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**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

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**DIRECT TESTIMONY OF**

**WILLIAM H. DOWNEY**

**ON BEHALF OF  
KANSAS CITY POWER & LIGHT COMPANY**

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**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. 10-KCPE-415RTS**

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

2 A. My name is William H. Downey. My business address is 1200 Main, Kansas City,  
3 Missouri 64105.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am President, Chief Operating Officer, and a member of the Board of Directors of Great  
6 Plains Energy Incorporated (“Great Plains Energy”), the holding company of Kansas City  
7 Power & Light Company (“KCP&L”). I am also the President and Chief Operating  
8 Officer of KCP&L.

9 **Q. What are your responsibilities?**

10 A. My responsibilities include overall management of all aspects of Great Plains Energy and  
11 KCP&L.

1 **Q. Please describe your experience and employment history.**

2 A. I hold a Bachelor of Science degree from Boston University, a Master of Science degree  
3 from Columbia University and a Master of Business Administration degree from the  
4 University of Chicago. I began working for KCP&L in 2000 after 28 years of electric  
5 utility experience. I was named to my current position in October of 2003. I also served  
6 as KCP&L's Chief Executive Officer from 2003 until 2008. Prior to joining KCP&L, I  
7 served as vice president of Commonwealth Edison and president of Unicom Energy  
8 Services Company, Inc., an unregulated energy marketing and services company  
9 operating throughout the Midwest.

10 **Q. Have you previously testified in a proceeding at the Kansas Corporation**  
11 **Commission ("KCC")?**

12 A. Yes. I filed testimony in KCP&L's last rate case before the KCC, Docket No. 09-KCPE-  
13 246-RTS ("246 Docket"). My rebuttal testimony in that case is attached as Schedule  
14 WHD2010-1. Additionally, I filed testimony in KCP&L's 2006 Kansas rate case and in  
15 2008 with respect to the acquisition of Aquila, Inc. by Great Plains Energy.

16 **Q. What is the purpose of your testimony in this case?**

17 A. The purpose of my testimony is to: (i) identify the actions KCP&L's senior management  
18 took to plan and oversee the Company's Comprehensive Energy Plan ("CEP") Projects,  
19 including instituting the processes senior management used for decision-making;  
20 (ii) discuss the plan for early procurements; (iii) identify the measures KCP&L's  
21 executive management took to facilitate management of the ALSTOM contract; and  
22 (iv) identify KCP&L's decision-making process regarding the contracting strategy  
23 employed for Iatan Units 1 and 2, including but not limited to the balance of plant work.

1 **PROJECT PLANNING/CREATION OF OVERSIGHT**

2 **Q. In your testimony in the 246 Docket, did you discuss the role of Executive**  
3 **Management and Senior Management on the Iatan Projects?**

4 A. Yes. I testified as follows:

5 **Q. Please define “Executive Management” and “Senior**  
6 **Management” within the KCP&L organization.**

7 A. “Executive Management” consists of the Chairman, the President,  
8 and Chief Operating Officer (“COO”), the Chief Financial Officer  
9 (“CFO”), and the Executive Vice Presidents. “Senior  
10 Management” consists of those same individuals plus the  
11 Company’s other Vice Presidents.

12 **Q. Could you describe the resources used by KCP&L’s Executive**  
13 **Management to oversee the Iatan Project?**

14 A. KCP&L has created the Executive Oversight Committee (“EOC”)  
15 from its Senior Management ranks to provide oversight from a  
16 management perspective. The EOC also engaged external  
17 oversight from Schiff Hardin, LLP (“Schiff”). In addition,  
18 KCP&L’s Internal Audit Department as supplemented by Ernst &  
19 Young (“E&Y”) provides both Senior Management and the  
20 KCP&L Board of Directors with oversight of the Iatan Project.

21 **Q. Why did KCP&L engage these oversight groups?**

22 A. KCP&L’s Executive Management recognized that the Company  
23 had not engaged in a large construction project such as the projects

1 in our Comprehensive Energy Plan (the “CEP Projects”) since the  
2 construction of the Wolf Creek nuclear station in 1978-85.  
3 KCP&L had engaged in a number of smaller construction projects,  
4 and had rebuilt the Hawthorn 5 station after the 1999 explosion[.]. .  
5 .[W]hile those projects provided KCP&L with some project  
6 management experience, those projects were not analogous to the  
7 kind of large strategic initiatives we were committed to under the  
8 CEP Projects. As of the approval of the Stipulation and  
9 Agreement (Docket No. 04-KCPL-1025-GIE) on April 27, 2005  
10 (the “1025 S&A”), Senior Management recognized that it needed  
11 to adopt a structured approach to the management of the  
12 contractors on the CEP Projects that included heavy owner  
13 involvement. During the early CEP Project planning, KCP&L’s  
14 Senior Management recognized that KCP&L did not at that time  
15 have the internal resources experienced in construction  
16 management necessary to oversee projects of the size and  
17 complexity that were contemplated in the CEP Projects. . .

18 (Schedule WHD2010-1 at pp.3-4).

19 **Q. In your prior testimony in the 246 Docket, did you describe the purpose and**  
20 **function of the EOC with respect to the Iatan Project?**

21 A. Yes. I stated as follows:

22 **Q. What is the overall purpose of the EOC?**

1 A. There are two essential purposes for the EOC: (1) the KCP&L  
2 Senior Management needed to be kept informed of the ongoing  
3 work on the CEP projects to ensure that our investments were  
4 made wisely and prudently; and, (2) KCP&L's Senior  
5 Management needed to contribute to the decision-making process  
6 and vet the ongoing activities of the CEP projects.

7 **Q. What was the genesis of the EOC?**

8 A. As stated above, Senior Management identified that the CEP  
9 Projects were a major endeavor and the size, complexity and  
10 overall cost of these projects made it essential for members of the  
11 Senior Management team to be involved in oversight. In the  
12 summer of 2005, we placed the CEP Projects under the control of  
13 the Senior Vice President of Supply, Steven Easley. I felt that it  
14 was necessary for Mr. Easley's peers to provide oversight to the  
15 project on a regular basis.

16 Though the moniker "EOC" was used later, we effectively  
17 established the EOC in the summer of 2005 after KCP&L finalized  
18 the Kansas and Missouri stipulations. In the fall of 2005, after  
19 Schiff was brought in to review the CEP Projects' schedules and  
20 procurement options, the Senior Management team that ultimately  
21 composed the EOC had a number of important meetings. One  
22 notable formal meeting of this group occurred on September 29,  
23 2005 when the project team and Schiff presented various

1 contracting options for the CEP Projects. A second important  
2 meeting of this group was held on November 23, 2005. At both of  
3 those meetings, myself, Terry Bassham, Chris Giles, Bill Riggins  
4 and Steve Easley were in attendance. Great Plains Energy and  
5 KCP&L's Chairman, Mike Chesser was also in attendance for the  
6 November 23, 2005 meeting. As the CEP Projects progressed, the  
7 EOC became more formalized.

8 **Q. Who has served on the EOC?**

9 A. Myself, Mr. Bassham, Mr. Giles, Mr. Riggins, Mr. Easley, Ms.  
10 Lora Cheatum, and at various times later, John Marshall, Barbara  
11 Curry, Michael Cline and Lori Wright. David Price was on the  
12 EOC during his tenure as Vice President of Construction and was  
13 succeeded in May of 2008 by Carl Churchman. We also included  
14 other non-executive individuals in the meetings for information  
15 purposes, such as Brent Davis and the other CEP Projects' project  
16 managers, Maria Jenks, who is our Director of Audit Services, and  
17 others as necessary.

18 **Q. Why was each of those individuals chosen to be on the EOC?**

19 A. I felt it was important for the Senior Management team to both  
20 receive information and accept accountability for the CEP Projects.  
21 For instance, Mr. Riggins in his role as General Counsel has  
22 oversight of the legal effort, and Mr. Giles in his role as Vice  
23 President of Regulatory Affairs has responsibility for the

1 regulatory issues related to and arising from the CEP Projects.  
2 Because construction issues overlap many areas, it was critical for  
3 both effective management and corporate governance to increase  
4 the amount of information that members of Senior Management  
5 received and that they be part of all essential decisions related to  
6 the CEP Projects.

7 **Q. How often did the EOC meet?**

8 A. At different times, the EOC met on a weekly or bi-weekly basis.  
9 Throughout 2006, as the CEP Projects were taking shape, I thought  
10 it essential that the EOC members be kept informed as often as  
11 possible because the construction planning, procurement, and  
12 development was occurring at a rapid pace. At a later time,  
13 approximately when Mr. Price came onboard as the Vice President  
14 of Construction in May of 2007, the EOC beg[a]n conducting  
15 monthly meetings, which we have maintained since that time.

16 **Q. What topics are typically discussed during the EOC meetings?**

17 A. In the initial EOC meetings, there were numerous and detailed  
18 discussions regarding the contracting strategy and procurement of  
19 the CEP Projects' major vendors. Because of the size and  
20 complexity of these procurements, I felt it necessary for Senior  
21 Management to provide another level of oversight, understand the  
22 risks that the Company was taking, and to directly contribute to the  
23 discussions relative to those risks. As the CEP Projects have

1 progressed, the discussion topics have evolved to include the  
2 method and pace of the engineering and construction itself, as well  
3 as the tracking of the CEP Projects' schedule and budget.

4 **Q. What information is presented to the EOC for its**  
5 **consideration?**

6 A. The meetings, whether weekly or monthly, typically consisted of  
7 presentations from the CEP Projects' project teams. When the  
8 EOC meetings began, sections of those meetings were devoted  
9 individually to the La Cygne SCR [Selective Catalytic Reduction  
10 system] and the Spearville project, as well as Iatan. Obviously, as  
11 La Cygne and Spearville completed, those projects were removed  
12 from the agenda. Additionally, we would receive an update on the  
13 projects from Schiff, who presented both written and verbal  
14 reports, as well as project tracking metrics. The meetings included  
15 a wide ranging discussion among the EOC, the project team  
16 members, and Schiff regarding those materials as they were  
17 presented. In addition, on select occasions, the EOC meetings  
18 would include presentations from KCP&L's Internal Audit, as well  
19 as its consultants, E&Y. Typically, those presentations occurred in  
20 executive-only sessions with members of the EOC and KCP&L's  
21 Internal Audit.

22 **Q. In your opinion, has the EOC been effective?**



1 A. Yes. In my experience, the EOC has been very effective in  
2 meeting its goals of informing Senior Management and involving  
3 the Senior Management in the decision-making process. The  
4 results from the EOC have been very useful for our presentations  
5 to our Board of Directors.

6 **Q. How are the EOC meetings documented?**

7 A. The project teams typically present information regarding:  
8 (1) project schedule progress and schedule compliance/adherence;  
9 (2) budget status; (3) safety statistics; (4) quality statistics; (5) any  
10 other information that project teams believe could impact the CEP  
11 Projects. Additionally, Schiff has presented both verbal and  
12 written materials for the EOC's consideration, depending on the  
13 issues Schiff identified at the time. E&Y and the Internal Audit  
14 team have also prepared written materials for the EOC, though  
15 such materials are generally discussed in an executive-only  
16 session. The presentations to the EOC are maintained as a part of  
17 the CEP Projects' files. There are minutes of the EOC meetings  
18 that have been maintained by KCP&L's compliance department.

19 (Schedule WHD2010-1 at pp. 6-9).

20 **Q. In your opinion, has the EOC acted prudently in its decision-making on the Iatan**  
21 **Unit 2 Project?**

22 A. Yes. As described in my testimony in the 246 Docket, the EOC has established the  
23 methodology for vetting information from the Iatan Project Team and from our external

1 consultants. The information that has been presented to the EOC has been timely  
2 presented and thorough. That information has included key details regarding commercial  
3 strategies with contractors, schedule and budget tracking, safety, and technical aspects of  
4 the construction. On that basis, I believe that the EOC has made timely and prudent  
5 decisions during the Iatan Unit 2 Project.

6 **Q. Can you describe the level of oversight on the Iatan Project?**

7 A. Yes. In my 246 Docket testimony, I explained, in detail, the oversight provided by both  
8 KCP&L's Internal Audit and Schiff. Specifically, I stated as follows:

9 **Q. Please describe the role of KCP&L's Internal Audit in**  
10 **providing oversight of the CEP Projects.**

11 A. KCP&L has always utilized financial auditing as part of its normal  
12 course of business. In the third quarter of 2006, the Iatan 1 and 2  
13 project team was in the process of developing the Control Budget  
14 Estimate for approval by the Board of Directors, and the ALSTOM  
15 [ALSTOM Power, Inc.] contract had been executed. Senior  
16 Management believed at that time that it was both appropriate and  
17 necessary for the CEP Projects to be subjected to review of its  
18 policies and procedures by an auditing group separate from the  
19 typical financial audit. Under the direction of KCP&L's CFO, the  
20 KCP&L Internal Audit brought in a consulting group from E&Y  
21 that specialized in construction matters. Starting in late 2006,  
22 Internal Audit and E&Y began its compliance auditing on the  
23 procedures that were being prepared by the Iatan project team.

