pp. 7-9).

1 transmission capacity for long-term efficient delivery of energy within the region.
2 In 2009, SPP identified the Iatan-Nashua Project as one of the “[m]ajor 345kV
3 projects” currently proposed in SPP in its Transmission Expansion Plan.³ Studies
4 have demonstrated that the benefits of the Balanced Portfolio projects outweigh
5 the costs⁴ and the projects will relieve congestion by addressing “many of the top
6 constraints in the SPP.”⁵

7 **Q: Who currently is responsible for the construction of the Iatan-Nashua**
8 **Project?**

9 A: Both KCP&L and GMO currently are Designated Transmission Owners
10 (“DTOs”) for the Iatan-Nashua Project. As discussed in more detail in the
11 Companies’ Quarterly Reports filed in Case No. EO-2012-0271, SPP initially
12 issued an NTC to KCP&L on June 19, 2009 because KCP&L owns and operates
13 both of the substations at the end points of the new 345kV transmission line.
14 However, after spending more than a year evaluating routing options and meeting
15 with the public, it became clear that the new 345kV transmission line would be
16 located entirely within GMO’s service territory. As a result, at KCP&L’s request,
17 SPP modified the Iatan-Nashua NTCs to include GMO as a DTO for this project.
18 KCP&L’s letter to SPP requesting this modification is attached hereto as
19 Schedule BCD-3.

³ See 2009 SPP Transmission Expansion Plan, A Report of the SPP Regional Transmission Organization, at 6-7, available at <http://www.spp.org/section.asp?group=1905&pageID=27>.

⁴ SPP’s description of the Balanced Portfolio is available at <http://www.spp.org/section.asp?pageID=120>.

⁵ Direct Testimony of Todd E. Fridley, Case No. EO-2012-0367, Schedule TEF-2, 2009 SPP Balanced Portfolio Report at 35.

1 On April 17, 2012, SPP issued revised NTCs to both KCP&L and GMO
2 directing them to coordinate with each other regarding the portion of the project
3 each company would construct. Copies of these NTCs have been provided as part
4 of Schedule BCD-1 at pp. 1-6. On June 22, 2012, KCP&L submitted a response
5 to the revised NTC indicating it would construct the identified network upgrades
6 at its Iatan Substation and its 161kV Nashua Substation. As noted above, a new
7 345/161kV autotransformer will be installed at the Nashua Substation between the
8 existing 161kV substation and the new 345kV facilities. On the same day, GMO
9 also submitted a response indicating it would construct the 345kV transmission
10 line between the substations. The Companies' responses to the revised SPP NTCs
11 are attached hereto as Schedule BCD-4.

12 The Companies spent more than a year evaluating routing options and
13 listening to customer concerns to aid in selecting the construction route for the
14 Iatan-Nashua Project. Our team collected more than 300 resident surveys,
15 conducted five public meetings with more than 400 attendees, personally spoke
16 with hundreds of residents and business owners and mailed almost 2,000 letters
17 soliciting additional input and feedback. Based on the information that was
18 gathered, there was a strong preference for utilizing existing lines, easements and
19 rights-of-way as a first course of action to minimize the disturbance to landowners
20 and wildlife habitats.⁶

21 In response, our team identified a portion of KCP&L's existing 161kV
22 transmission line between KCP&L's Nashua Substation and GMO's Alabama

⁶ Additional information about the Companies' route selection process and public outreach is available at <http://www.kcpl.com/iatannashua/>.

1 substation in St. Joseph, Missouri (“Alabama-Nashua Line”) that could be used
2 for a portion of the Iatan-Nashua Project. A map of the Iatan-Nashua Project
3 showing the Alabama-Nashua Line is attached hereto as Schedule BCD-5. It was,
4 however, necessary to seek this Commission’s approval to transfer KCP&L’s
5 Alabama-Nashua Line to GMO in Case No. EO-2012-0479, in order to facilitate
6 the Companies’ plan to have GMO construct the entire 345kV Iatan-Nashua line
7 because it was wholly within GMO’s service area.

8 On August 8, 2012, Commission Staff filed its recommendation in support
9 of the Applicants’ request to transfer the Alabama-Nashua Line from KCP&L to
10 GMO. The Commission granted the Companies’ application to transfer the
11 Alabama-Nashua Line from KCP&L to GMO on August 15, 2012.

