

1 A. Yeah, Ernst & Young had a series of
2 reviews or audits over the project. I mean their
3 involvement was broader than just the single report.
4 And this issue never came up again. And they
5 certainly were aware of what their findings were in
6 this report and I have no doubt that had it continued
7 to be an issue, they would have raised it again. And
8 same with STS.

9 Q. Did STS do a follow-up report?

10 A. Not that I'm aware of. I know they were
11 involved and worked with the project team, but I -- I
12 don't recall a subsequent written report. But again,
13 if the issue had persisted, I have no doubt they would
14 have raised it.

15 Q. If they weren't doing a subsequent
16 report, how would they have raised the issue?

17 A. My point is I think they would have done
18 a subsequent report had it been an issue.

19 Q. They made more than one recommendation in
20 that report, did they not? Or was it --

21 A. We only looked at that one paragraph and
22 I'm just not that familiar with the report.

23 Q. Okay. well --

24 A. But my --

25 Q. Are you aware if STS made monthly reports

1 on the executive oversight committee?

2 A. I don't know. I wasn't on the executive
3 oversight committee at that time. Mr. Downey was and
4 can talk about may have been presented.

5 MS. OTT: I don't have anything further.

6 JUDGE PRIDGIN: Excuse me, Ms. Ott.

7 Thank you.

8 Any redirect?

9 MR. FISCHER: Yes, Judge. Thank you.

10 REDIRECT EXAMINATION BY MR. FISCHER:

11 Q. Mr. Blanc, we've covered a lot of ground
12 this morning. I'd like to go through a few of the
13 questions and ask you to address a few points.

14 First, I think in cross-examination by
15 Ms. Ott, there was some questions about this -- this
16 two-pronged analysis related to what a regulatory
17 agency needs to find before they can make a prudence
18 disallowance. Do you recall a question or two about
19 that?

20 A. I do.

21 Q. I believe you cited a wolf Creek Supreme
22 Court decision. And I just wanted to ask you, could
23 that have been in Kansas rather than Missouri?

24 A. No, you're correct. The Supreme Court
25 decision is a Kansas Supreme Court decision. In

1 Missouri the Commission had an order. And there is a
2 Supreme Court decision, but it wasn't Wolf Creek, it
3 was a different matter.

4 Q. I'd like to show you a copy of the
5 Staff's November 3rd audit report where they discuss
6 the Associated Natural Gas case.

7 A. And that's the case I was referring to
8 when I said Wolf Creek Supreme Court case. That was
9 incorrectly referenced to Kansas.

10 Q. I'd like to ask you to read into the
11 record what the Staff says is the -- the analysis of
12 the Associated Natural Gas case.

13 A. Sure. On page 10 of their report, line 1
14 to line 4 says, Ultimately the Court held in
15 Associated Natural Gas that, quote, In order to
16 disallow a utility's recovery of costs from its
17 ratepayers, a regulatory agency must find both; that
18 one, the utility acted imprudently; two, such
19 imprudence resulted in harm to the utility's
20 ratepayers, end quote. And then there's the citation.

21 Q. Okay. Thank you. Is that the two-step
22 analysis that you were discussing?

23 A. Yes, it was.

24 Q. I believe Ms. Ott also asked you about
25 the Kansas Corporation Commission decision. Do you

1 recall that?

2 A. Yes, I do.

3 Q. And I believe she asked you to identify
4 the two specific prudence adjustments that were made
5 in that case. Do you recall that?

6 A. Yes, I recall that.

7 Q. Were there other prudence adjustments
8 that were suggested by other parties or the staff in
9 that case?

10 A. Yes, there were.

11 Q. And did the Commission adopt those
12 adjustments?

13 A. No. The Commission rejected those and
14 just found with respect to those two acts -- those two
15 decisions or actions that we talked about.

16 Q. Was Mr. Drabinski one of the witnesses in
17 that case?

18 A. Yes, he was. He was the KCC Staff's
19 witness.

20 Q. Was there a similar cost overrun
21 adjustment in that case like there is one proposed by
22 the Staff here in Missouri?

23 A. No. Absolutely not.

24 Q. Did the Commission address the idea that
25 there had been a cost overrun and, therefore, there

1 should be additional scrutiny?

2 A. It was one of the factors we talked about
3 that Kansas applies was how the ultimate cost to the
4 project compares with the definitive estimate or
5 control budget estimate of the project. And I quote
6 that part of the Commission's decision in my
7 testimony. It's on page 22 of the Commission's order
8 itself.

9 And it basically says, Given an
10 anticipated cost overrun of 18 percent -- it was more
11 in that case because we thought it would be more. But
12 given that, that given -- the quote is, quote, Given
13 the magnitude of the project, the time line under
14 which the project was constructed and the range
15 permitted for a definitive type of cost estimate, the
16 Commission finds that this factor does not indicate
17 imprudence on the part of KCP&L.