1           **Q.    Please describe Schiff's oversight role.**

2           A.    In August of 2005, we retained Schiff to perform a number of  
3                    services on our behalf. Schiff's initial focus was to: (1) utilize  
4                    their industry expertise to review and validate the essential  
5                    milestones dates and critical path activity durations needed to  
6                    achieve the critical in-service dates for Iatan 1 and 2, the  
7                    La Cygne 1 SCR, and the Spearville 1 wind project in accordance  
8                    with the Stipulation; (2) provide procurement advice regarding  
9                    potential contracting methods for each of the CEP Projects based  
10                   on Schiff's considerable experience with major procurements in  
11                   the utility construction industry; (3) provide project oversight and  
12                   reporting to the Senior Management of KCP&L, and (4) assist the  
13                   CEP Projects teams with developing appropriate and industry-  
14                   standard project controls standards and metrics.

15           (Schedule WHD2010-1 at pp. 5-6).

16          **Q.    How do the roles of Internal Audit and Schiff differ?**

17          A.    Internal Audit and Schiff serve very different roles, but do compliment each other.  
18                   Schiff's team is in the field on a daily basis validating the progress of the CEP  
19                   Projects and is an active participant in the oversight of day-to-day project  
20                   management. Schiff provides advice as to industry standard and best practices for  
21                   developing the policies and procedures for the CEP Projects directly to the project  
22                   teams and to the EOC, Senior Management individually and Executive  
23                   Management. Internal Audit reviews the CEP Project teams' compliance to the

1 policies and procedures applicable to the projects. Schiff has also aided KCP&L  
2 in the development and negotiation of the contracts for the CEP Projects which  
3 are then subject to audit to ensure that the contracts are being administered as  
4 intended.

5 **Q. Has KCP&L's management and the Iatan Project benefitted from the**  
6 **findings of Internal Audit that have identified issues with the Iatan project**  
7 **team's compliance?**

8 A. Yes. As I stated in my prior testimony filed in the 246 Docket:

9 "There are numerous areas where Internal Audit's findings have  
10 been very important to both the EOC's understanding and overall  
11 management of the CEP Projects, as well as the project teams'  
12 performance. Internal Audit's review of the project safety and  
13 quality programs has resulted in significant improvements to both  
14 areas. Internal Audit's review of the change management  
15 procedure has resulted in numerous changes within the project  
16 teams' and the Company's understanding of appropriate processes  
17 for issuing large changes during the course of the CEP Projects."

18 (Schedule WHD2010-1 at pp. 10-11).

19 **Q. Does your testimony from the 246 Docket remain accurate today?**

20 A. Yes. However, one change I would note would be the retirement of Mr. Giles.  
21 Curtis Blanc, Senior Director-Regulatory Affairs is now responsible for the  
22 regulatory issues related to and arising from the CEP Projects.

23 **EARLY PROCUREMENTS**

1 **Q. What procurement options for the Iatan Project did KCP&L consider after**  
2 **obtaining regulatory approval?**

3 A. As I stated in my testimony for the 246 Docket,

4 “KCP&L was open to any method for procurement that would result in a high  
5 probability of meeting schedule and budget goals while also providing the  
6 necessary level of transparency to the Kansas and Missouri Commissions. On  
7 September 29, 2005, Schiff gave a presentation to the KCP&L executive team  
8 regarding multiple procurement options for the work at Iatan. The options  
9 included: an Engineering-Procurement-Construction or EPC contract with a single  
10 source; a hybrid EPC contract in which the majority of the performance  
11 requirements would be covered under a single supplier; and a larger multi-prime  
12 method in which multiple contracts would be procured and managed by KCP&L  
13 as the overall construction manager.”

14 (Schedule WHD2010-1 at p. 11).

15 **Q. In late 2005 and into 2006, what did KCP&L’s Senior Management do to ensure**  
16 **that the Iatan Projects were making progress?**

17 A. We were advised by the project team, Burns & McDonnell, Schiff and Black and Veatch  
18 (“B&V”), an engineering firm providing services on the Iatan Unit 2 Project in the fall of  
19 2005, that the construction market was overheated, that there was enormous competition  
20 for materials, services, and construction management talent. We were also advised as to  
21 the risks of labor availability and productivity issues once construction started. As an  
22 example, in a presentation to KCP&L for services on Iatan Unit 2 on November 8, 2005,

1 B&V stated that “[t]he biggest risks for an Owner embarking on a project such as Iatan  
2 Unit 2 include:

- 3 • Delays and cost increase due to permitting unknowns and public resistance.
- 4 • Market forces such as:
  - 5 ○ Escalation
  - 6 ○ Material availability and lead times
  - 7 ○ Labor availability
  - 8 ○ Limited qualified engineers, EPC Contractors and OEM’s [Original  
9 Equipment Manufacturer]”

10 The relevant section of the B&V Proposal is attached as Schedule WHD2010-2.

11 Senior Management then monitored the project team’s progress on the key early  
12 procurements that were identified by Burns & McDonnell, Schiff and B&V as essential  
13 to keeping the Iatan Unit 1 and Unit 2 projects on target.

14 **Q. During the early 2005-2006 timeframe, did KCP&L identify the critical early  
15 procurements related to both Iatan Unit 1 and Unit 2 to support the schedule?**

16 A. Yes. Identification of procurements with long-lead times and limited competition was  
17 critical to the development of our contracting strategy, Procurement Plan and strategic  
18 schedule development.

19 **Q. What major procurements were impacted by market conditions in the 2005-2006  
20 timeframe?**

21 A. Based on the information that we received from our project team, Burns & McDonnell,  
22 B&V and Schiff, each believed it was possible to still obtain competitive pricing on most  
23 of the major equipment, but there appeared to be a general industry trend towards longer

1 lead times. Additionally, there were some significant supply constraints on some of the  
2 most critical procurements. As I stated in my testimony for the 246 Docket:

3 “[C]himneys were in high demand because of the shortage of qualified vendors  
4 and available vendor slots, as well as the availability of special alloy materials  
5 needed for Iatan 1 and 2. In August 2006, KCP&L developed a request for  
6 proposal for a combined Unit 1 and 2 chimney for Iatan. Responses were  
7 received to this RFP from only three vendors, two of whom were not capable of  
8 meeting the then current unit one and two schedule. The vendor selected for this  
9 work was Pullman Industries, who was the low bidder. However, Pullman  
10 required mobilization in the fall of 2006 due to its availability, and in order for the  
11 stack to be constructed Burns & McDonnell designed the foundations and  
12 chimney map.

13 In addition, KCP&L issued a request for proposal for foundations and  
14 substructure work, and received only one qualified bid from Kissick Construction,  
15 and that bid response was on a unit price basis. Both of these early procurements  
16 allowed key construction work to be performed early so as not to impact the  
17 remainder of construction and reduce the overall risk of the Project schedule.”

18 (Schedule WHD2010-1 at p. 13).

19 **Q. Did either Schiff or Burns & McDonnell tell KCP&L’s Senior Management in the**  
20 **fall of 2005 or early 2006 that the Iatan Unit 2 in-service date was not possible?**

21 A. No. Company witness Chris Giles testifies to the process of evaluation that our  
22 management undertook at that time and the presentations that were provided by Burns &  
23 McDonnell and B&V, regarding the proposals each made in November 2005. Burns &

1 McDonnell presented a plan that Schiff and our management viewed as capable for  
2 meeting the planned in-service dates for both Unit 1 and Unit 2. Based on that  
3 information, we chose to select Burns & McDonnell as our owner's engineer and proceed  
4 with the plan that Burns & McDonnell had articulated.

5 **Q. What else did KCP&L do to advance the schedule during calendar year 2006?**

6 A. As I stated in my 246 Docket testimony:

7 "Starting in the second quarter of 2006 the project's procurement department  
8 developed and executed a plan to procure all of the necessary equipment and  
9 materials for the Balance of Plant construction. In addition, procurement also  
10 negotiated the ALSTOM contract, which was executed on August 10, 2006."

11 (Schedule WHD2010-1 at pp. 13-14).

12 **Q. Was that procurement plan developed in the second quarter of 2006 effective?**

13 A. Yes. By the fourth quarter of 2006, procurement had contracted for nearly \$1 billion  
14 worth of work. Procurement also developed a detailed schedule for each of the  
15 remaining contracts and purchase orders and met on a weekly basis with personnel from  
16 Burns & McDonnell, KCP&L legal, and Schiff to progress that schedule. As a result of  
17 this procurement effort, the major equipment packages, including the ALSTOM contract,  
18 were procured on favorable terms and on a timely basis.

19 **MAJOR CONTRACTS – ALSTOM**

20 **Q. Did you testify as to ALSTOM's performance on the Iatan Project in the**  
21 **246 Docket?**

22 A. Yes. I testified as follows:



1           **Q.    What have you done at the executive level to facilitate**  
2           **management of the ALSTOM contract?**

3           A.    KCP&L’s management perceived some risk in bundling Iatan 2  
4           boiler and the Iatan 1 and 2 AQCS [Air Quality Control System]  
5           scope of work under one large EPC contract, though it was  
6           determined through careful vetting of the multiple options  
7           available at the time that in the end, the ALSTOM contract was the  
8           best possible method for KCP&L. The contract was negotiated  
9           over a period of six months, and required ALSTOM to provide  
10          significant transparency that was necessary for KCP&L to meet  
11          our reporting requirements and commitments to the Kansas and  
12          Missouri Commissions. In addition to the requirements under the  
13          ALSTOM contract, we recognized it would be necessary to  
14          maintain discourse with ALSTOM’s management at the executive  
15          level. My team and I have engaged in a number of efforts in this  
16          regard over the last two and a half years.

17          **Q.    Describe the executive level discussions that you have had with**  
18          **ALSTOM.**

19          A.    At various times, ALSTOM’s management and our management  
20          have felt it necessary to meet to discuss critical issues that could  
21          affect the performance of ALSTOM under the contract. By late  
22          2006, some issues in the day-to-day management of the ALSTOM  
23          contract had become apparent to the EOC, including some

1 communication issues between ALSTOM and Burns &  
2 McDonnell. In February of 2007, ALSTOM's management and  
3 most of the members of the EOC met at ALSTOM's offices in  
4 Knoxville, Tennessee (the "Knoxville Meeting") to discuss the key  
5 issues that had arisen between or among ALSTOM, Burns &  
6 McDonnell, and KCP&L.

7 **Q. What were the issues discussed at the Knoxville Meeting?**

8 A. At that time, I believe there were two major issues that needed to  
9 be resolved in these meetings. \*\* [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]\*\* Before

19 the Knoxville Meeting, Burns & McDonnell and ALSTOM had  
20 difficulties in resolving engineering disputes, including  
21 inconsistencies in the submittals by the separate ALSTOM entities.

22 This included the rejection of engineering submittals by ALSTOM  
23 by Burns & McDonnell. I believe that there needed to be a way

1 for KCP&L, ALSTOM, and Burns & McDonnell to identify open  
2 engineering issues and make them visible to the executives of all  
3 of the companies in order to resolve outstanding issues.

4 **Q. What changes did you see after the Knoxville Meeting in the**  
5 **level of cooperation between ALSTOM, KCP&L, and Burns &**  
6 **McDonnell?**

7 A. There were immediate results. ALSTOM allowed KCP&L to have  
8 an on-site representative in its Knoxville office for a period of five  
9 months to act as an expediter of decisions and facilitate the  
10 completion of the AQCS design engineering, which appeared to be  
11 behind schedule at that time. In addition, the KCP&L, ALSTOM,  
12 and Burns and McDonnell project teams started meeting on a bi-  
13 weekly basis at a rotating location among ALSTOM's offices,  
14 KCP&L's offices or Burns & McDonnell's offices. These  
15 meetings, which were known as the "Critical Issues Meetings,"  
16 were intended to facilitate cooperation and resolve open  
17 engineering issues. The EOC received regular reports from our  
18 project team on the status of these Critical Issues Meetings and it  
19 was apparent that a greater level of cooperation existed as a result  
20 of these communications. These meetings continued into 2008  
21 until engineering was substantially completed by ALSTOM.

22 **Q. What is your opinion of ALSTOM's management of the**  
23 **project?**

1 A. It is apparent to me that ALSTOM has had some challenges  
2 managing its work on the Iatan project. ALSTOM's entity  
3 performing the work at Iatan is actually a consortium of three  
4 separate ALSTOM subsidiaries. At times there have been  
5 difficulties caused between KCP&L and ALSTOM as a result of  
6 ALSTOM's structure for this project.

7 **Q. How did the consortium affect KCP&L's ability to manage**  
8 **ALSTOM?**

9 A. ALSTOM's structure on the Iatan project has often been  
10 problematic. Reaching closure on key ongoing issues at the  
11 project level has often required intervention by both our executives  
12 and ALSTOM's executives. That is why engaging ALSTOM's  
13 consortium leads in meetings such as the Knoxville Meeting was  
14 important to breaking through and resolving ongoing issues. I  
15 viewed this meeting as a critical step in setting the proper tone with  
16 ALSTOM in order to resolve both behavioral and commercial  
17 issues that needed to be addressed.