12 **Q: Has the Company discussed its construction and ownership plans for the**
13 **Iatan-Nashua Project with the MPSC Staff and the Office of the Public**
14 **Counsel (“OPC”)?**

15 A: Yes. As the Commission is aware, KCP&L and GMO have been actively
16 exploring options for constructing the Iatan-Nashua Project. At OPC’s request,
17 the Commission opened Case No. EO-2012-0271 to investigate the siting and
18 safety of the Iatan-Nashua Project. In that proceeding, the Companies agreed to
19 certain ongoing communication and reporting requirements recommended by
20 Staff with regard to the construction of the Iatan-Nashua Project, including the
21 status of the ownership of this Project.⁷ Additionally, the Company met with the

⁷ *In the Matter of an Investigation into the Siting and Safety of a Proposed Transmission Line in Platte County, Missouri*, Case No. EO-2012-0271, Order Directing Filing and Directing Filing and Denying Motion Local Public Hearing at 4-5 (issued Mar. 14, 2012) (directing Applicant to file quarterly updates beginning on March 30, 2012 that include the progress of the planning, design, and construction of

1 Commission Staff and OPC on May 22, 2012 in Jefferson City to discuss its
2 construction and ownership plans for the Iatan-Nashua Project.

3 Furthermore, the Companies previously have indicated their intent to
4 terminate and release their respective obligations as DTOs, and to designate
5 Transource Missouri as the alternate DTO responsible for constructing and
6 owning the Iatan-Nashua Project (as well as the Sibley-Nebraska City Project).⁸

7 **Q: What is the current status of the Iatan-Nashua Project?**

8 A: The final route has been determined, and detailed surveying of the proposed route
9 to support the upcoming rights-of-way/easement negotiations is nearly complete.
10 Detailed design and engineering work continues on the Project, with a bulk of the
11 work being performed in-house by the KCP&L Transmission Engineering
12 Department. The Project essentially is comprised of four components—*i.e.*, the
13 East Segment, the West Segment, the Middle Segment, and the substation
14 upgrades. The initial engineering and design work is focused on the East and
15 West Segments where the Company has existing rights-of-way/easements that
16 will be utilized for the project. Engineering and design will not be finalized for
17 the Middle Segment, however, until all of the rights-of-way/easements are
18 obtained, which is currently scheduled for the last quarter of 2013. The
19 Companies have contracted with Burns & McDonnell to acquire the rights-of-
20 way/easements needed for the project. The material procurement process in

this Project, the status of the ownership of this Project, and a summary of the Companies' contact with the public during the previous quarter).

⁸ *In the Matter of an Investigation into the Siting and Safety of a Proposed Transmission Line in Platte County, Missouri*, Case No. EO-2012-0271, Companies' Quarterly Report at p. 8 (filed June 29, 2012 as revised July 3, 2012); *see also* Great Plains Energy News Release (dated April 4, 2012), available at <http://phx.corporate-ir.net/phoenix.zhtml?c=96211&p=irol-news&nyo=0>.

1 support of construction has begun with foundation construction expected to begin
2 in late 2012 on the West Segment and line construction is expected to commence
3 in the first quarter of 2013. A copy of the Level 1 Project Schedule is attached
4 hereto as Schedule BCD-6. The Level 1 Project Schedule sets forth the
5 milestones for the engineering, procurement, and construction activities that will
6 need to be completed to achieve the June 2015 in-service date.

7 **Q: You mentioned above that the Iatan-Nashua Project is comprised of four**
8 **components. Please describe each component in more detail.**

9 A: As noted above, this project essentially has four components—(i) the East
10 Segment; (ii) the West Segment; (iii) the Middle Segment, which together
11 constitute the GMO portion of the Project; and (iv) the substation upgrades, which
12 constitute the KCP&L portion of the Iatan-Nashua Project.⁹ A map of the whole
13 Iatan-Nashua Project is attached hereto as Schedule BCD-2. Each component is
14 described in turn below.

15 *First*, the East Segment begins at KCP&L’s Nashua Substation located in
16 Clay County near Smithville, Missouri, extending in a northwesterly direction for
17 approximately fifteen (15) miles. A map of the East Segment is attached hereto
18 as Schedule BCD-7. This segment of the new 345kV transmission line will
19 utilize existing rights-of-way that currently are used for a portion of the existing
20 161kV Alabama-Nashua Line that, as discussed above, was recently transferred
21 from KCP&L to GMO. This fifteen (15) mile segment of the Alabama-Nashua
22 Line will be retired and removed and will be replaced by the new 345kV

⁹ A map of the whole Iatan-Nashua Project is attached hereto as Schedule BCD-2.

1 transmission line, which will be constructed on existing rights-of-way
2 supplemented by additional rights-of-way as needed.

