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*Certain Schedules Attached to this Testimony Contain “Confidential  
or “Confidential-Restricted” Information and Have Been Removed.*

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

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**DIRECT TESTIMONY OF**

**FORREST ARCHIBALD**

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

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**IN THE MATTER OF THE PETITION OF  
KANSAS CITY POWER & LIGHT COMPANY (“KCP&L”)  
FOR DETERMINATION OF THE RATEMAKING PRINCIPLES  
AND TREATMENT THAT WILL APPLY TO THE RECOVERY  
IN RATES OF THE COST TO BE INCURRED BY KCP&L FOR  
CERTAIN ELECTRIC GENERATION FACILITIES  
UNDER K.S.A. 66-1239**

**DOCKET NO. 11-KCPE-581-PRE**

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

2   A:   My name is Forrest Archibald. My business address is 1200 Main Street, Kansas City,  
3       Missouri 64105.

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

5   A:   I am employed by Kansas City Power & Light Company (“KCP&L” or the “Company”)  
6       as Senior Manager of Cost.

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

8   A:   I am responsible for managing the team that processes and maintains the actual and  
9       budget cost records for KCP&L’s major construction projects. I will be responsible for

1 all of the various cost reports that are generated on the La Cygne Project and reporting  
2 the La Cygne Project's cost trends, including the velocity of certain costs over time, to  
3 the Project's senior leadership team, KCP&L's Senior Management, and Westar.

4 **Q: Could you please describe your work history?**

5 A: Yes. I have over 13 years experience in managing various aspects of cost control  
6 systems, including technical teams associated with controlling and reporting on costs.  
7 My experience in cost control on construction projects includes: (1) development and  
8 implementation of cost tracking systems; (2) forecasting and estimating project costs;  
9 (3) contract negotiation, interpretation, and management; and (4) execution of general  
10 cost engineering responsibilities. In addition, I have field construction experience at  
11 various organizational levels including management. My first construction experience  
12 was in 1994 as an iron worker for Wichita Steel and Precast Erection Company. Between  
13 1995 and 2000, Wichita Steel promoted me from Lead Estimator to Contract  
14 Administrator. In 2004, my focus shifted exclusively to cost engineering. Prior to  
15 joining KCP&L, from 2004 to 2006, I was a Cost Supervisor for American Electric  
16 Power Company ("AEP") where I was responsible for tracking and reporting costs for  
17 projects ranging in size from \$25 million to \$600 million. During my time at KCP&L, I  
18 have been responsible for all cost tracking, forecasting, and reporting for the Iatan  
19 projects and the Spearville II project.

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

1 A: I have not previously testified before the KCC, but I have testified before the Missouri  
2 Public Service Commission in Case Nos. ER-2010-0355 and ER-2010-0356.

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

4 A: I will describe the process the Company used to determine the La Cygne Project cost  
5 estimate. The components of the cost estimate are shown in Confidential Schedule  
6 FA2011-1.

7 **Q: Please describe the major components that make up the cost estimate.**

8 A: The engineer, procure, and construct (“EPC”) contract, described in the Direct Testimony  
9 of Company witness Robert Bell, comprises the bulk of the estimate. Other cost  
10 components include remaining direct costs (specific direct project costs that are not  
11 included in the EPC contract), indirect costs, and contingency. I will address each of  
12 these cost components in turn.

13 **I. EPC CONTRACT COST COMPONENT**

14 **Q: Please describe the process you used to develop the EPC contract cost component.**

15 A: In response to its RFP, KCP&L received bids from five potential vendors. The first step  
16 was to analyze the bids for completeness and adherence to the bid specification prepared  
17 by Black & Veatch (“B&V”), KCP&L, and Westar. Exceptions, non-responsiveness or  
18 alternative proposals to bid specifications were then analyzed and categorized. This  
19 process was a joint effort with B&V, KCP&L, Westar, and B&V. Once this analysis was  
20 complete, my department developed revised EPC estimates by adding or subtracting costs  
21 to/from each bid depending on each individual bidder’s compliance with the  
22 specification. This resulted in a leveled or apples-to-apples comparison of what each  
23 bid likely would have been if each bidder had met the bid specification on a consistent

1 basis. Examples of these items are contained in Mr. Bell's testimony. This first step  
2 allowed KCP&L and Westar to narrow their focus to three bidders.