18 (Schedule WHD2010-1 at pp. 14-17).

19 **Q. Does that testimony remain accurate today?**

20 A. Yes.

21 **Q. Are there other examples where ALSTOM and KCP&L executives had to intercede**  
22 **to facilitate the relationship?**

1 A. Yes. In my previously-filed testimony in the 246 Docket (Schedule WHD2010-1), I  
2 explained the executive level discussions that led to the settlement of issues between  
3 KCP&L and ALSTOM on the Iatan Unit 1 Project. When we have encountered issues  
4 with ALSTOM on Iatan Unit 2, we have utilized similar methods for resolution of  
5 commercial issues. I have maintained a relationship with each of ALSTOM's executive  
6 consortium leaders for the Iatan Unit 2 Project, and in particular have maintained a  
7 regular dialogue with Tim Curran, Vice President, ALSTOM Power, Inc. As an example,  
8 we used a facilitation process with ALSTOM to resolve our disputes on Iatan Unit 1. We  
9 selected an eminent mediator/facilitator of construction disputes, Jonathan Marks, and  
10 established a process that allowed the parties to work cooperatively at resolving disputed  
11 issues and have used Mr. Marks as a resource throughout the Iatan 1 and 2 projects. In  
12 the spring of 2009, when issues arose that had the potential to threaten the success of  
13 Iatan Unit 2, Mr. Curran and I re-engaged Mr. Marks in a similar process. I was also  
14 very involved in negotiating the dispute to resolution directly with Mr. Curran and  
15 Mr. Marks.

16 **Q. What were the issues that were being discussed at that time?**

17 A. Based upon the data provided by KCP&L under the project controls requirements of  
18 ALSTOM's contract and KCP&L's project management team, we had concerns that  
19 ALSTOM could not meet the targeted Iatan Unit 2 Provisional Acceptance date of  
20 June 1, 2010 without significant acceleration on its part and all of the other contractors on  
21 site, most notably Kiewit Power Constructors Co. ("Kiewit"). We requested ALSTOM  
22 provide KCP&L with an analysis of the milestones necessary to meet the Provisional  
23 Acceptance and identify any barriers to successfully completing the work. Mr. Curran

1 and I engaged Mr. Marks to facilitate those discussions beginning with a series of  
2 meetings in Kansas City in June 2009. These discussions continued between KCP&L  
3 and ALSTOM on revised milestone and completion dates. We are in the process of  
4 finalizing commercial discussions at this time regarding the remaining Iatan Unit 2 work.

5 **Q. Why is it important for KCP&L to secure ALSTOM's agreement to the revised**  
6 **schedule dates?**

7 A. Obtaining ALSTOM's agreement to these dates allows for KCP&L to have confidence in  
8 the schedule of the remaining work in order to help coordinate Kiewit's work, have  
9 greater predictability of the Project's costs, reduce the potential for schedule-related  
10 increases in costs and further protect KCP&L in the future performance of Iatan Unit 2.  
11 Finally, it is critical to KCP&L to insure that start-up and commissioning activities occur  
12 in the proper sequence and with the level of cooperation needed from ALSTOM.

13 **Q. Has KCP&L's current Control Budget accounted for the potential outcome of the**  
14 **commercial discussion currently ongoing with ALSTOM?**

15 A. Yes. At the time of the 2009 cost reforecast, our team included sufficient reserve in  
16 contingency in the event we came to an agreement with ALSTOM, and this did not result  
17 in a change to the Control Budget.

18 **MAJOR CONTRACTS--KIEWIT**

19 **Q. In the 246 Docket, did you testify about the Balance of Plant contractor Kiewit?**

20 A. Yes. I described the original balance of plant contracting strategy and the decision to  
21 enter into a contract with Kiewit for the balance of plant work. Specifically, I testified:

22 **Q. What does "Balance of Plant Work" refer to?**

1           A.     My understanding of Balance of Plant work as it was used for Iatan  
2                     1 and 2 was the work outside of the Iatan 2 boiler and Iatan 1 and 2  
3                     AQCS in ALSTOM's EPC contract. The Balance of Plant scope  
4                     would include, but not be limited to; the erection of the turbine  
5                     generator building, the erection of equipment within that building  
6                     including the turbine generator itself and the condensers; electrical  
7                     wiring of all devices; foundations and substructures under all  
8                     major equipment; the erection of the cooling tower for Iatan 2; the  
9                     erection of the multiple tanks and water treatment facility that  
10                    would be common to both Iatan 1 and Iatan 2, and the Zero Liquid  
11                    Discharge ("ZLD") building.

12           **Q.     What did KCP&L's Senior Management discuss regarding the**  
13                   **balance of plant work during the meeting on November 23,**  
14                   **2005?**

15           A.     In Schiff's presentation at this meeting as well as its earlier  
16                    presentation on September 29, 2005, Schiff identified certain  
17                    advantages an owner could realize by procuring the Balance of  
18                    Plant work through a single, large contractor that could perform all  
19                    Balance of Plant functions on site. In addition, Schiff noted in  
20                    their presentations that the Balance of Plant contractor could serve  
21                    as a general contractor or construction manager.

22                                Also discussed at that meeting were alternatives to KCP&L  
23                    contracting with a single Balance of Plant contractor. Based on the

1 schedule scenarios that were presented by both Schiff and Burns &  
2 McDonnell at that meeting, it was evident that portions of the  
3 Balance of Plant work needed to be performed more quickly than  
4 others. The project team advocated splitting out those scopes of  
5 work for performance by smaller specialty contractors who could  
6 have had the same level of capability as any of the larger general  
7 contractor firms available.

8 In any event, it was presented to management that a  
9 decision regarding the Balance of Plant contractor was secondary  
10 to the procurement of the major equipment, *i.e.*, the turbine  
11 generator, boiler and AQCS, which needed to proceed to the  
12 Request for Proposal (“RFP”) stage very quickly.

13 **Q. How did KCP&L choose to proceed with Balance of Plant**  
14 **work through the year 2006?**

15 A. Based on the information from Burns & McDonnell and Schiff it  
16 was evident that the most critical portion of the Balance of Plant  
17 work that had to proceed immediately and in close coordination  
18 with the major equipment was the design and procurement of the  
19 major equipment foundations. As Burns & McDonnell and Schiff  
20 worked with the project team to develop the strategic schedule for  
21 Iatan, many of the critical dates necessary to meet key milestones  
22 for the foundations and substructures on site became clearer.



1           There were several key dates that Schiff and Burns &  
2           McDonnell identified, including the completion of the Iatan 2  
3           boiler foundation by August 15, 2007, in order allow sufficient  
4           time for the then unnamed vendor to erect the Iatan 2 boiler. For  
5           Burns & McDonnell to design the various foundation loads, it  
6           needed information from the selected major contractors on such  
7           things as the size of buildings, the weights of the equipment within  
8           the buildings, and structural loads and capabilities of those  
9           buildings and equipment.

10           It also was evident in early 2006 that in order to meet  
11           certain critical dates, Burns & McDonnell needed information  
12           from vendors who had not yet been selected, in particular, for the  
13           boiler and AQCS. The project team suggested, and Senior  
14           Management approved, a limited notice to proceed to both vendors  
15           who were competing for the boiler/AQCS work.

16           That limited notice to proceed (“LNTP”) was issued on  
17           February 26, 2006. In that LNTP, KCP&L agreed to pay both  
18           vendors a not-to-exceed price in order for those vendors to  
19           accelerate their provision of structural loads for the Unit 2 boiler.  
20           Obtaining this data allowed Burns & McDonnell to begin  
21           designing the foundation for the Unit 2 boiler prior to even the  
22           actual award of the boiler. For the Iatan 1 and 2 AQCS work,  
23           KCP&L made as a condition of its award to ALSTOM receipt of

1 key structural loads needed to meet the early foundation design and  
2 construction schedule. By doing so, KCP&L was able to mitigate  
3 several months of potential delay. Had that information not been  
4 received until the award of the boiler and AQCS work on August  
5 10, 2006, based on the information available from both Schiff and  
6 Burns & McDonnell, the in-service dates for both Iatan 1 and 2  
7 would have been significantly challenged.

8 **Q. When were you were first apprised of Kiewit's interest in**  
9 **performing work on the Iatan 1 and 2 project?**

10 A. I recall that Kiewit had expressed interest in bidding work for the  
11 Iatan project in the spring of 2006. I believe that members of the  
12 Iatan project team investigated the possibility of Kiewit performing  
13 work and I was told that due to Kiewit's schedule and the types of  
14 projects it was willing to take on, it was not a good fit at that time.

15 **Q. When were you advised of Kiewit's interest in being the**  
16 **Balance of Plant contractor for the unlet portions of the work?**

17 A. In late 2006 representatives from Kiewit contacted Brent Davis to  
18 inform him that a project for which Kiewit had been selected as  
19 Balance of Plant contractor had been postponed and these Kiewit  
20 representatives asked Mr. Davis if KCP&L had any interest in  
21 contracting with Kiewit for the Balance of Plant work. Mr. Davis  
22 informed me of this and I was favorable to entertaining at least a

1 proposal from Kiewit for how it would handle the Balance of Plant  
2 work.

3 **Q. After initially proceeding with the Balance of Plant work on a**  
4 **multi-prime basis, why did KCP&L consider listening to**  
5 **Kiewit's proposal for the remaining Balance of Plant work?**

6 A. First of all, we were aware of Kiewit's reputation in the industry  
7 for its safety and quality and its ability to manage work as a  
8 general contractor on major projects. Although we were  
9 comfortable at the time with proceeding on a multi-prime basis, we  
10 were nonetheless aware of the risk of procuring small specialty  
11 contractors to perform the majority of the Balance of Plant work.

12 \*\* [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED] \*\*

19 **Q. What were some of the risks that were being discussed at that**  
20 **time?**

21 A. The construction market in Kansas City at the time was very  
22 competitive and labor availability was a significant concern. In  
23 addition, there were some early safety issues on site with some of

1 the smaller contractors that highlighted the need for us to improve  
2 overall contractor safety on site. The challenge of growing the  
3 KCP&L project team to the size necessary to effectively manage  
4 all of the Balance of Plant work by many multiples of contractors  
5 was also considered a risk. In addition, we discussed the risk from  
6 the increased complexity of the Iatan 1 Outage including the  
7 multiple interfaces with performing contractors and the potential  
8 effect the Iatan 1 work could have on Iatan 2. Another  
9 consideration is when multiple contractors are performing in  
10 limited space, that coordination between those contractors would  
11 be essential to maintain schedule and budget and KCP&L would  
12 ultimately be responsible for the coordination of those multiple  
13 contractors.

14 **Q. When did Kiewit provide its proposal to KCP&L?**

15 A. In January, management authorized Burns & McDonnell to share  
16 information regarding design of the BOP work, quantities of work  
17 and scope of supply. Kiewit and Burns & McDonnell met for most  
18 of January 2007 and Kiewit's team received the necessary  
19 information. At the time, design was approximately thirty percent  
20 (30%) complete, so Kiewit also used comparative data from other  
21 projects to formulate its estimate. Kiewit supplied its initial  
22 proposal to Mr. Davis on February 13, 2007. The Executive  
23 Oversight Committee saw tremendous value in obtaining an

1 estimate from Kiewit as a basis for making a decision on the  
2 direction for the remaining Balance of Plant work. At a minimum,  
3 Kiewit's estimate could be used to validate KCP&L's budget for  
4 the Balance of Plant work. Kiewit's initial proposal was attractive  
5 enough that the Executive Oversight Committee asked Kiewit to  
6 make a formal presentation to the Executive Oversight Committee.  
7 That presentation occurred on April 16, 2007.

8 **Q. Did you attend the presentation to the Executive Oversight**  
9 **Committee on April 16, 2007?**

10 A. Yes, I did, and I believe the majority of the members of the  
11 Executive Oversight Committee were there as well. We also had  
12 Mr. Davis and other key members of the Iatan 1 and 2 project team  
13 and members of the Schiff team at the meeting as well.

14 **Q. What do you remember about that presentation?**

15 A. Kiewit's team included its division president, Howard Barton, and  
16 Jack Cotton, its proposal manager, as well as its proposed project  
17 manager, Andre Aube, all of whom were at the meeting to make  
18 the presentation. The presentation lasted the morning of  
19 April 16th. Kiewit presented a written package of materials on  
20 April 13, 2007 and a summary presentation for the meeting.  
21 Kiewit walked through its methodology for approaching such large  
22 projects and how it typically planned and scheduled the work.  
23 Kiewit explained that a key management tool for them is to

1 maintain a ratio of management personnel to field craft that  
2 allowed for organized, planned, and coordinated field work. For  
3 Iatan, due to the size and complexity of the work, Kiewit  
4 recommended a so called “craft-to-staff ratio” of 4:1. Kiewit  
5 provided industry and experience-based context for this proposed  
6 staff to craft ratio. Kiewit also discussed its processes and  
7 procedures for safety and project organization and discussed the  
8 particular challenges of being a Balance of Plant contractor on site  
9 with a large EPC contractor such as ALSTOM.