3 *Second*, the West Segment begins at the Iatan Substation located in Platte
4 County near Weston, Missouri, extending in a northeasterly direction for about
5 five (5) miles. A detailed map of the West Segment is attached hereto as
6 Schedule BCD-8. This segment of the new 345kV transmission line will utilize
7 GMO's existing 345kV Iatan-St. Joseph transmission line rights-of-way
8 supplemented by additional rights-of-way as needed for the new construction.
9 Transource Missouri may also obtain rights-of-way as necessary once the line
10 Certificate of Convenience and Necessity ("CCN") is granted to Transource
11 Missouri for the Projects. To facilitate construction of the new 345kV
12 transmission line from the Iatan Substation, the Companies intend to install new
13 transmission structures that will be able to accommodate both GMO's existing
14 345kV Iatan-St. Joseph line, as well as the West Segment of the new 345kV
15 Iatan-Nashua line. Consequently, the existing transmission structures along
16 approximately five (5) miles of the Iatan-St. Joseph line will be retired and
17 removed and the existing line will be attached to the new structures.
18 Subsequently, the West Segment of the new 345kV transmission line will be
19 added to the new structures as part of the construction of the Iatan-Nashua
20 Project. In sum, both the West Segment of the new 345kV Iatan-Nashua line, and
21 a portion of the existing Iatan-St. Joseph line, will share the new structures. At
22 this time, we expect the existing Iatan-St. Joseph line to remain energized and in-
23 service while it is moved from the existing structures to the new jointly used

1 structures. Construction on this segment is expected to begin in the spring of
2 2013.

3 *Third*, the Middle Segment will connect the East and West Segments,
4 running approximately twelve (12) miles east-to-west through an area without any
5 existing rights-of-way/easements—*i.e.*, the Middle Segment is “greenfield.” A
6 detailed map of the Middle Segment is attached hereto as Schedule BCD-9.
7 Negotiations with landowners in this “greenfield” area currently are scheduled to
8 begin in the spring of 2013.

9 *Fourth*, in order to facilitate the construction and operation of the new
10 345kV Iatan-Nashua transmission line, certain upgrades will need to be made at
11 each substation terminus. Notably, the existing 161kV Nashua Substation will
12 be expanded and upgraded to accommodate both the new 345kV Iatan-Nashua
13 line, and connection with the existing St. Joseph-Hawthorn 345kV transmission
14 line, by installing a new 345/161kV autotransformer between the existing 161 kV
15 substation and the 345kV facilities at the Nashua Substation. Additionally,
16 upgrades will be required to connect the new 345kV transmission line to the Iatan
17 Substation. As previously noted, the substation upgrades will be performed by
18 KCP&L.

19 **Q: Are the Companies providing regular status reports to the Missouri**
20 **Commission regarding the planning, design, and construction of the Iatan-**
21 **Nashua Project?**

22 A: Yes. In accordance with the Commission’s March 14, 2012 Order Directing
23 Filing in Case No. EO-2012-0271, the Companies are submitting quarterly reports

1 on the status of the Iatan-Nashua Project to the Commission in that case. The
2 Companies submitted the first quarterly report on March 30, 2012 and the second
3 quarterly report on the June 29, 2012 (revised on July 3, 2012). It is anticipated
4 that these status reports will continue to be provided by Transource Missouri after
5 the Iatan-Nashua Project is novated to Transource Missouri. In addition to the
6 Companies' reporting in Case No. EO-2012-0271, the Companies also provide
7 project updates to SPP on a quarterly basis.¹⁰

8 **B. Sibley-Nebraska City Project**

9 **Q: Please describe the Sibley-Nebraska City Project.**

10 A: The Sibley-Nebraska City Project involves construction of a new single circuit
11 345kV transmission line in northwest Missouri and southeast Nebraska extending
12 approximately 175 miles from Omaha Public Power District's ("OPPD")
13 Nebraska City substation located at the Nebraska City generating station to a new
14 intermediate 345kV substation near Maryville, Missouri, and continuing on to
15 GMO's existing 345kV substation located near Sibley, Missouri. The new 345kV
16 substation near Maryville will include reactive resources for voltage control and
17 provide a potential interconnection point for new renewable generation resources.

18 GMO is responsible for approximately 170 miles of the Sibley-Nebraska
19 City Project from GMO's Sibley generating station to the interception point with
20 OPPD at the Missouri-Nebraska state line. OPPD is responsible for the portion of
21 the line from this interception point to OPPD's Nebraska City Substation. The
22 Sibley-Nebraska City Project is identified as a Priority Project in the April 27,

¹⁰ The SPP quarterly reports contain information on all of the Balanced Portfolio projects and are publicly available at <http://www.spp.org/section.asp?group=1867&pageID=27>.