3 **Q: How did you proceed after you narrowed the potential bidders?**

4 A: First, the additions and deletions of cost to the submitted bids were reviewed by KCP&L,  
5 Westar, and B&V. KCP&L, Westar, and B&V met separately with each of the remaining  
6 three bidders to obtain more information and to verify, to the extent practical at this stage  
7 of the process, the best apples-to-apples comparison of cost. These meetings included  
8 discussions of both technical and commercial issues contained in the bidders' respective  
9 proposals in order to help develop a leveled cost for comparison purposes. The second  
10 step of this two-step process allowed KCP&L and Westar to better define each bidder's  
11 proposal on an apples-to-apples basis. For example, in the first step of the process if a  
12 bidder did not include a minimum two-year warranty in its bid pursuant to the bid  
13 specification, then the project team would estimate the cost of a two-year warranty and  
14 include the estimate in each bid that excluded it. In the second step of the process,  
15 KCP&L and Westar were able to determine from a vendor the cost of a two-year  
16 warranty. This resulted in a more precise and comparative estimate for the three  
17 remaining bidders.

18 **Q: Without an EPC contract in place and with three bidders still in the running for the**  
19 **EPC contract, how did KCP&L determine the EPC cost component of the project**  
20 **cost estimate used in its petition for predetermination?**

21 A: Because KCP&L's analysis of the EPC bidders' proposals generated a leveled  
22 comparison, based on the specifications given to the bidders in the RFP, KCP&L was  
23 able to leverage this information to generate a cost estimate, which in its aggregate,

1 would allow the selection of any of the remaining three bidders to complete the scope of  
2 work.

3 **Q: Do you expect the EPC cost estimate to change once a final contract is executed?**

4 A: Yes, it will change; however, it is not expected to represent a material change. KCP&L  
5 and Westar are confident that the rigorous analysis conducted by KCP&L, Westar, and  
6 B&V, has resulted in a reliable estimate for this component of the total cost of the  
7 project. KCP&L and Westar believe the other components of the total cost estimate,  
8 which I describe later in my testimony, are equally reliable and thus the total project cost  
9 estimate shown in Confidential Schedule FA2011-1 should be approved as requested in  
10 the petition for predetermination.

11 **Q: If the EPC contract amount finally negotiated is more than the amount included in**  
12 **the Company's predetermination request, does the Company intend to change the**  
13 **overall cost estimate that the Commission is being requested to find reasonable and**  
14 **prudent?**

15 A: No. As discussed in the Direct Testimony of KCP&L witness Chris Giles, the Company  
16 is requesting predetermination of the prudence of the project cost estimate included with  
17 its petition. To the extent that the total actual project cost (and therefore KCP&L's  
18 Kansas jurisdictional portion of that cost) is higher than the predetermined amount, the  
19 prudence of those additional costs will be determined during the proceeding when  
20 KCP&L requests recovery of those additional costs.

21 **II. REMAINING DIRECT COSTS COMPONENT**

22 **Q: What does the "remaining direct costs" component represent in the total cost**  
23 **estimate?**

1 A: “Remaining direct costs” include items such as the chimney, site development, security,  
2 plant communications, and other direct project costs that are not included in the EPC  
3 contract. The chimney and site development represent approximately 76 percent of these  
4 remaining direct costs. KCP&L has a separate contract for the chimney, although  
5 KCP&L expects to assign the chimney contract to the eventual EPC contractor. Mr. Bell  
6 describes in his Direct Testimony why a separate contract was required for the chimney.  
7 Similar to the chimney, site development work must begin before an EPC contract is  
8 executed, thus it is also a separate contract.

9 **Q: Please describe the process used to develop the “remaining direct cost” component**  
10 **of the project cost estimate.**

11 A: As a by-product of the EPC evaluation, KCP&L, Westar, and B&V, identified additional  
12 direct scopes that were required as part of the environmental upgrades but not included in  
13 the EPC specification. Once these scopes were identified, the project team produced a  
14 cost estimate for each scope of work using standard industry methods.

15 **III. INDIRECT COST COMPONENT**

16 **Q: What does the “indirect cost” component represent in the total cost estimate?**

17 A: These costs represent owners’ and OE (B&V) costs and include categories of costs such  
18 as, construction management, oversight, legal services, and start-up costs.