10 **Q. Did Kiewit provide an estimate for the cost of the Balance of**  
11 **Plant work?**

12 A. Yes, they did. And they provided it in multiple phases. The  
13 original Kiewit estimate was **\*\*[REDACTED]\*\***, which included  
14 Kiewit purchasing a number of engineered materials, which  
15 KCP&L had previously contracted with other vendors through its  
16 own separate procurement effort.

17 **Q. What type of risk was Kiewit proposing it take on via its**  
18 **proposal for the remaining Balance of Plant work?**

19 A. Kiewit identified a number of risks on the Iatan Project including  
20 ALSTOM’s performance and ALSTOM’s ability to influence  
21 labor on the site. Also, Kiewit was concerned with labor  
22 availability and productivity on a project of this size at this time,  
23 when the construction market was highly competitive. Kiewit also

1 presented some representative materials from another nearby  
2 project in Council Bluffs, Iowa, for MidAmerican Energy as an  
3 example of how projects with productivity issues can significantly  
4 exceed their budget and put schedule at risk. Kiewit intimated that  
5 without the type of management that it could provide, Iatan could  
6 be subjected to the same type of productivity problems as the  
7 Council Bluffs project.

8 **Q. What happened after the April 16th meeting with Kiewit?**

9 A. It was decided by the EOC after that meeting that it would be  
10 prudent for us to pursue more detailed negotiations with Kiewit.  
11 At the same time these discussions were happening at the  
12 executive level, we had hired a new Vice President of  
13 Construction, David Price, who started work with KCP&L on May  
14 1, 2007. I asked Mr. Price, Mr. Easley and Mr. Bassham to engage  
15 in discussions with Kiewit regarding refinement of its proposal for  
16 the project.

17 The first such meeting occurred on May 3, 2007, after  
18 which Mr. Easley and Mr. Price reported to the Executive  
19 Oversight Committee that Kiewit was amenable to alternate  
20 contracting models in which Kiewit would assume some of the risk  
21 of its performance on the project. In Senior Management's view it  
22 was important that Kiewit assume some risk and financial  
23 incentive to cooperate or otherwise have skin in the game.

1           **Q.    Were there any concerns regarding this being a single source**  
2           **procurement?**

3           A.    In the prior year, when pursuing contracting options, KCP&L  
4           procurement team had pulsed the marketplace for potential large  
5           Balance of Plant general contractor companies to bid on the Iatan  
6           work. The result of that market pulse was that the majority of the  
7           larger contractors who typically performed such work were at or  
8           beyond capacity and did not have interest in either Iatan or the  
9           Kansas City market.

10                         In April 2007, at the time that Kiewit made its proposal, the  
11           EOC asked procurement, again, to contact the same suppliers,  
12           including Fluor, Bechtel and Washington Group, and found that  
13           there was no interest. In addition, it was evident at that time that a  
14           bid process for the Balance of Plant work on a fixed price basis  
15           would not allow for timely procurement of that contract to meet  
16           schedule dates.

17                         In order to assure ourselves that we were receiving a good  
18           deal from Kiewit, we requested Kiewit provide us with a  
19           significant amount of information regarding its estimate and allow  
20           for the project team, Burns & McDonnell and Schiff to engage in  
21           detailed vetting of that estimate. That estimate vetting occurred  
22           through the spring and summer of 2007. Prior to Kiewit's  
23           proposal, we had established a Control Budget Estimate for the



1 Balance of Plant work and used that estimate as a baseline for  
2 comparison with the Kiewit contract. In the Control Budget  
3 Estimate we had included substantial contingency due to the  
4 acknowledged risks of KCP&L acting as a construction manager in  
5 a multi-prime contracting situation.

6 **Q. Based upon the review and analysis by the project team and**  
7 **Schiff, what was the recommendation with respect to engaging**  
8 **Kiewit in the Balance of Plant work?**

9 A. In the final analysis, which was discussed and vetted by the  
10 Executive Oversight Committee over a period of several months,  
11 we saw the following as the primary advantages of having Kiewit  
12 as the Balance of Plant contractor. First, Kiewit's presentation and  
13 organization appeared to provide the best plan for optimizing  
14 schedule performance of the remaining Balance of Plant work.  
15 Kiewit stressed the importance to management of co-locating at  
16 Burns & McDonnell's office to develop constructability reviews of  
17 Balance of Plant work as the engineering was being completed.  
18 This gave us comfort that Kiewit would be able to lend its  
19 expertise at the front end as the engineering was being completed.  
20 Second, Kiewit's construction management capability was well  
21 known in the industry and was well represented by the team that it  
22 proposed for Iatan. Third, we recognized that Kiewit's estimate  
23 provided a level of cost certainty that KCP&L would not have for

1 up to 12 additional months as it continued to contract for Balance  
2 of Plant work with smaller specialty contractors. There was risk  
3 that these future unlet contractors would be procured with little or  
4 no competition to vendors much less capable than Kiewit.

5 Kiewit's proposal included an assumption of productivity  
6 risks and confirmed with only few exceptions the design quantities  
7 that Burns & McDonnell had identified in its design work.

8 Next, Kiewit presented data to management showing the  
9 effectiveness of its safety program and made it clear to  
10 management how important safety was as a component of its daily  
11 work. Safety is our company's first concern, and safety is often a  
12 significant cost variable on a large project.

13 Next, Kiewit also presented statistics showing its quality of  
14 performance and the plan for co-locating with Burns & McDonnell  
15 appeared to provide a good solution to vetting engineering before it  
16 was released for construction. Also, Kiewit's capability and  
17 project controls was also notable and Kiewit agreed to be  
18 transparent in providing project controls information to the  
19 KCP&L team in keeping with KCP&L's regulatory commitments.

20 **Q. When did management decide that it would proceed in**  
21 **contracting with Kiewit?**

22 A. Once the process for the vetting of the estimate was discussed with  
23 Kiewit, Kiewit was asked by Mr. Price to provide an updated

1 proposal that could be used for further discussion and negotiation.  
2 Kiewit provided that proposal on May 13, 2007, in which it  
3 identified multiple scenarios under which it would be willing to  
4 contract for the work, including whether Kiewit would be  
5 responsible for procuring engineered materials. Kiewit's proposal  
6 was vetted by the project team and by Schiff, and on June 8, 2007,  
7 Kiewit was issued limited notice to proceed, under which it began  
8 its co-location at Burns & McDonnell as well as provided ongoing  
9 oversight and advice to Kissick on the forming and pouring of the  
10 turbine generator pedestal, among other services.

11 **Q. KCP&L contracted with Kiewit in November of 2007?**

12 A. Yes.

13 **Q. And what was the total cost of the Kiewit contract at that time?**

14 A. It was \*\* [REDACTED] \*\*.

15 **Q. The cost of Kiewit's contract price exceeded the remaining  
16 control budget for balance of the plant work?**

17 A. At that time, yes.

18 **Q. On what basis did you decide then to proceed with Kiewit?**

19 A. For all the reasons stated. The project's risk profile as expressed in  
20 the contingency held in the control budget, showed that the  
21 project's biggest risk at that time was KCP&L procuring and  
22 managing multiple small specialty contractors. Kiewit has a long  
23 and demonstrated track record in the power industry. It had the

1 resources necessary and available to manage, coordinate and  
2 perform the work under a single point responsibility. Because of  
3 the canceled project, it had a team ready to go, and that saved  
4 KCP&L from having to substantially increase the size of its own  
5 project team. We could also utilize Kiewit's already developed  
6 processes and procedures for safety and quality.

7 Burns & McDonnell worked with Kiewit in the past on  
8 previous joint ventures, including a project that was ongoing  
9 simultaneously to Iatan. The co-location with Burns and  
10 McDonnell allowed for the acceleration of engineering without  
11 additional costs because constructability would be built into the  
12 engineering. Kiewit's safety record is among the best in the  
13 industry, and Kiewit's focus on avoiding late engineering, labor  
14 management and material delivery appeared to be the best option  
15 available at that time very important for the project's success.

16 In evaluating Kiewit's price, the project team and Schiff  
17 looked at the available contingency that was part of the control  
18 budget as well as the low probability, high impact contingency that  
19 was held at the management level and determined that substantial  
20 offsets of perceived and known risks on the project could be  
21 realized with Kiewit as the Balance of Plant contractor.

22 At the Executive Oversight Committee's request, Schiff  
23 and the project team each evaluated the potential contingency

1 offset. They concluded that approximately 60 to 84 million dollars  
2 of held contingency at that time could be offset by Kiewit's  
3 presence on the project.

4 In addition, there were other potential cost savings that  
5 were factored into the decision such as an opportunity to avoid  
6 additional project team and project management expense under  
7 KCP&L's control.

8 Finally, we recognized the ability of Kiewit to mitigate the  
9 loss of scheduled float. Kiewit's quality program was perceived as  
10 a critical check to still ongoing engineering work that Burns &  
11 McDonnell was performing.

12 (Schedule WHD2010-1 at p. 20-31).

13 **Q. Does that testimony remain accurate today?**

14 A. Yes.

15 **Q. What has KCP&L done to manage Kiewit's work on the Iatan Unit 2 Project?**

16 A. Company witness Carl Churchman testifies regarding the day-to-day management of the  
17 Kiewit work. At the executive level, we have maintained a strong relationship with  
18 Kiewit's executives that has enabled us to work through issues as they have arisen. I  
19 have maintained a regular dialogue with Kiewit's Executive Vice President Doug  
20 Patterson, Kiewit's senior executive in charge of the project, that has allowed us to work  
21 through issues that have been escalated for our attention. We have also utilized the  
22 facilitative process with Jonathan Marks discussed earlier in my testimony to resolve  
23 certain critical issues.

1 **Q. How has that relationship benefitted the Iatan Unit 2 Project?**

2 A. The work with Kiewit's executives has resulted in greater cooperation with KCP&L,  
3 ALSTOM and Burns & McDonnell; it has reduced the overall cost of the Iatan Unit 2  
4 Project and has provided confidence in Kiewit's ability to meet the in-service dates. As  
5 an example, in early 2009, we were becoming increasingly concerned with the schedule  
6 performance of both ALSTOM and Kiewit. Our project team recognized from the  
7 project controls metrics we routinely track that Kiewit's schedule progress was lagging in  
8 certain key areas, notably electrical cable pulling and pipe installation. First, we needed  
9 to make sure the information we were seeing regarding the schedule was correct. We  
10 requested Kiewit's senior management to provide its internal performance data, and  
11 Kiewit complied. Obtaining this information and having a dialogue with Kiewit's team  
12 was critical to identify Kiewit's ability to support ALSTOM's remaining work in an  
13 efficient manner to support the Unit 2 Project schedule.

14 **Q. How did you go about approaching Kiewit on this issue?**

15 A. As I did with Tim Curran of ALSTOM, I requested that Kiewit's Executive Vice  
16 President and District Manager Doug Patterson also engage his team in facilitated  
17 discussions with our team, using Jonathan Marks as the facilitator. Mr. Patterson agreed,  
18 and in April 2009, our project teams had a frank discussion about barriers to Kiewit's  
19 work and strategies to overcome problems with its field productivity in order to perform  
20 with maximum efficiency.

21 **Q. What were the reasons that Kiewit offered for its productivity problems?**

22 A. Some of Kiewit's problems emanated from a lack of access to work in the boiler and  
23 AQCS areas due to ALSTOM's schedule performance. Kiewit also pointed to

1 engineering changes that were occurring as the design work was being finalized. Kiewit  
2 also acknowledged that its own field performance was not commensurate with its  
3 expectations. Our teams discussed ways to improve support for ongoing construction  
4 including support from Burns & McDonnell's field engineering team and from KCP&L's  
5 construction and contract administration teams.

6 **Q. What was the outcome of this process with Kiewit's executives?**

7 A. We discussed ways to improve the working relationship between the multiple parties, and  
8 recognized that we needed to convene a series of meetings with ALSTOM and Kiewit to  
9 work through the details of the schedule. We also wanted Kiewit to develop a cost  
10 projection for completing its work, and to re-structure its contract so that Kiewit would  
11 have increased risk for the final anticipated costs. In particular, we requested Kiewit's  
12 assessment at this point of the project of the costs associated with meeting the original  
13 target for Provisional Acceptance of June 1, 2010. As of the spring of 2009, Kiewit's  
14 team cautioned us that it would take a massive acceleration effort to try to meet the  
15 June 1, 2010 target and that there was an ever-lessening chance that the target date could  
16 actually be met.

17 **Q. What was Kiewit's assessment of the effort that it would need to maintain the**  
18 **original schedule?**

19 A. Kiewit's revised estimate at completion for the Iatan Unit 2 work was approximately  
20 **\*\* [REDACTED] \*\*** for labor and productivity  
21 losses if it were asked to maintain the June 1, 2010 target date. At that point, we  
22 recognized that maintaining the June 1, 2010 target would not be in the best interests of  
23 KCP&L's customers or the Iatan Unit 2 Project itself.

