

Exhibit No.:
Issue: Iatan Unit 1
Witness: Carl Churchman
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2009-0089
Date Testimony Prepared: March 11, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0089

REBUTTAL TESTIMONY

OF

CARL CHURCHMAN

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
March 2009**

***** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed
Pursuant To 4 CSR 240-2.135.**

REBUTTAL TESTIMONY

OF

CARL CHURCHMAN

Case No. ER-2009-0089

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

2 A: My name is Carl Churchman. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106-2124.

4 **Q: Are you the same Carl Churchman who prefiled Direct Testimony in this matter?**

5 A: Yes.

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

7 A: The purpose of my rebuttal testimony is to: (1) address issues and concerns related to the
8 Company's construction program raised by Mr. Jatinder Kumar in his Direct Testimony
9 filed on behalf of the United States Department of Energy, the National Nuclear Security
10 Administration and the Federal Agencies; and (2) address similar issues and concerns
11 raised by Mr. James R. Dittmer in his Direct Testimony filed on of the Hospital
12 Intervenors.

13 **Q: On page 44 of his Direct Testimony, Mr. Kumar recommends that "the Commission**
14 **should investigate the details and reasonableness of the increase in [the Air Quality**
15 **Control System or "AQCS"] costs." Do you agree with this recommendation?**

16 A: Yes. I agree with Mr. Kumar that it is appropriate and reasonable for the Commission to
17 investigate the details and reasonableness of the AQCS costs in this case since the
18 Company is seeking to have these prudent costs included in rate base in this proceeding.

1 **Q: Mr. Kumar also recommends in his Direct Testimony on page 44 that the**
2 **Commission “set a cap on the AQCS cost equal to \$484.2 million.” Do you agree**
3 **with this recommendation?**

4 A: No, I do not. The Company believes that the Commission should include all prudently
5 incurred costs associated with the AQCS and other construction projects that have been
6 included in this case. The Company’s testimony will demonstrate that the costs incurred
7 related to the AQCS and related projects were prudently incurred and should be included
8 in rates in this case.

9 **Q: In his Direct Testimony Mr. James R. Dittmer indicates that he was asked to**
10 **compare and contrast the original estimates related to the Company’s construction**
11 **program with KCP&L’s current costs estimates for Iatan and other capital projects**
12 **associated with the Comprehensive Energy Plan. Do you have comments related to**
13 **Mr. Dittmer’s Direct Testimony related to the Company’s construction program?**

14 A: Yes. Mr. Dittmer raises concerns regarding increases in construction costs related to the
15 Comprehensive Energy Plan, including Iatan 1 and Iatan 2 costs. I will address these
16 concerns and explain what steps KCP&L’s management has taken to ensure that the costs
17 incurred are reasonable and prudent. In particular, my testimony will discuss: (1) the
18 effectiveness of the settlement of certain disputes with ALSTOM (the “ALSTOM
19 Settlement Agreement”) related to ALSTOM’s work on the Iatan 1 fall 2008 outage (the
20 “Unit 1 Outage”); and, (2) the impact of the latent defect discovered in the Unit 1
21 economizer casing on the Unit 1 Outage.

22 **Q: When did you begin your tenure of Vice President of Construction at KCP&L?**

23 A: May 6, 2008.

ALSTOM SETTLEMENT AGREEMENT

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Q: Are you familiar with the ALSTOM Settlement Agreement?

A: Yes. I am.

Q: What was your involvement with the ALSTOM Settlement Agreement?

A: During my first week as Vice President of Construction, I was involved in negotiation sessions with ALSTOM over the terms under which ALSTOM's would agree to implement the revised Unit 1 baseline schedule (the "Revised Unit 1 Schedule") that had been previously established by the Tiger Team. As discussed by Company witness William Downey, the Revised Unit 1 Schedule increased the outage length from fifty-six to seventy-three days to accommodate all of the necessary outage work. I was part of a team that engaged in direct negotiations with ALSTOM's management in Bethesda, Maryland, at the offices of Jonathan Marks, who facilitated those discussions. I continued to be engaged in these negotiations over the next several months until the ALSTOM Settlement Agreement was completed on July 18, 2008.

Q: Are you familiar with the terms of the ALSTOM Settlement Agreement?

A: Yes. Under the ALSTOM Settlement Agreement, ALSTOM agreed ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]**

4 These non-conformance issues also carried considerable value to KCP&L because their
5 resolution could have impacted KCP&L's ability to obtain an occupancy permit from
6 Platte County.

7 The ALSTOM Settlement Agreement also included ** [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]**

16 **Q: Did you communicate the circumstances and results of the ALSTOM Settlement**
17 **Agreement with the Commission Staff and Signatory Parties to the Stipulation and**
18 **Agreement in Case No. EO-2005-0329 ("Signatory Parties")?**

19 **A:** Yes. At the third quarter meeting with Staff and Signatory Parties held on September 9,
20 2008, I reported the events described above. Additionally, KCP&L included a discussion
21 of the ALSTOM Settlement Agreement in its third quarter report, as testified by
22 Company witness Chris Giles. A copy of the Settlement Agreement was provided to
23 Staff on September 23, 2008.