1 2010 SPP Priority Projects Phase II Final Report.¹¹ The current estimated cost of
2 GMO's portion of the Project is approximately \$380M. The total estimated cost
3 of the line, including the portion that will be constructed by OPPD, is
4 approximately \$400M. These estimates are not control budget estimates; control
5 budget estimates will be developed once the route has been selected. A map of
6 the study area for the Sibley-Nebraska City Project is included as Schedule BCD-
7 10.

8 **Q: Why is the Sibley-Nebraska City Project necessary?**

9 A: As explained in detail in the Direct Testimony of Todd E. Fridley in Case No.
10 EO-2012-0367, the Sibley-Nebraska City Project was one of six projects
11 approved by the SPP Board of Directors to "reduce grid congestion, improve the
12 Generation Interconnection and Aggregate Study processes, and better integrate
13 SPP's east and west regions."¹² SPP identified the following benefits:

14 [The Priority Projects] will reduce congestion, as demonstrated in the
15 APC [adjusted production cost] analysis and by the levelization of
16 Locational Marginal Prices (LMPs) across the SPP footprint. . . .
17 Priority Projects will improve the Aggregate Study process by creating
18 additional transfer capability and allowing additional transmission
19 service requests to be enabled. The addition of 3,000-5,000 MW of
20 wind energy as well as new non-renewable generation will result from
21 these projects. First Contingency Incremental Transfer Capability
22 calculations determined that Priority Projects would increase the
23 ability to transfer power in an eastward direction for two-thirds of the
24 eastward paths by connecting SPP's western and eastern areas.¹³

25 The SPP Board of Directors approved the Priority Projects, and SPP issued NTCs
26 for the Sibley-Nebraska City Project to GMO and OPPD for their respective

¹¹ The SPP Priority Projects Phase II Final Report has been attached to the Direct Testimony of Todd E. Fridley in Case No. EO-2012-0367 as Schedule TEF-4.

¹² *Id.* at 3.

¹³ *Id.* at 6.

1 portions. A copy of the NTC issued to GMO, and GMO's acceptance, are
2 attached hereto as Schedule BCD-11.

3 **Q: What is the status of this Project?**

4 A: The study area boundary has been determined. As noted above, a map of the
5 study areas for the Sibley-Nebraska City Project is provided as Schedule BCD-10.
6 Advisory Group meetings with representatives of governmental agencies and
7 others were held during July 2012. Local Leader meetings and public open
8 houses were held during August 2012. Informational materials regarding the
9 Sibley-Nebraska City Project (referred to in the materials as the "Midwest
10 Transmission Project"), were provided at the public open houses, and are included
11 in Schedule BCD-12. GMO and OPPD have had preliminary discussions with the
12 U.S. Army Corps of Engineers regarding the Missouri River crossings at Sibley
13 and at the interception point near the border of Missouri and Nebraska. GMO and
14 OPPD have established a website (www.midwesttransmissionproject.com) to
15 make information about the Sibley-Nebraska City Project available to the public.

16 **Q: Is GMO required to report on the Sibley-Nebraska City Project's status?**

17 A: Yes. Like the Iatan-Nashua Project, GMO provides quarterly updates to SPP on
18 the status of this project.¹⁴

¹⁴ The SPP quarterly reports contain information on all of the Priority Projects and are publicly available at <http://www.spp.org/section.asp?group=1867&pageID=27>.

1 **III. Construction and Cost Management Process for the Projects**

2 **Q: What is KCP&L's construction management oversight process for the**
3 **Projects?**

4 A: KCP&L has a multi-function, multi-discipline project management team,
5 consisting of employees and contractors with wide-ranging expertise in areas
6 including transmission planning, engineering, construction, procurement, real
7 estate, environmental, legal, regulatory, communications, and public affairs. This
8 project team meets regularly to discuss the status of the Projects. In addition, the
9 construction management leadership meets with an Executive Oversight
10 Committee on a monthly basis to keep leadership up-to-date on the Projects.

11 **Q: Is there coordination with OPPD?**

12 A: Yes. There are weekly conference calls and monthly meetings with OPPD to
13 coordinate the joint aspects of the Sibley-Nebraska City Project. These
14 coordinated efforts with OPPD will continue until the details of the routing and
15 interception point are finalized.

16 **Q: How is KCP&L managing the cost controls and scheduling for the Projects?**

17 A: KCP&L is utilizing cost and schedule control processes for these Projects very
18 similar to those that it utilized for the recent Iatan Units 1 and 2 construction
19 projects and that it is currently utilizing for the LaCygne environmental upgrade
20 construction project. Both the Commission and Staff should be familiar with
21 these processes in the context of those other construction projects.