1 **Q. What did KCP&L's management do next?**

2 A. These discussions with Kiewit's management helped KCP&L assess the advantages and  
3 disadvantages of revising the target Provisional Acceptance date and preliminary  
4 milestones. We decided to ask Kiewit and ALSTOM to provide us with a revised plan  
5 that would lessen the cost and provide us with a greater level of confidence and  
6 predictability for when the Iatan Unit 2 Project would be completed.

7 **Q. How did changing the schedule benefit KCP&L with respect to Kiewit?**

8 A. By changing the schedule, KCP&L reduced Kiewit's compression and the associated  
9 labor inefficiency. As a result of reducing Kiewit's projected labor inefficiency, Kiewit  
10 changed its cost estimate for performing the remaining work \*\* [REDACTED]  
11 [REDACTED]\*\*. Moreover, we asked Kiewit to  
12 replan its work so that it could maximize its efficiency. Kiewit issued a new schedule in  
13 mid-June 2009 that accomplished this goal. In addition, we entered into a contract  
14 amendment with Kiewit that included significant other benefits to KCP&L.

15 **Q. Please describe the benefits to Iatan Unit 2 Project from the amendment to the**  
16 **Kiewit contract for the Iatan Unit 2 Project.**

17 A. As stated, Kiewit was able to reduce its cost estimate by \*\* [REDACTED]\*\*  
18 due to the change in its schedule. Kiewit reviewed every aspect of the remaining work  
19 and identified how to deploy an "area management" concept that is geared toward  
20 improving its efficiency and meeting the revised Iatan Unit 2 Project milestones. We  
21 agreed to accommodate Kiewit's requested change to the schedule because it integrated  
22 with ALSTOM's schedule. \*\* [REDACTED]

23 [REDACTED]



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[REDACTED]

[REDACTED]\*\*

**Q. At this time, what is the expected value of the Kiewit Contract for Iatan Unit 2?**

A. With the Contract Amendment negotiated with Kiewit and anticipated future change orders, we expect the Kiewit Contract \*\* [REDACTED] [REDACTED]\*\*.

**Q. Was KCP&L's management of the Kiewit contract or the Iatan Unit 2 Project in general a cause of cost increases to Kiewit's work?**

A. No.

**Q. What is the basis for your statement?**

A. There are multiple reasons, many of which are discussed in greater detail in the testimony of Company witnesses Ken Roberts and Daniel Meyer. First, a significant portion of the increase in the Kiewit contract was due to the maturation of the Iatan Unit 2 Project's design. We anticipated that there would be changes to the contract value because, as Company witness Steven Jones testifies, the design was only 15 to 20% complete for

1 Kiewit's scope of work at the time it prepared its estimate in April 2007, and that  
2 estimate was the basis for the contract. In addition, as Mr. Jones testifies, Kiewit did not  
3 take pricing risk for permanent materials, labor escalation and other costs that were part  
4 of the escalating, over-heated market in which the project was procured and built. Also,  
5 as the design matured, as Mr. Meyer testifies, the scope of the work came more into focus  
6 and this resulted in optimization of the plant's design to enhance future operations.  
7 Finally, as Mr. Meyer testifies, we knew at the time of the contract that the final schedule  
8 for the Iatan Unit 2 Project would need to be worked out over time as the design matured.  
9 The project team identified in the 2008 reforecast of the Iatan Unit 2 Project's costs the  
10 likely outcome of design maturation. Company witness Daniel Meyer notes in his  
11 testimony that as of May 2008, we had identified a projected cost for the Kiewit contract  
12 of \*\* [REDACTED] \*\*. Considering that the current contract price for  
13 Kiewit is projected to be less than what was predicted in May 2008, I believe that our  
14 team has done an excellent job of managing the Kiewit contract.

15 **Q. Has this agreement impacted KCP&L's current Control Budget?**

16 A. No. At the time of the 2008 cost reforecast, our team with Schiff's assistance reviewed  
17 the potential growth in the Kiewit contract due to likely maturation of design, additional  
18 change orders and schedule changes, pricing and escalation and other possible variations.  
19 As Company witness Daniel Meyer testifies, the reforecast from May 2008 anticipated an  
20 estimate at completion of Kiewit's work of \*\* [REDACTED] \*\*, which is  
21 actually higher than what we are now projecting, so we anticipate that we will have  
22 sufficient funds to cover the final cost of the Kiewit work in the current Control Budget.

1 Q. Does that conclude your testimony?

2 A. Yes.

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

In the Matter of the Application of Kansas City     )  
Power & Light Company to Modify Its Tariffs to     )     Docket No. 10-KCPE-\_\_\_-RTS  
Continue the Implementation of Its Regulatory Plan )

**AFFIDAVIT OF WILLIAM H. DOWNEY**

STATE OF MISSOURI     )  
   ) ss  
COUNTY OF JACKSON     )

William H. Downey, being first duly sworn on his oath, states:

1. My name is William H. Downey. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as President and Chief Operating Officer.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of forty-three (43) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

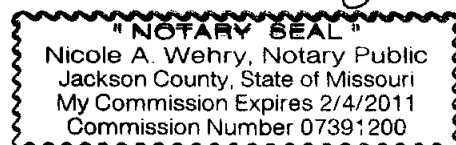
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

William H. Downey  
William H. Downey

Subscribed and sworn before me this 8<sup>th</sup> day of December, 2009.

Nicole A. Wehry  
Notary Public

My commission expires: Feb. 4, 2011



**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

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**REBUTTAL TESTIMONY OF**

**WILLIAM DOWNEY**

**ON BEHALF OF  
KANSAS CITY POWER & LIGHT COMPANY**

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**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. 09-KCPE-246-RTS**

- 1 Q: Q: Please state your name and business address.
- 2 A: My name is William H. Downey. My business address is 1201 Walnut, Kansas City,  
3 Missouri 64106-2124.
- 4 Q: By whom and in what capacity are you employed?
- 5 A: I am President, Chief Operating Officer, and a member of the Board of Directors of Great  
6 Plains Energy, Inc. ("Great Plains Energy"), the holding company of Kansas City Power  
7 & Light Company ("KCP&L"). I am also the President and Chief Operating Officer of  
8 KCP&L.
- 9 Q: What are your responsibilities?

1 A: My responsibilities include overall management of all aspects of Great Plains Energy and  
2 KCP&L.

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

4 A: I hold a Bachelor of Science degree from Boston University, a Master of Science degree  
5 from Columbia University and a Master of Business Administration degree from the  
6 University of Chicago. I began working for KCP&L in 2000 after 28 years of electric  
7 utility experience. I was named to my current position in October of 2003. I also served  
8 as KCP&L's Chief Executive Officer from 2003 until 2008. Prior to joining KCP&L, I  
9 served as vice president of Commonwealth Edison and president of Unicom Energy  
10 Services Company, Inc., an unregulated energy marketing and services company  
11 operating throughout the Midwest.

12 **Q: Have you previously testified in a proceeding at the Kansas Corporation  
13 Commission ("KCC") or before any other utility regulatory agency?**

14 A: Yes. I testified before the Commission in KCP&L's 2006 Kansas rate case and in 2008  
15 with respect to the merger of Great Plains Energy and Aquila, Inc.

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

17 A: The purpose of my testimony is to respond to certain assertions and criticisms made by  
18 Staff witness, Mr. Walter P. Drabinski, regarding KCP&L's management of the Iatan  
19 construction project. I will also address comments made by Ms. Andrea Crane, witness  
20 for the Citizens' Utility Ratepayers' Board ("CURB"). In my testimony, I will:  
21 (i) identify the actions KCP&L's senior management took to plan and oversee the  
22 Company's Comprehensive Energy Plan Projects including Iatan 1 and 2; (ii) identify the  
23 measures KCP&L's executive management took to facilitate management of the

1 ALSTOM contract; (iii) identify KCP&L's decision-making process regarding the  
2 contracting strategy employed for Iatan 1 and 2, including but not limited to the Balance  
3 of Plant work; (iv) identify methods KCP&L employed to manage the Owner's Engineer  
4 on the Iatan 1 and 2 project.

5 **PROJECT PLANNING/CREATION OF OVERSIGHT**

6 **Q: Please define "Executive Management" and "Senior Management" within the**  
7 **KCP&L organization.**

8 A: "Executive Management" consists of the Chairman, the President, and Chief Operating  
9 Officer ("COO"), the Chief Financial Officer ("CFO"), and the Executive Vice  
10 Presidents. "Senior Management" consists of those same individuals plus the Company's  
11 other Vice Presidents.

12 **Q: Could you describe the resources used by KCP&L's Executive Management to**  
13 **oversee the Iatan Project?**

14 A: KCP&L has created the Executive Oversight Committee ("EOC") from its Senior  
15 Management ranks to provide oversight from a management perspective. The EOC also  
16 engaged external oversight from Schiff Hardin, LLP ("Schiff"). In addition, KCP&L's  
17 Internal Audit Department as supplemented by Ernst & Young ("E&Y") provides both  
18 Senior Management and the KCP&L Board of Directors with oversight of the Iatan  
19 Project.

20 **Q: Why did KCP&L engage these oversight groups?**

21 A: KCP&L's Executive Management recognized that the Company had not engaged in a  
22 large construction project such as the projects in our Comprehensive Energy Plan (the  
23 "CEP Projects") since the construction of the Wolf Creek nuclear station in 1978-85.

1 KCP&L had engaged in a number of smaller construction projects, and had rebuilt the  
2 Hawthorn 5 station after the 1999 explosion, and while those projects provided KCP&L  
3 with some project management experience, those projects were not analogous to the kind  
4 of large strategic initiatives we were committed to under the CEP Projects. As of the  
5 approval of the Stipulation and Agreement (Docket No. 04-KCPL-1025-GIE) on April  
6 27, 2005 (the "1025 S&A"), Senior Management recognized that it needed to adopt a  
7 structured approach to the management of the contractors on the CEP Projects that  
8 included heavy owner involvement. During the early CEP Project planning, KCP&L's  
9 Senior Management recognized that KCP&L did not at that time have the internal  
10 resources experienced in construction management necessary to oversee projects of the  
11 size and complexity that were contemplated in the CEP Projects. Similarly, KCP&L  
12 identified that the procurement effort necessary for Iatan, LaCygne, and Spearville would  
13 require procurement expertise that exceeded its existing resources in its purchasing  
14 department circa mid-2005.

15 **Q: Did KCP&L create new procedures for the CEP projects?**

16 **A:** Yes. For the reasons stated, our corporate policies and procedures required updating for  
17 use on large construction projects. Therefore, from 2006 to 2007, the CEP Project team  
18 had to develop several policies and procedures that would be used exclusively on the  
19 Iatan, Spearville and LaCygne projects. These policies and procedures included change  
20 management, invoices, requests for proposal ("RFP"), bid evaluation, project controls,  
21 claim notification, safety, quality assurance and quality control, and engineering  
22 management. In addition, the KCP&L legal department, with Schiff's assistance,



1 developed form contracts for use in procurements of various types that could be adapted  
2 to the specific requirements necessary for the CEP Projects.

3 **Q: Please describe the role of KCP&L's Internal Audit in providing oversight of the**  
4 **CEP Projects.**

5 A: KCP&L has always utilized financial auditing as part of its normal course of business. In  
6 the third quarter of 2006, the Iatan 1 and 2 project team was in the process of developing  
7 the Control Budget Estimate for approval by the Board of Directors, and the ALSTOM  
8 contract had been executed. Senior Management believed at that time that it was both  
9 appropriate and necessary for the CEP Projects to be subjected to review of its policies  
10 and procedures by an auditing group separate from the typical financial audit. Under the  
11 direction of KCP&L's CFO, the KCP&L Internal Audit brought in a consulting group  
12 from E&Y that specialized in construction matters. Starting in late 2006, Internal Audit  
13 and E&Y began its compliance auditing on the procedures that were being prepared by  
14 the Iatan project team.

15 **Q: Please describe Schiff's oversight role.**

16 A: In August of 2005, we retained Schiff to perform a number of services on our behalf.  
17 Schiff's initial focus was to: (1) utilize their industry expertise to review and validate the  
18 essential milestones dates and critical path activity durations needed to achieve the  
19 critical in-service dates for Iatan 1 and 2, the LaCygne 1 SCR, and the Spearville 1 wind  
20 project in accordance with the Stipulation; (2) provide procurement advice regarding  
21 potential contracting methods for each of the CEP Projects based on Schiff's  
22 considerable experience with major procurements in the utility construction industry; (3)  
23 provide project oversight and reporting to the Senior Management of KCP&L, and (4)

1 assist the CEP Projects teams with developing appropriate and industry-standard project  
2 controls standards and metrics.

3 **Q: What is the overall purpose of the EOC?**

4 A: There are two essential purposes for the EOC: (1) the KCP&L Senior Management  
5 needed to be kept informed of the ongoing work on the CEP projects to ensure that our  
6 investments were made wisely and prudently; and, (2) KCP&L's Senior Management  
7 needed to contribute to the decision-making process and vet the ongoing activities of the  
8 CEP projects.

9 **Q: What was the genesis of the EOC?**

10 A: As stated above, Senior Management identified that the CEP Projects were a major  
11 endeavor and the size, complexity and overall cost of these projects made it essential for  
12 members of the Senior Management team to be involved in oversight. In the summer of  
13 2005, we placed the CEP Projects under the control of the Senior Vice President of  
14 Supply, Steven Easley. I felt that it was necessary for Mr. Easley's peers to provide  
15 oversight to the project on a regular basis.