1 **Q: Do you have an opinion as to the whether the ALSTOM Settlement Agreement was**
2 **advantageous for KCP&L?**

3 A: I believe the Settlement Agreement benefitted KCP&L. The ALSTOM Settlement
4 Agreement made an already strong contract with ALSTOM even stronger in that we
5 secured ALSTOM's commitment ** [REDACTED]

6 [REDACTED]
7 [REDACTED]** In

8 addition, the timing of ALSTOM's Settlement was sufficient to allow successful
9 completion of ALSTOM's work.

10 **Q: Did you observe any change in ALSTOM's performance after the ALSTOM**
11 **Settlement Agreement was executed?**

12 A: Yes. ALSTOM was able to ramp up its management and add craft personnel to prepare
13 for and execute the work in the Unit 1 Outage. In addition, the level of cooperation and
14 communication between ALSTOM's site management team and KCP&L's project team
15 immediately increased. ALSTOM also was cooperative with the other key contractors on
16 site, most notably with Kiewit. ALSTOM worked with Kiewit to allow Kiewit access to
17 work on a staged-basis.

18 **Q: Is there anything else that you believe positively impacted ALSTOM's performance**
19 **on the Unit 1 Outage?**

20 A: Yes. My team aggressively managed ALSTOM's and Kiewit's work on a daily basis.
21 We instituted a Plan of the Day meeting that held the contractors accountable for their
22 performance and caused the contractors to report their progress on key evolutions. We
23 also had detailed, near-daily meetings with ALSTOM's project management team in

1 which we discussed ALSTOM's earned value, productivity, completed and open tasks,
2 rework and inefficiencies. ALSTOM's level of transparency regarding issues impacting
3 its work significantly increased over the course of the Unit 1 Outage preparation period
4 and the outage itself. Additionally, we initiated a weekly meeting with the senior project
5 management of ALSTOM, Kiewit, Burns & McDonnell and Kissick ("Senior
6 Management Meetings"). The purpose of the Senior Management Meetings is to look
7 ahead several weeks in the construction process to identify potential conflicts or other
8 construction issues and achieve timely resolution. KCP&L's active engagement with the
9 contractors greatly increased the success of the Unit 1 Outage.

10 **IMPACT OF THE ECONOMIZER CASING ON THE UNIT 1 OUTAGE**

11 **Q: Are you familiar with a latent condition found in the Unit 1 economizer casing**
12 **during the course of the Unit 1 Outage?**

13 A: Yes. Company witness Brent Davis testified as to this issue. My understanding is
14 consistent with Mr. Davis' testimony.

15 **Q: Do you have an opinion as to the impact of the economizer casing issue on the Unit 1**
16 **Outage?**

17 A: As stated in our fourth quarter report of 2008 to the Commission Staff and Signatory
18 Parties, the Unit 1 Outage was impacted by thirty-two (32) days due to the economizer
19 issue. But for this issue occurring, the construction work on the Unit 1 Outage could
20 have concluded during the first two weeks of January, 2009, if not earlier.

21 **Q: What is the basis for your opinion?**

22 A: Due to the improvements that ALSTOM was making, its recovery plan was generally
23 effective in meeting the dates in the Revised Unit 1 Schedule. In addition, KCP&L's

1 active engagement of ALSTOM and Kiewit on a daily basis resulted in our ability to
2 mitigate the impact of potential issues before they occurred.

3 **Q: Did the improved relationship with ALSTOM have any other benefits during the**
4 **Unit 1 Outage?**

5 A: Yes. When the latent defect in the economizer casing was discovered, we shared all
6 necessary information with ALSTOM immediately, and ALSTOM was equally
7 forthcoming with KCP&L regarding the actual impact of the economizer cracking and
8 the workarounds it was able to perform. We also agreed to fairly compensate ALSTOM
9 for its impacts so long as these impacts were real and quantifiable. Although ALSTOM's
10 original estimate regarding these impacts was high, ALSTOM was reasonable in its
11 analysis and agreed to cooperate with KCP&L's commercial team in providing the
12 documentation and information necessary to allow KCP&L to evaluate its claim in order
13 to reach a quick resolution. ALSTOM was willing to work with KCP&L on a safety plan
14 within the economizer outlet duct that allowed for its work and that of Babcock &
15 Wilcox, the performing contractor for the economizer surface area contract, to proceed.
16 But for KCP&L's active engagement with ALSTOM, the delays associated with the
17 economizer could have been severe.

18 **Q: Based upon your observations of the KCP&L management effort related to the**
19 **construction projects, do you believe the concerns of Mr. Kumar and Mr. Dittmer**
20 **related to cost increases on these projects are legitimate concerns?**

21 A: No. I believe that the KCP&L Management Team has prudently managed the various
22 construction projects discussed by Mr. Kumar and Mr. Dittmer. As explained in this
23 testimony, KCP&L Management Team has actively managed these projects to ensure that

1 all costs were prudently incurred in the completion of these projects.

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

3 **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 Tariff to) Case No. ER-2009-0089
Continue the Implementation of Its Regulatory Plan)

AFFIDAVIT OF CARL CHURCHMAN


STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Carl Churchman, being first duly sworn on his oath, states:

1. My name is Carl Churchman. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President of Construction.

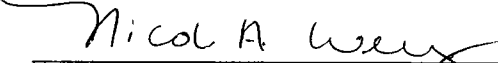
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of eight (8) pages and Schedule(s) through , all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



Carl Churchman

Subscribed and sworn before me this 16th day of March 2009.



Notary Public

My commission expires: Feb. 4, 2011