18 So being over 18 percent is not a sign of
19 imprudence is what Kansas held.

20 Q. I believe you were asked a couple
21 questions by Ms. Ott regarding whether KCP&L had
22 identified and explained cost overruns. And I think
23 she may have used in that conversation a list. Has
24 the company filed some testimony that identifies in
25 pie chart form, in graph forms that would be helpful

1 in looking at that -- that issue?

2 A. Yeah. Dan Meyer in his pre-filed written
3 testimony in this case -- basically once we understood
4 what Staff's position to be, Dan Meyer basically said,
5 okay, could it be done. And those pie charts
6 represent that. It categorizes, identifies the cost
7 overruns and explains the different categories.

8 Q. Does that testimony go into a lot of
9 depth?

10 A. Oh, it does.

11 Q. You were also asked some questions by
12 Commissioner Gunn regarding I think what he called a
13 blanket disallowance for cost overruns. Did -- did
14 Staff ever tell KCP&L that they intended to make a
15 blanket disallowance for cost overruns prior to the
16 filing of their audit report?

17 A. No. We were not aware -- as I explained,
18 that we were not aware until the November 2010 audit
19 report that Staff was proposing to disallow everything
20 over the control budget estimate.

21 Q. Do you recall an order by the Commission
22 suggesting that the Staff should identify with
23 particularity the disallowances they -- they would be
24 proposing?

25 A. Yeah. A construction audit order in the

1 0089 case, our last rate case dated April 15th,
2 2009 -- get the quote right. The order in paragraph 2
3 says, The Staff of the Missouri Public Service
4 Commission is directed to provide a specific rationale
5 for each and every disallowance recommended in the
6 construction audits and prudence reviews.

7 Q. Was the December 30, 2009 audit report --
8 did it include a plug disallowance for cost overruns?

9 A. The December 31st, 2009 audit report?

10 Q. Yes.

11 A. No, it did not.

12 Q. Did it include an adjustment for
13 liquidated damages related to the Alstom settlement in
14 unit 1?

15 A. No, it did not.

16 Q. Did you hear -- there was a question
17 about -- from Commissioner Gunn, I believe it was
18 about previous precedence regarding cost overrun
19 adjustments. Do you recall that conversation?

20 A. I do.

21 Q. Did you hear Cary Featherstone testify
22 yesterday that the Public Service Commission has never
23 adopted a cost overrun adjustment being -- similar to
24 the one being proposed by Staff?

25 A. I did hear him say that.

1 Q. Did you also hear him testify that the
2 staff has never previously proposed such an
3 adjustment?

4 A. I did hear that as well.

5 Q. Do you know of any Commission in the
6 country, to your personal knowledge, that has adopted
7 something similar to that adjustment?

8 A. No. My understanding is that the
9 two-step process we've talked about that's in the
10 Supreme Court decision both in Missouri and then for
11 Wolf Creek for Kansas is -- is how it's typically
12 applied, that you have that two-step process.

13 Q. I think Ms. Ott also asked you some
14 questions about why you called that adjustment a plug
15 adjustment. Could you elaborate on your answer there?
16 why did -- why did you call it a plug?

17 A. Sure. If you -- you can look at Staff's
18 Schedule 1-1 and that largely gets to the point. I
19 mean I call it a plug because it's not supported, it's
20 not substantiated. As they show on the last three
21 lines under note A of their report, it's simply
22 subtraction.

23 They took what we had spent as of
24 June 30, 2009 and subtracted the control budget
25 estimate to come up with one number. And then to

1 avoid double counting their specific disallowances,
2 they subtracted that. But it's not supported or
3 specified. They just did subtraction and said this is
4 unidentified and should be disallowed.

5 Q. Does the Staff report include any
6 evidence of imprudence related to those cost overruns?

7 A. No.

8 Q. If -- if the Staff would continue that
9 approach as it goes through the true-up, what would
10 you expect to happen to that cost overrun adjustment?

11 A. Yeah, that's a concern of the company's
12 that if it becomes simply an exercise of
13 subtraction -- they started with what we had spent as
14 of June 30, 2010 and if that goes out to our current
15 projected cost of 1.948 billion and they subtract,
16 that unsupported plug will just -- will become larger.

17 Q. I think you had some conversations with
18 Commissioner Kenney regarding the cost control system
19 and whether it was developed specifically to address
20 the -- what is now being called the paragraph Q
21 provision in the regulatory plan stipulation. Do you
22 recall that?

23 A. I do.

24 Q. Was that cost control system used for
25 other purposes besides just meeting the regulatory

1 obligation?

2 A. Sure. The cost -- we would need a cost
3 control system to manage the cost, but this one was
4 designed with that requirement in mind. And as I
5 responded to a question from Ms. Ott, it was designed
6 to do both, to be able to manage the cost of the
7 project, which I believe it did well, and then also to
8 satisfy our obligations in the regulatory plan. It
9 was designed to do both.