16 Though the moniker "EOC" was used later, we effectively established the EOC in  
17 the summer of 2005 after KCP&L finalized the Kansas and Missouri stipulations. In the  
18 fall of 2005, after Schiff was brought in to review the CEP Projects' schedules and  
19 procurement options, the Senior Management team that ultimately composed the EOC  
20 had a number of important meetings. One notable formal meeting of this group occurred  
21 on September 29, 2005 when the project team and Schiff presented various contracting  
22 options for the CEP Projects. A second important meeting of this group was held on  
23 November 23, 2005. At both of those meetings, myself, Terry Bassham, Chris Giles, Bill

1 Riggins and Steve Easley were in attendance. Great Plains Energy and KCP&L's  
2 Chairman, Mike Chesser was also in attendance for the November 23, 2005 meeting. As  
3 the CEP Projects progressed, the EOC became more formalized.

4 **Q: Who has served on the EOC?**

5 A: Myself, Mr. Bassham, Mr. Giles, Mr. Riggins, Mr. Easley, Ms. Lora Cheatum, and at  
6 various times later, John Marshall, Barbara Curry, Michael Cline and Lori Wright. David  
7 Price was on the EOC during his tenure as Vice President of Construction and was  
8 succeeded in May of 2008 by Carl Churchman. We also included other non-executive  
9 individuals in the meetings for information purposes, such as Brent Davis and the other  
10 CEP Projects' project managers, Maria Jenks, who is our Director of Audit Services, and  
11 others as necessary.

12 **Q: Why was each of those individuals chosen to be on the EOC?**

13 A: I felt it was important for the Senior Management team to both receive information and  
14 accept accountability for the CEP Projects. For instance, Mr. Riggins in his role as  
15 General Counsel has oversight of the legal effort, and Mr. Giles in his role as Vice  
16 President of Regulatory Affairs has responsibility for the regulatory issues related to and  
17 arising from the CEP Projects. Because construction issues overlap many areas, it was  
18 critical for both effective management and corporate governance to increase the amount  
19 of information that members of Senior Management received and that they be part of all  
20 essential decisions related to the CEP Projects.

21 **Q: How often did the EOC meet?**

22 A: At different times, the EOC met on a weekly or bi-weekly basis. Throughout 2006, as  
23 the CEP Projects were taking shape, I thought it essential that the EOC members be kept

1 informed as often as possible because the construction planning, procurement, and  
2 development was occurring at a rapid pace. At a later time, approximately when Mr.  
3 Price came onboard as the Vice President of Construction in May of 2007, the EOC begin  
4 conducting monthly meetings, which we have maintained since that time.

5 **Q: What topics are typically discussed during the EOC meetings?**

6 A: In the initial EOC meetings, there were numerous and detailed discussions regarding the  
7 contracting strategy and procurement of the CEP Projects' major vendors. Because of the  
8 size and complexity of these procurements, I felt it necessary for Senior Management to  
9 provide another level of oversight, understand the risks that the Company was taking, and  
10 to directly contribute to the discussions relative to those risks. As the CEP Projects have  
11 progressed, the discussion topics have evolved to include the method and pace of the  
12 engineering and construction itself, as well as the tracking of the CEP Projects' schedule  
13 and budget.

14 **Q: What information is presented to the EOC for its consideration?**

15 A: The meetings, whether weekly or monthly, typically consisted of presentations from the  
16 CEP Projects' project teams. When the EOC meetings began, sections of those meetings  
17 were devoted individually to the La Cygne SCR and the Spearville project, as well as  
18 Iatan. Obviously, as La Cygne and Spearville completed, those projects were removed  
19 from the agenda. Additionally, we would receive an update on the projects from Schiff,  
20 who presented both written and verbal reports, as well as project tracking metrics. The  
21 meetings included a wide ranging discussion among the EOC, the project team members,  
22 and Schiff regarding those materials as they were presented. In addition, on select  
23 occasions, the EOC meetings would include presentations from KCP&L's Internal Audit,

1 as well as its consultants, E&Y. Typically, those presentations occurred in executive-  
2 only sessions with members of the EOC and KCP&L's Internal Audit.

3 **Q: In your opinion, has the EOC been effective?**

4 A: Yes. In my experience, the EOC has been very effective in meeting its goals of  
5 informing Senior Management and involving the Senior Management in the decision-  
6 making process. The results from the EOC have been very useful for our presentations to  
7 our Board of Directors.

8 **Q: How are the EOC meetings documented?**

9 A: The project teams typically present information regarding: (1) project schedule progress  
10 and schedule compliance/adherence; (2) budget status; (3) safety statistics; (4) quality  
11 statistics; (5) any other information that project teams believe could impact the CEP  
12 Projects. Additionally, Schiff has presented both verbal and written materials for the  
13 EOC's consideration, depending on the issues Schiff identified at the time. E&Y and the  
14 Internal Audit team have also prepared written materials for the EOC, though such  
15 materials are generally discussed in an executive-only session. The presentations to the  
16 EOC are maintained as a part of the CEP Projects' files. There are minutes of the EOC  
17 meetings that have been maintained by KCP&L's compliance department.

18 **Q: How have Internal Audit and Schiff worked together on the CEP Projects?**

19 A: Internal Audit and Schiff have worked in a complementary fashion. Schiff's team is in  
20 the field on a daily basis validating the progress of the CEP Projects and is an active  
21 participant in the oversight of day-to-day project management. Schiff provides advice as  
22 to industry standard and best practices for developing the policies and procedures for the  
23 CEP Projects, while Internal Audit reviews the project team's compliance to those

1 policies and procedures once developed. Schiff also is integral in the development and  
2 negotiation of the contracts for the CEP Projects which are then subject to audit to ensure  
3 that the contracts are being administered as intended.

4 **Q: How does Internal Audit report its findings to the EOC?**

5 A: Internal Audit prepares an audit plan at the start of each business quarter and issues  
6 written reports which identify the project team's compliance to processes and procedures.  
7 Any non-conformances are then prioritized according to the potential risk to the  
8 Company from high to low as perceived by Internal Audit. These findings are then  
9 presented to the EOC and also to the project team itself for response and/or mitigation.  
10 Internal Audit's findings also have visibility to the Chairman and to the Audit Sub-  
11 committee of the KCP&L Board of Directors.

12 **Q: Have there been findings from Internal Audit that have identified issues with the  
13 project team's compliance?**

14 A: Yes.

15 **Q: And what does the EOC do when Internal Audit identifies such issues?**

16 A: First, the EOC requires the project team to develop a sufficient response to the audit  
17 findings. Then the EOC evaluates those responses to see if it satisfies the requirements  
18 within industry standard or sufficiently mitigates the risks identified by Internal Audit.

19 **Q: Are there areas where Internal Audit has helped the project?**

20 A: There are numerous areas where Internal Audit's findings have been very important to  
21 both the EOC's understanding and overall management of the CEP Projects, as well as  
22 the project teams' performance. Internal Audit's review of the project safety and quality  
23 programs has resulted in significant improvements to both areas. Internal Audit's review

1 of the change management procedure has resulted in numerous changes within the project  
2 teams' and the Company's understanding of appropriate processes for issuing large  
3 changes during the course of the CEP Projects.

#### 4 EARLY PROCUREMENTS

5 **Q: What procurement options for the Iatan project did KCP&L consider after**  
6 **obtaining regulatory approval?**

7 A: KCP&L was open to any method for procurement that would result in a high probability  
8 of meeting schedule and budget goals while also providing the necessary level of  
9 transparency to the Kansas and Missouri Commissions. On September 29, 2005, Schiff  
10 gave a presentation to the KCP&L executive team regarding multiple procurement  
11 options for the work at Iatan. The options included: an Engineering-Procurement-  
12 Construction or EPC contract with a single source; a hybrid EPC contract in which the  
13 majority of the performance requirements would be covered under a single supplier; and  
14 a larger multi-prime method in which multiple contracts would be procured and managed  
15 by KCP&L as the overall construction manager.

16 **Q: At that time, did Schiff make a specific recommendation to management that**  
17 **KCP&L follow a particular procurement strategy for Iatan?**

18 A: No. Schiff merely highlighted the potential benefits and risks associated with the  
19 procurement options for KCP&L's Senior Management to evaluate. We took Schiff's  
20 advice regarding the multiple options under consideration at that time and used that  
21 information to guide us in further developing options for future procurements.

22 **Q: In late 2005 and into 2006, what did KCP&L's Senior Management do to insure**  
23 **that Iatan 1 and 2 was making progress?**

1 A: We were advised by the project team, Burns and McDonnell, and Schiff that the  
2 construction market was overheated, that there was enormous competition for materials,  
3 services, and talent. We were also advised as to the risks of labor availability and  
4 productivity issues once construction started. Senior Management monitored the project  
5 team's progress on the key early procurements that were identified by Burns &  
6 McDonnell and Schiff as essential to keeping the Iatan 1 and 2 projects on target.

7 **Q: What early procurements related to both Iatan 1 and 2 did KCP&L identify as**  
8 **critical to the schedule?**

9 A: During 2005-06, there was considerable competition in the utility construction industry  
10 for a number of specialty items. Clearly, the most critical procurements for Iatan 1 and 2  
11 were the air quality control system ("AQCS") equipment and the design and erection of  
12 the new chimney. The procurement strategy for contracting with a single Engineer-  
13 Procure-Construct ("EPC") vendor for the Iatan 2 boiler as well as the Iatan 1 and 2  
14 AQCS was heavily discussed at the Senior Management level.

15 **Q: Did either Schiff or Burns & McDonnell tell KCP&L's Senior Management in fall**  
16 **of 2005 or early 2006 that the Iatan 1 and 2 in-service dates were either not possible**  
17 **or were significantly challenged?**

18 A: No. Both Schiff and Burns & McDonnell identified the risks of not proceeding  
19 expeditiously in the procurement of major contracts in order to meet the schedule  
20 although, at that time, both Burns & McDonnell and Schiff concluded that the Iatan 1 and  
21 2 schedule could be achieved. The EOC has closely monitored the actions by the project  
22 team to either get ahead of the market or mitigate the market's effects to the procurement  
23 strategy for Iatan 1 and 2. There were a number of key initiatives that KCP&L undertook



1 from a procurement perspective to advance the Iatan 1 and 2 project and preserve the  
2 schedule.

3 **Q: What major procurements were impacted by market conditions in the 2005-2006**  
4 **timeframe?**

5 A: Based on the information that we received from our project team, Burns & McDonnell  
6 and Schiff, a number of key procurements were influenced by the construction market at  
7 that time. As an example, chimneys were in high demand because of the shortage of  
8 qualified vendors and available vendor slots, as well as the availability of special alloy  
9 materials needed for Iatan 1 and 2. In August 2006, KCP&L developed a request for  
10 proposal for a combined Unit 1 and 2 chimney for Iatan. Responses were received to this  
11 RFP from only three vendors, two of whom were not capable of meeting the then current  
12 unit one and two schedule. The vendor selected for this work was Pullman Industries,  
13 who was the low bidder. However, Pullman required mobilization in the fall of 2006 due  
14 to its availability, and in order for the stack to be constructed Burns & McDonnell  
15 designed the foundations and chimney map.

16 In addition, KCP&L issued a request for proposal for foundations and  
17 substructure work, and received only one qualified bid from Kissick Construction, and  
18 that bid response was on a unit price basis. Both of these early procurements allowed key  
19 construction work to be performed early so as not to impact the remainder of construction  
20 and reduce the overall risk of the Project schedule.

21 **Q: What else did KCP&L do to advance the schedule during calendar year 2006?**

22 A: Starting in the second quarter of 2006 the project's procurement department developed  
23 and executed a plan to procure all of the necessary equipment and materials for the

1 Balance of Plant construction. In addition, procurement also negotiated the ALSTOM  
2 contract, which was executed on August 10, 2006.

3 **Q: Was that procurement plan developed in the second quarter of 2006 effective?**

4 A: Yes. By the fourth quarter of 2006, procurement had contracted for nearly \$1 billion  
5 worth of work. Procurement also developed a detailed schedule for each of the  
6 remaining contracts and purchase orders and met on a weekly basis with Burns &  
7 McDonnell, KCP&L legal, and Schiff to progress that schedule. As a result of this  
8 procurement effort, the major equipment packages, including the ALSTOM contract,  
9 were procured on favorable terms and on a timely basis.

10 **PERFORMANCE OF MAJOR CONTRACTORS – ALSTOM**

11 **Q: What have you done at the executive level to facilitate management of the ALSTOM**  
12 **contract?**

13 A: KCP&L's management perceived some risk in bundling Iatan 2 boiler and the Iatan 1 and  
14 2 AQCS scope of work under one large EPC contract, though it was determined through  
15 careful vetting of the multiple options available at the time that in the end, the ALSTOM  
16 contract was the best possible method for KCP&L. The contract was negotiated over a  
17 period of six months, and required ALSTOM to provide significant transparency that was  
18 necessary for KCP&L to meet our reporting requirements and commitments to the  
19 Kansas and Missouri Commissions. In addition to the requirements under the ALSTOM  
20 contract, we recognized it would be necessary to maintain discourse with ALSTOM's  
21 management at the executive level. My team and I have engaged in a number of efforts  
22 in this regard over the last two and a half years.