1 **Q: Please describe KCP&L's construction management process/contracting**
2 **strategy for the Projects?**

3 A: The construction management process/contracting strategy for the Projects is to
4 utilize a multi-contract approach for the various components of the Projects:
5 project management, routing and siting, rights-of-way acquisition, procurement,
6 engineering, and construction.

7 • For the Iatan-Nashua Project, KCP&L is responsible for project management,
8 procurement, and engineering components internally. KCP&L has contracted
9 with Burns & McDonnell to assist with the execution of the routing and siting
10 and rights-of-way acquisition components and will contract with a
11 transmission line constructor for the construction component.

12 • For the Sibley-Nebraska City Project, KCP&L, on GMO's behalf, plans to
13 manage the project management component and possibly the procurement and
14 engineering components internally. GMO has contracted with Burns &
15 McDonnell to assist with the execution of the routing and siting and plans to
16 utilize a contractor for the rights-of-way acquisition component. GMO will
17 contract with a transmission line constructor for the construction component.
18 GMO may also contract with the constructor for certain aspects of the
19 procurement component and may contract for certain aspects of the
20 engineering component.

21 **Q: Please describe the cost control processes.**

22 A: Cost uncertainty is always a concern on any construction project, but there is
23 likely to be added concern on these regional transmission Projects because

1 stakeholders (transmission customers and regulators) from all the states in the
2 SPP region are impacted by the cost of the Projects. Cost control processes used
3 by the Companies for the Projects will provide detailed scope for major
4 procurement packages, obtain unit pricing for unforeseen changes, and maintain
5 strong project and budget controls.

6 **Q: Please describe the schedule control processes.**

7 A: Schedule delays for these Projects are major concerns because these Projects were
8 identified by SPP as necessary for regional reliability, to reduce transmission
9 congestion, and to facilitate more efficient flow of power throughout the region.
10 Schedule control processes for these Projects include maintaining strict timeline
11 requirements in contracts (including liquidated damages provisions and incentive
12 structures) and procuring experienced owner's engineer assistance when
13 necessary to help ensure schedule adherence.

14 **Q: Will AEP provide services prior to the novation of the Projects?**

15 A: As described in more detail in the Direct Testimony of Darrin R. Ives in Case No.
16 EO-2012-0367, the Companies may request siting, land acquisition, engineering,
17 design, and/or construction services for the Iatan-Nashua and Sibley-Nebraska
18 City Projects from AEP's subsidiary service company, American Electric Power
19 Service Corporation ("AEPSC") through project specific Support Agreements.
20 Pursuant to the Support Agreements, such services, if requested by the
21 Companies, would be provided at cost by AEPSC. The Support Agreements
22 make available to the Companies AEP's significant high-voltage transmission
23 project knowledge and experience.

1 **Q: How will AEPSC provide services after the novation of the Projects?**

2 A: After the novation, both KCP&L and AEPSC will provide services to Transource
3 Missouri through an Intercompany Support Agreement that relies on the Services
4 Agreements each Company has with Transource Energy, LLC (“Transource”). At
5 this time, the parties anticipate that KCP&L will continue to provide the ongoing
6 construction management and cost control management for the Projects, but it
7 allows the Companies to rely on AEPSC for support where there are clear
8 synergies and cost savings. Notably, even after the novation to Transource
9 Missouri, KCP&L will continue to be responsible for the operation and
10 maintenance of the Projects. The Service Agreements are more fully described in
11 the Direct Testimony of Darrin R. Ives in Case No. EO-2012-0367.

12 **Q: What benefits will Transource Missouri bring to the construction process for**
13 **the Projects?**

14 A: The formation of Transource by GPE and AEP creates synergies and potential
15 cost savings through the combined strength of the Companies’ local relationships
16 and operational experience and AEP’s expertise with large transmission projects.
17 Specifically, AEP’s experience and expertise in developing high-voltage
18 transmission projects throughout the country should provide prompt access to
19 supplies and equipment, engineering and design strength that should benefit the
20 Projects, and potentially result in lower overall construction costs. The benefits of
21 the Transource Missouri venture are more fully described in the Direct Testimony
22 of Mr. Ives in Case No. EO-2012-0367 and in the Direct Testimonies of Michael

1 P. Deggendorf, Antonio P. Smyth, Lisa M. Barton, and Scott P. Moore filed in the
2 instant case.

3 **Q: Does this conclude your testimony?**

4 A: Yes, it does.