19 **Q: Please describe in general how indirect cost estimates were determined.**

20 A: The indirect cost estimate was developed by KCP&L, Westar, and, B&V, based on a  
21 two-part methodology: (1) as a result of the EPC evaluation, the project team was  
22 identified areas and scopes of work where the EPC vendor would require resource  
23 support from the owner; and (2) the project team then identified the level of resources it

1 would require to allow KCP&L to provide oversight and quality assurance for the project.  
2 Once these scopes were identified, the project team generated a cost estimate for each  
3 scope of work using standard industry methods.

#### 4 **IV. CONTINGENCY COST COMPONENT**

5 **Q: What does the contingency cost component represent?**

6 A: Contingency represents an allowance for items, conditions, or events for which the  
7 occurrence is uncertain but experience dictates that it will likely result in additional costs.  
8 Examples of these include, but are not limited to, design maturation, planning and  
9 estimating errors or omissions, pricing volatility, constructability or equipment  
10 interfacing issues, environmental conditions or schedule impacts.

11 **Q: How did the project team determine approximately 12 percent contingency was  
12 appropriate for this project?**

13 A: The project team analyzed the base cost estimate and determined that it needed to  
14 segregate the contingency analysis into two separate calculations based on the existing  
15 data points. The first data point was the base direct cost amount. Several months and  
16 thousands of man-hours have been spent reviewing thousands of documents in the  
17 process of analyzing the direct cost scopes and understanding the specification  
18 requirements and estimating the subsequent potential gaps. The project team is confident  
19 that because these gaps were identified and estimated up front, the contingency for the  
20 direct scopes can be limited to 10 percent of the base direct costs. The second data point  
21 was the base indirect costs. Although the project team has spent months developing these  
22 estimates, the team acknowledges that there is the potential for significant risk on this  
23 portion of the estimate due to the contracting modality. An EPC structured contract

1 requires significant oversight and quality assurance to protect the owners' and customers'  
2 interests. Moreover, such oversight will develop the data to allow KCP&L and Westar to  
3 accurately report project status to the Commission's Staff. The transparency of data in an  
4 EPC contract can be difficult to discern at times and as such carries an inherent risk that  
5 must be managed properly. The project team believes that because of this factor,  
6 25 percent contingency is warranted on the base indirect costs. Taking these two  
7 contingency percentages into account along with the dollars associated with each  
8 category of costs, direct and indirect, the project team derived a 12 percent overall  
9 contingency figure.

10 **Q: If you have included a contingency component for the project that is part of the**  
11 **amount KCP&L is asking the Commission to pre-approve as reasonable in this case,**  
12 **why is KCP&L also indicating that the Company should have the ability to later**  
13 **request recovery in rates of costs in excess of the amount approved in this docket?**

14 A: The project costs requested are still estimates. Prudently incurred costs should be  
15 recoverable whether or not the cost estimate, including contingency, is exceeded.  
16 Similarly, the Commission would expect the Company to recover only the actual costs if  
17 those came in less than the cost estimate.

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

19 A: Yes, it does.



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

**In the Matter of the Petition of Kansas  
City Power & Light Company ("KCP&L")  
for Determination of the Ratemaking  
Principles and Treatment that Will Apply  
to the Recovery in Rates of the Cost to be  
Incurred by KCP&L for Certain Electric  
Generation Facilities Under K.S.A. 2003  
SUPP. 66-1239** )  
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**Docket No. 11-KCPE-\_\_\_\_-PRE**

**AFFIDAVIT OF FORREST B. ARCHIBALD**

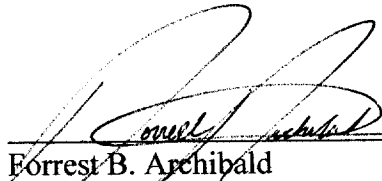
**STATE OF MISSOURI** )  
) ss  
**COUNTY OF JACKSON** )

Forrest B. Archibald, being first duly sworn on his oath, states:

1. My name is Forrest B. Archibald. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Manager of Costs.

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 eight (8) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

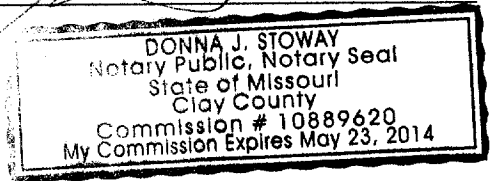
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereof, are true and accurate to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Forrest B. Archibald

Subscribed and sworn before me this 14<sup>th</sup> day of February 2011

  
\_\_\_\_\_  
Notary Public

My commission expires: May 23, 2014



**SCHEDULE FA2011-1**  
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