23 **Q: Describe the executive level discussions that you have had with ALSTOM.**

1 A: At various times, ALSTOM's management and our management have felt it necessary to  
2 meet to discuss critical issues that could affect the performance of ALSTOM under the  
3 contract. By late 2006, some issues in the day-to-day management of the ALSTOM  
4 contract had become apparent to the EOC, including some communication issues  
5 between ALSTOM and Burns & McDonnell. In February of 2007, ALSTOM's  
6 management and most of the members of the EOC met at ALSTOM's offices in  
7 Knoxville, Tennessee (the "Knoxville Meeting") to discuss the key issues that had arisen  
8 between or among ALSTOM, Burns & McDonnell, and KCP&L.

9 **Q: What were the issues discussed at the Knoxville Meeting?**

10 A: At that time, I believe there were two major issues that needed to be resolved in these  
11 meetings. \*\* [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED] \*\* Before the Knoxville Meeting, Burns & McDonnell  
19 and ALSTOM had difficulties in resolving engineering disputes, including  
20 inconsistencies in the submittals by the separate ALSTOM entities. This included the  
21 rejection of engineering submittals by ALSTOM by Burns & McDonnell. I believe that  
22 there needed to be a way for KCP&L, ALSTOM, and Burns & McDonnell to identify

1 open engineering issues and make them visible to the executives of all of the companies  
2 in order to resolve outstanding issues.

3 **Q: What changes did you see after the Knoxville Meeting in the level of cooperation**  
4 **between ALSTOM, KCP&L, and Burns & McDonnell?**

5 A: There were immediate results. ALSTOM allowed KCP&L to have an on-site  
6 representative in its Knoxville office for a period of five months to act as an expeditor of  
7 decisions and facilitate the completion of the AQCS design engineering, which appeared  
8 to be behind schedule at that time. In addition, the KCP&L, ALSTOM, and Burns and  
9 McDonnell project teams started meeting on a bi-weekly basis at a rotating location  
10 among ALSTOM's offices, KCP&L's offices or Burns & McDonnell's offices. These  
11 meetings, which were known as the "Critical Issues Meetings," were intended to facilitate  
12 cooperation and resolve open engineering issues. The EOC received regular reports from  
13 our project team on the status of these Critical Issues Meetings and it was apparent that a  
14 greater level of cooperation existed as a result of these communications. These meetings  
15 continued into 2008 until engineering was substantially completed by ALSTOM.

16 **Q: What is your opinion of ALSTOM's management of the project?**

17 A: It is apparent to me that ALSTOM has had some challenges managing its work on the  
18 Iatan project. ALSTOM's entity performing the work at Iatan is actually a consortium of  
19 three separate ALSTOM subsidiaries. At times there have been difficulties caused  
20 between KCP&L and ALSTOM as a result of ALSTOM's structure for this project.

21 **Q: How did the consortium affect KCP&L's ability to manage ALSTOM?**

22 A: ALSTOM's structure on the Iatan project has often been problematic. Reaching closure  
23 on key ongoing issues at the project level has often required intervention by both our

1 executives and ALSTOM's executives. That is why engaging ALSTOM's consortium  
2 leads in meetings such as the Knoxville Meeting was important to breaking through and  
3 resolving ongoing issues. I viewed this meeting as a critical step in setting the proper  
4 tone with ALSTOM in order to resolve both behavioral and commercial issues that  
5 needed to be addressed.

6 **Q: Are there other examples where ALSTOM and KCP&L executives had to intercede**  
7 **to facilitate the relationship?**

8 A: Yes. The most notable discussions with ALSTOM's management occurred over the  
9 2008 Iatan 1 Fall outage. In February of 2008, it was apparent to all parties that the Unit  
10 1 planned outage of fifty-six (56) days in duration and beginning on September 19, 2008  
11 would not be possible. In addition, there were a number of open issues with ALSTOM,  
12 including pending change orders for alleged delays, including weather delays and force  
13 majeure events, safety, and QA/QC issues that were ongoing from ALSTOM on the  
14 project. These issues could not be resolved at the project level in part because  
15 ALSTOM's project management did not have the authority to commit to a resolution on  
16 behalf of the other consortium members.

17 **Q: What occurred between KCP&L and ALSTOM executives to resolve these issues?**

18 A: ALSTOM's then-consortium leader, Jim Scholze expressed his concern to me about the  
19 Unit 1 outage duration and start date. Mr. Scholze proposed that representatives at the  
20 project level from ALSTOM, KCP&L, Kiewit and Burns & McDonnell meet to review  
21 all the work required to bring Unit 1 back into service, not just the new AQCS work but  
22 also all of the plant outage upgrade work that was required during the outage. This  
23 became the genesis of what became known as the Tiger Team, which met onsite

1 beginning in mid-February and issued its report on March 19, 2008. Among the  
2 recommendations of the Tiger Team was to move the outage start date from September  
3 19, 2008 to October 18, 2008 and extend the outage duration from fifty-six (56) days to  
4 seventy-three (73) days to accommodate all of the necessary outage work. At that time,  
5 ALSTOM's team stated that there were commercial issues that required resolution  
6 including costs associated with the new outage dates and durations as recommended by  
7 the Tiger Team. ALSTOM agreed to facilitate the commercial discussions with KCP&L  
8 in mid-April 2008. We insisted and ALSTOM's management agreed that those  
9 commercial discussions be facilitated by Jonathan Marks, who is one of the eminent  
10 mediator arbitrators of construction disputes in the United States. It was my feeling that  
11 Mr. Marks would assist the parties in a fruitful discussion and quick resolution of the  
12 commercial issues that were unresolved at the time. We met with Mr. Marks, ALSTOM,  
13 Kiewit, and Burns & McDonnell on April 16-17, 2008.

14 The open commercial issues were not resolved at the facilitation, though the open  
15 issues were clearly framed for both KCP&L and ALSTOM. We engaged in multiple  
16 additional sessions with Mr. Marks as the facilitator and ultimately arrived at a resolution  
17 on July 18, 2008 (referred to as the "ALSTOM Settlement Agreement").

18 **Q: What was resolved by the ALSTOM Settlement Agreement?**

19 A: The ALSTOM Settlement Agreement resolved all outstanding issues between ALSTOM  
20 and KCP&L up to May 22, 2008, with the exception of a few defined claims. The  
21 outstanding issues that were resolved by the settlement agreement included: \*\*

22 [REDACTED]

23 [REDACTED]

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED] \*\*

9 Company witness Carl Churchman describes in his Rebuttal Testimony with more  
10 specificity all of the issues resolved by the ALSTOM Settlement Agreement. I agree  
11 with those statements.

12 **Q: What type of analysis did KCP&L do to determine the value it received in the**  
13 **ALSTOM Settlement Agreement?**

14 A: KCP&L's project team and Schiff analyzed the value associated with all of the claims  
15 that were settled as a part of the negotiations with ALSTOM as described above and  
16 determined that KCP&L had reserved approximately \*\* [REDACTED]  
17 [REDACTED] \*\* in the project's Control Budget for all of the  
18 claims that were resolved under the ALSTOM Settlement Agreement.

19 **Q: Were there any non-monetary considerations that KCP&L received as a part of the**  
20 **ALSTOM Settlement Agreement?**

21 A: Yes. As a part of the settlement, ALSTOM agreed \*\* [REDACTED]  
22 [REDACTED]  
23 [REDACTED]

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[REDACTED]

[REDACTED]\*\*

**PERFORMANCE OF MAJOR CONTRACTORS/KIEWIT**

**Q: What does “Balance of Plant Work” refer to?**

A: My understanding of Balance of Plant work as it was used for Iatan 1 and 2 was the work outside of the Iatan 2 boiler and Iatan 1 and 2 AQCS in ALSTOM’s EPC contract. The Balance of Plant scope would include, but not be limited to; the erection of the turbine generator building, the erection of equipment within that building including the turbine generator itself and the condensers; electrical wiring of all devices; foundations and substructures under all major equipment; the erection of the cooling tower for Iatan 2; the erection of the multiple tanks and water treatment facility that would be common to both Iatan 1 and Iatan 2, and the Zero Liquid Discharge (“ZLD”) building.

**Q: What did KCP&L’s Senior Management discuss regarding the balance of plant work during the meeting on November 23, 2005?**

A: In Schiff’s presentation at this meeting as well as its earlier presentation on September 29, 2005, Schiff identified certain advantages an owner could realize by procuring the Balance of Plant work through a single, large contractor that could perform all Balance of Plant functions on site. In addition, Schiff noted in their presentations that the Balance of Plant contractor could serve as a general contractor or construction manager.

Also discussed at that meeting were alternatives to KCP&L contracting with a single Balance of Plant contractor. Based on the schedule scenarios that were presented by both Schiff and Burns & McDonnell at that meeting, it was evident that portions of the Balance of Plant work needed to be performed more quickly than others. The project



1 team advocated splitting out those scopes of work for performance by smaller specialty  
2 contractors who could have had the same level of capability as any of the larger general  
3 contractor firms available.

4 In any event, it was presented to management that a decision regarding the  
5 Balance of Plant contractor was secondary to the procurement of the major equipment,  
6 *i.e.*, the turbine generator, boiler and AQCS, which needed to proceed to the Request for  
7 Proposal ("RFP") stage very quickly.

8 **Q: How did KCP&L choose to proceed with Balance of Plant work through the year**  
9 **2006?**

10 A: Based on the information from Burns & McDonnell and Schiff it was evident that the  
11 most critical portion of the Balance of Plant work that had to proceed immediately and in  
12 close coordination with the major equipment was the design and procurement of the  
13 major equipment foundations. As Burns & McDonnell and Schiff worked with the  
14 project team to develop the strategic schedule for Iatan, many of the critical dates  
15 necessary to meet key milestones for the foundations and substructures on site became  
16 clearer.

17 There were several key dates that Schiff and Burns & McDonnell identified,  
18 including the completion of the Iatan 2 boiler foundation by August 15, 2007, in order  
19 allow sufficient time for the then unnamed vendor to erect the Iatan 2 boiler. For Burns  
20 & McDonnell to design the various foundation loads, it needed information from the  
21 selected major contractors on such things as the size of buildings, the weights of the  
22 equipment within the buildings, and structural loads and capabilities of those buildings  
23 and equipment.

1           It also was evident in early 2006 that in order to meet certain critical dates, Burns  
2           & McDonnell needed information from vendors who had not yet been selected, in  
3           particular, for the boiler and AQCS. The project team suggested, and Senior  
4           Management approved, a limited notice to proceed to both vendors who were competing  
5           for the boiler/AQCS work.

6           That limited notice to proceed (“LNTP”) was issued on February 26, 2006. In  
7           that LNTP, KCP&L agreed to pay both vendors a not-to-exceed price in order for those  
8           vendors to accelerate their provision of structural loads for the Unit 2 boiler. Obtaining  
9           this data allowed Burns & McDonnell to begin designing the foundation for the Unit 2  
10          boiler prior to even the actual award of the boiler. For the Iatan 1 and 2 AQCS work,  
11          KCP&L made as a condition of its award to ALSTOM receipt of key structural loads  
12          needed to meet the early foundation design and construction schedule. By doing so,  
13          KCP&L was able to mitigate several months of potential delay. Had that information not  
14          been received until the award of the boiler and AQCS work on August 10, 2006, based on  
15          the information available from both Schiff and Burns & McDonnell, the in-service dates  
16          for both Iatan 1 and 2 would have been significantly challenged.

17       **Q: When were you were first apprised of Kiewit’s interest in performing work on the**  
18       **Iatan 1 and 2 project?**

19       A: I recall that Kiewit had expressed interest in bidding work for the Iatan project in the  
20       spring of 2006. I believe that members of the Iatan project team investigated the  
21       possibility of Kiewit performing work and I was told that due to Kiewit’s schedule and  
22       the types of projects it was willing to take on, it was not a good fit at that time.

1 **Q: When were you advised of Kiewit's interest in being the Balance of Plant contractor**  
2 **for the unlet portions of the work?**

3 A: In late 2006 representatives from Kiewit contacted Brent Davis to inform him that a  
4 project for which Kiewit had been selected as Balance of Plant contractor had been  
5 postponed and these Kiewit representatives asked Mr. Davis if KCP&L had any interest  
6 in contracting with Kiewit for the Balance of Plant work. Mr. Davis informed me of this  
7 and I was favorable to entertaining at least a proposal from Kiewit for how it would  
8 handle the Balance of Plant work.

9 **Q: After initially proceeding with the Balance of Plant work on a multi-prime basis,**  
10 **why did KCP&L consider listening to Kiewit's proposal for the remaining Balance**  
11 **of Plant work?**

12 A: First of all, we were aware of Kiewit's reputation in the industry for its safety and quality  
13 and its ability to manage work as a general contractor on major projects. Although we  
14 were comfortable at the time with proceeding on a multi-prime basis, we were  
15 nonetheless aware of the risk of procuring small specialty contractors to perform the  
16 majority of the Balance of Plant work. \*\* [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED] \*\*.