10 Q. Ms. Ott put in front of you an exhibit
11 or -- I'm not sure it's been identified as an exhibit,
12 but it had the cost control meeting attendance list
13 and then the KCP&L Comprehensive Energy Plan, Cost
14 Control System dated July 11, 2006, and then also the
15 Comprehensive Energy Plan, Construction Projects, Cost
16 Control System attached to it. Do you recall that?

17 A. I do.

18 Q. I'd like to ask you to -- you've already
19 noted, I guess, that the auditors that did the cost
20 overrun adjustments are not listed on the -- on the
21 attendance list. Was that -- was that your testimony?

22 A. Yeah. That's correct. As I understand
23 it, the three auditors sponsoring all the
24 disallowances are primarily Mr. Hyneman and Mr. Majors
25 and then also Mr. Schallenberg. And none of those

1 three individuals are on the attendance sheet and I do
2 not recall them being there.

3 Q. Were -- were the engineers that have been
4 involved in this process in attendance at this
5 meeting?

6 A. Yeah. The sign-in sheet reflects that
7 both Dave Elliott and Dan Beck were present.

8 Q. And it also notes Warren Wood. Who was
9 Warren Wood?

10 A. And that's a good point. He was the head
11 of that group at that time and he was in attendance
12 and was very involved. I recall him visiting the site
13 very early on in construction because he wanted to see
14 the underground piping before it was covered up. That
15 was one of the first things they did at the project
16 was to dig trenches and put in piping and he wanted to
17 make sure he saw that before it was closed up. So
18 that was very early on in the project that they got
19 involved.

20 Q. Do you recall any -- any negative
21 reaction to the cost control system as it was
22 presented in that meeting from the Staff or from the
23 engineers?

24 A. No. I remember questions about how it
25 would work. We responded to those questions. But no

1 suggestions that the language should be changed, no
2 suggestions that it was an inadequate.

3 Q. And this was in 2006; is that right?

4 A. It was July 11, 2006 is the date on the
5 sign-in sheet and I believe that to be correct.

6 Q. I'd like to ask you to turn to page 8 and
7 9 of that cost control system that you discussed with
8 Ms. Ott and Commissioner Gunn. 3.1 is the paragraph
9 number.

10 A. I'm there.

11 Q. Okay. The first part of that I think you
12 talked about was the last paragraph. And then you --
13 I believe you also went over and pointed out the -- on
14 the following page the paragraph that begins, The
15 project team will periodically update the forecasted
16 cost, contingency usage, cash flow and monthly
17 budgets. Is that -- do you recall that --

18 A. Yes, I do.

19 Q. -- discussion?

20 A. That's on page 9.

21 Q. What does that paragraph mean to you?

22 A. Well, basically it says that we will do
23 what, in fact, we ended up doing. That we would
24 monitor the costs and if we saw an issue, that we
25 would reforecast the cost. And that's -- that's what

1 happened.

2 Q. And that was identified in 2006, is that
3 correct, that you were going to be doing periodic
4 reforecasts?

5 A. In July of 2006 is when we presented that
6 to the Staff, correct.

7 Q. Okay. Then the following paragraph is
8 entitled Change Order Management. What does that
9 paragraph describe?

10 A. I think the -- reading the first sentence
11 describes it that -- the reason for it pretty well.
12 It says, All complex construction projects experience
13 scope changes and revisions to the original cost
14 estimate.

15 And that's exactly the purpose is that we
16 recognize that there would be change orders,
17 especially given the level of engineering that we knew
18 at the time of the control budget and that there
19 needed to be a process in place to track and manage
20 and control those changes as they occurred.

21 Q. Is that the change orders that
22 Mr. Elliott reviewed in his analysis in this case?

23 A. Yes, they are. He visited the site and
24 not only reviewed the change orders, but maybe more
25 importantly, discussed them with the project team and

1 made sure he understood why the changes that were
2 being made were being made.

3 Q. I'd like to refer you to the -- the
4 attachments that are found to this document,
5 particularly page 26 of 30.

6 A. Okay.

7 Q. Is that an example of what a form change
8 order documentation form would look like?

9 A. It is. It's a template. It says, Change
10 order documentation, and shows how we would document
11 change orders.

12 Q. So it has a -- am I correct that it has a
13 point here where they would include the description of
14 the requested change?

15 A. Yes, it does. That's one of the boxes
16 there. And it says, Issue identification, alternative
17 analysis and then the ultimate recommendation.

18 Q. And then there are some dollar figures
19 over here on the side. Does that indicate that it --
20 the quantification of the change would be also listed
21 on the change order?