22 **Q: What were some of the risks that were being discussed at that time?**

1 A: The construction market in Kansas City at the time was very competitive and labor  
2 availability was a significant concern. In addition, there were some early safety issues on  
3 site with some of the smaller contractors that highlighted the need for us to improve  
4 overall contractor safety on site. The challenge of growing the KCP&L project team to  
5 the size necessary to effectively manage all of the Balance of Plant work by many  
6 multiples of contractors was also considered a risk. In addition, we discussed the risk  
7 from the increased complexity of the Iatan 1 Outage including the multiple interfaces  
8 with performing contractors and the potential effect the Iatan 1 work could have on Iatan  
9 2. Another consideration is when multiple contractors are performing in limited space,  
10 that coordination between those contractors would be essential to maintain schedule and  
11 budget and KCP&L would ultimately be responsible for the coordination of those  
12 multiple contractors.

13 **Q: When did Kiewit provide its proposal to KCP&L?**

14 A: In January, management authorized Burns & McDonnell to share information regarding  
15 design of the BOP work, quantities of work and scope of supply. Kiewit and Burns &  
16 McDonnell met for most of January 2007 and Kiewit's team received the necessary  
17 information. At the time, design was approximately thirty percent (30%) complete, so  
18 Kiewit also used comparative data from other projects to formulate its estimate. Kiewit  
19 supplied its initial proposal to Mr. Davis on February 13, 2007. The Executive Oversight  
20 Committee saw tremendous value in obtaining an estimate from Kiewit as a basis for  
21 making a decision on the direction for the remaining Balance of Plant work. At a  
22 minimum, Kiewit's estimate could be used to validate KCP&L's budget for the Balance  
23 of Plant work. Kiewit's initial proposal was attractive enough that the Executive

1 Oversight Committee asked Kiewit to make a formal presentation to the Executive  
2 Oversight Committee. That presentation occurred on April 16, 2007.

3 **Q: Did you attend the presentation to the Executive Oversight Committee on April 16,**  
4 **2007?**

5 A: Yes, I did, and I believe the majority of the members of the Executive Oversight  
6 Committee were there as well. We also had Mr. Davis and other key members of the  
7 Iatan 1 and 2 project team and members of the Schiff team at the meeting as well.

8 **Q: What do you remember about that presentation?**

9 A: Kiewit's team included its division president, Howard Barton, and Jack Cotton, its  
10 proposal manager, as well as its proposed project manager, Andre Aube, all of whom  
11 were at the meeting to make the presentation. The presentation lasted the morning of  
12 April 16th. Kiewit presented a written package of materials on April 13, 2007 and a  
13 summary presentation for the meeting. Kiewit walked through its methodology for  
14 approaching such large projects and how it typically planned and scheduled the work.  
15 Kiewit explained that a key management tool for them is to maintain a ratio of  
16 management personnel to field craft that allowed for organized, planned, and coordinated  
17 field work. For Iatan, due to the size and complexity of the work, Kiewit recommended a  
18 so called "craft-to-staff ratio" of 4:1. Kiewit provided industry and experience-based  
19 context for this proposed staff to craft ratio. Kiewit also discussed its processes and  
20 procedures for safety and project organization and discussed the particular challenges of  
21 being a Balance of Plant contractor on site with a large EPC contractor such as  
22 ALSTOM.

23 **Q: Did Kiewit provide an estimate for the cost of the Balance of Plant work?**

1 A: Yes, they did. And they provided it in multiple phases. The original Kiewit estimate was  
2 **\*\* [REDACTED] \*\***, which included Kiewit purchasing a number of engineered materials,  
3 which KCP&L had previously contracted with other vendors through its own separate  
4 procurement effort.

5 **Q: What type of risk was Kiewit proposing it take on via its proposal for the remaining**  
6 **Balance of Plant work?**

7 A: Kiewit identified a number of risks on the Iatan Project including ALSTOM's  
8 performance and ALSTOM's ability to influence labor on the site. Also, Kiewit was  
9 concerned with labor availability and productivity on a project of this size at this time,  
10 when the construction market was highly competitive. Kiewit also presented some  
11 representative materials from another nearby project in Council Bluffs, Iowa, for  
12 MidAmerican Energy as an example of how projects with productivity issues can  
13 significantly exceed their budget and put schedule at risk. Kiewit intimated that without  
14 the type of management that it could provide, Iatan could be subjected to the same type  
15 of productivity problems as the Council Bluffs project.

16 **Q: What happened after the April 16th meeting with Kiewit?**

17 A: It was decided by the EOC after that meeting that it would be prudent for us to pursue  
18 more detailed negotiations with Kiewit. At the same time these discussions were  
19 happening at the executive level, we had hired a new Vice President of Construction,  
20 David Price, who started work with KCP&L on May 1, 2007. I asked Mr. Price, Mr.  
21 Easley and Mr. Bassham to engage in discussions with Kiewit regarding refinement of its  
22 proposal for the project.

1           The first such meeting occurred on May 3, 2007, after which Mr. Easley and Mr.  
2 Price reported to the Executive Oversight Committee that Kiewit was amenable to  
3 alternate contracting models in which Kiewit would assume some of the risk of its  
4 performance on the project. In Senior Management's view it was important that Kiewit  
5 assume some risk and financial incentive to cooperate or otherwise have skin in the  
6 game.

7 **Q: Were there any concerns regarding this being a single source procurement?**

8 A: In the prior year, when pursuing contracting options, KCP&L procurement team had  
9 pulsed the marketplace for potential large Balance of Plant general contractor companies  
10 to bid on the Iatan work. The result of that market pulse was that the majority of the  
11 larger contractors who typically performed such work were at or beyond capacity and did  
12 not have interest in either Iatan or the Kansas City market.

13           In April 2007, at the time that Kiewit made its proposal, the EOC asked  
14 procurement, again, to contact the same suppliers, including Fluor, Bechtel and  
15 Washington Group, and found that there was no interest. In addition, it was evident at  
16 that time that a bid process for the Balance of Plant work on a fixed price basis would not  
17 allow for timely procurement of that contract to meet schedule dates.

18           In order to assure ourselves that we were receiving a good deal from Kiewit, we  
19 requested Kiewit provide us with a significant amount of information regarding its  
20 estimate and allow for the project team, Burns & McDonnell and Schiff to engage in  
21 detailed vetting of that estimate. That estimate vetting occurred through the spring and  
22 summer of 2007. Prior to Kiewit's proposal, we had established a Control Budget  
23 Estimate for the Balance of Plant work and used that estimate as a baseline for

1 comparison with the Kiewit contract. In the Control Budget Estimate we had included  
2 substantial contingency due to the acknowledged risks of KCP&L acting as a  
3 construction manager in a multi-prime contracting situation.

4 **Q: Based upon the review and analysis by the project team and Schiff, what was the**  
5 **recommendation with respect to engaging Kiewit in the Balance of Plant work?**

6 A: In the final analysis, which was discussed and vetted by the Executive Oversight  
7 Committee over a period of several months, we saw the following as the primary  
8 advantages of having Kiewit as the Balance of Plant contractor. First, Kiewit's  
9 presentation and organization appeared to provide the best plan for optimizing schedule  
10 performance of the remaining Balance of Plant work. Kiewit stressed the importance to  
11 management of co-locating at Burns & McDonnell's office to develop constructability  
12 reviews of Balance of Plant work as the engineering was being completed. This gave us  
13 comfort that Kiewit would be able to lend its expertise at the front end as the engineering  
14 was being completed. Second, Kiewit's construction management capability was well  
15 known in the industry and was well represented by the team that it proposed for Iatan.  
16 Third, we recognized that Kiewit's estimate provided a level of cost certainty that  
17 KCP&L would not have for up to 12 additional months as it continued to contract for  
18 Balance of Plant work with smaller specialty contractors. There was risk that these future  
19 unlet contractors would be procured with little or no competition to vendors much less  
20 capable than Kiewit.

21 Kiewit's proposal included an assumption of productivity risks and confirmed  
22 with only few exceptions the design quantities that Burns & McDonnell had identified in  
23 its design work.



1           Next, Kiewit presented data to management showing the effectiveness of its  
2 safety program and made it clear to management how important safety was as a  
3 component of its daily work. Safety is our company's first concern, and safety is often a  
4 significant cost variable on a large project.

5           Next, Kiewit also presented statistics showing its quality of performance and the  
6 plan for co-locating with Burns & McDonnell appeared to provide a good solution to  
7 vetting engineering before it was released for construction. Also, Kiewit's capability and  
8 project controls was also notable and Kiewit agreed to be transparent in providing project  
9 controls information to the KCP&L team in keeping with KCP&L's regulatory  
10 commitments.

11 **Q: When did management decide that it would proceed in contracting with Kiewit?**

12 **A:** Once the process for the vetting of the estimate was discussed with Kiewit, Kiewit was  
13 asked by Mr. Price to provide an updated proposal that could be used for further  
14 discussion and negotiation. Kiewit provided that proposal on May 13, 2007, in which it  
15 identified multiple scenarios under which it would be willing to contract for the work,  
16 including whether Kiewit would be responsible for procuring engineered materials.  
17 Kiewit's proposal was vetted by the project team and by Schiff, and on June 8, 2007,  
18 Kiewit was issued limited notice to proceed, under which it began its co-location at Burns  
19 & McDonnell as well as provided ongoing oversight and advice to Kissick on the  
20 forming and pouring of the turbine generator pedestal, among other services.

21 **Q: KCP&L contracted with Kiewit in November of 2007?**

22 **A:** Yes.

23 **Q: And what was the total cost of the Kiewit contract at that time?**

1 A: It was \*\* [REDACTED] \*\*.

2 **Q: The cost of Kiewit's contract price exceeded the remaining control budget for**  
3 **balance of the plant work?**

4 A: At that time, yes.

5 **Q: On what basis did you decide then to proceed with Kiewit?**

6 A: For all the reasons stated. The project's risk profile as expressed in the contingency held  
7 in the control budget, showed that the project's biggest risk at that time was KCP&L  
8 procuring and managing multiple small specialty contractors. Kiewit has a long and  
9 demonstrated track record in the power industry. It had the resources necessary and  
10 available to manage, coordinate and perform the work under a single point responsibility.  
11 Because of the canceled project, it had a team ready to go, and that saved KCP&L from  
12 having to substantially increase the size of its own project team. We could also utilize  
13 Kiewit's already developed processes and procedures for safety and quality.

14 Burns & McDonnell worked with Kiewit in the past on previous joint ventures,  
15 including a project that was ongoing simultaneously to Iatan. The co-location with Burns  
16 and McDonnell allowed for the acceleration of engineering without additional costs  
17 because constructability would be built into the engineering. Kiewit's safety record is  
18 among the best in the industry, and Kiewit's focus on avoiding late engineering, labor  
19 management and material delivery appeared to be the best option available at that time  
20 very important for the project's success.

21 In evaluating Kiewit's price, the project team and Schiff looked at the available  
22 contingency that was part of the control budget as well as the low probability, high  
23 impact contingency that was held at the management level and determined that

1 substantial offsets of perceived and known risks on the project could be realized with  
2 Kiewit as the Balance of Plant contractor.

3 At the Executive Oversight Committee's request, Schiff and the project team each  
4 evaluated the potential contingency offset. They concluded that approximately 60 to 84  
5 million dollars of held contingency at that time could be offset by Kiewit's presence on  
6 the project.

7 In addition, there were other potential cost savings that were factored into the  
8 decision such as an opportunity to avoid additional project team and project management  
9 expense under KCP&L's control.

10 Finally, we recognized the ability of Kiewit to mitigate the loss of scheduled float.  
11 Kiewit's quality program was perceived as a critical check to still ongoing engineering  
12 work that Burns & McDonnell was performing.

### 13 **PERFORMANCE OF MAJOR CONTRACTORS/BURNS & MCDONNELL**

14 **Q: What methods did KCP&L use to manage the Burns & McDonnell contract?**

15 **A:** We recognized that the selection of the owner's engineer for the Iatan 1 and 2 project  
16 was very significant. We had had a long relationship with Burns & McDonnell who  
17 assisted us on the rebuilding of the Hawthorn 5 station. A number of the key individuals  
18 on the Burns & McDonnell team were also part of the Iatan team, so there was some  
19 familiarity with both the individuals and how Burns & McDonnell worked. In the  
20 summer of 2006, Mike Chesser and I instituted a regular meeting with the chief executive  
21 officer, Greg Graves of Burns & McDonnell, as well as the project executives assigned to  
22 the KCP&L work. Those meetings were held on a regular basis and included our project  
23 team leads and Schiff Hardin. In those meetings, we discussed at an executive level

1 Burns & McDonnell's commitments to the project and their performance. These  
2 meetings were very effective in highlighting the challenges that Burns & McDonnell  
3 faced, as well as their accomplishments.

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

5 **A: Yes.**



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