22 A. Correct.

23 Q. And is it correct that Mr. Elliott would
24 have reviewed 647 of these?

25 A. Yeah. The exact figure I believe is in

1 Brent Davis's testimony, but I think that's about
2 right. I know he reviewed all change orders over
3 \$50,000. And when he had questions, he went over them
4 with the project team. And he was up at the project
5 at times monthly to do exactly that.

6 Q. Do you know if the Commission Staff
7 auditors reviewed each and every one of those change
8 orders that Mr. Elliott reviewed or --

9 A. They -- they had access to them, they had
10 them. I don't know if they reviewed them or not. I
11 know what they didn't do is they didn't go to the site
12 and discuss them with the project team as Dave Elliott
13 did.

14 Q. Do you know whether they attended any of
15 the meetings with Dave Elliott and the Kansas City
16 Power and Light construction personnel?

17 A. My understanding is no. Brent Davis
18 attended each of those meetings and he's a witness in
19 this case, but my understanding from him having
20 attended all those meetings is that it was only the
21 engineering staff; that the auditors weren't there.

22 Q. Ms. Ott also asked you -- well, before we
23 leave that subject, there was some -- some questions
24 from the Bench I believe about the number of meetings
25 that the KCP&L folks had with the Staff regarding the

1 cost control system. Do you recall that?

2 A. I do.

3 Q. Do you recall Exhibit 66, which I -- I
4 passed out during the opening that included a list of
5 all of these meetings?

6 A. I do.

7 Q. And I believe Mr. Forrest Archibald may
8 also address that topic in his testimony?

9 A. He does. And the difference there would
10 be we had the quarterly meetings which we've talked
11 about and then we had meetings after each of the
12 reforecasts that we talked about to go after those and
13 I can speak to those. I attended nearly, if not all,
14 of them.

15 But then there were also a series of cost
16 control specific meetings that they had with Forrest
17 Archibald where they would ask him how do I calculate
18 this, can you walk me through that and he did that.
19 And I attended some of these meetings, but not all,
20 but I know there were many of them.

21 Q. Do you recall how -- approximately how
22 many quarterly meetings we had to talk about the cost
23 control system and the K-Reports?

24 A. Sure. The -- the quarterly meetings
25 started after the first report, which was the first

1 quarter of '06. So that would be 19. But, however,
2 the cost control system we talked about wasn't put in
3 place until July of '06. So you'd take away those
4 first two quarters, so 17 quarterly report meetings.

5 The -- going over that K-Report we've
6 talked about was an integral part, that each of the
7 quarterly meetings we walked through the K-Report and
8 gave a status of the cost of the project. That was
9 always a focus of the meetings.

10 Q. Well, the Exhibit 66 seems to have even
11 more meetings listed specifically. And -- but that
12 will speak for itself in terms of the numbers, I
13 think.

14 A. And those are the issue-specific meetings
15 with Mr. Archibald. I'm awa-- personally aware of
16 some of them, but not all of them.

17 Q. Okay. Ms. Ott also asked you about
18 specific wolf Creek decision disallowances. Do you
19 recall that?

20 A. I do.

21 MR. FISCHER: Judge, I'd like to have an
22 exhibit marked.

23 JUDGE PRIDGIN: We'd be up to 68.

24 (KCP&L Exhibit No. 68 was marked for
25 identification.)

1 JUDGE PRIDGIN: Mr. Fischer, that would
2 be 68?

3 MR. FISCHER: Yes.

4 JUDGE PRIDGIN: Thank you.

5 BY MR. FISCHER:

6 Q. Mr. Blanc, I'd ask you if -- if -- what
7 this exhibit appears to be?

8 A. This exhibit I guess comports with my
9 understanding of how the Commission calculated its
10 prudence analysis or its prudence disallowance, I
11 should say, in the wolf Creek decision. The \$196
12 million I mentioned earlier is at bottom, it's the
13 total, as is the \$66 million manhour figure I
14 mentioned in earlier testimony. It's the first one on
15 the list and I believe the largest of the group.

16 Q. So these are the specific prudence
17 disallowances that you were referring to in your --
18 your surrebuttal testimony when you rounded it to
19 200 million?

20 A. Correct.

21 Q. When you reviewed that particular Report
22 and Order and looking at these adjustments, did it
23 appear that many of these were sponsored by the Staff
24 engineer John Rankin?

25 A. Yes. That's my understanding.

1 Q. While we're talking about Wolf Creek, you
2 were asked about the reconciliation package adjustment
3 by Ms. Ott. Do you recall that?

4 A. Yes, I was.

5 Q. I'd like to ask you to look at page 346
6 of the Commission's Report and Order that's reflected
7 in 28 PSC or Missouri PSC new series at page 346 where
8 it discusses how that -- how that particular issue was
9 resolved. Let me give you the copy I have.

10 A. I was going to say my page numbers are
11 different on the one provided by Staff.

12 COMMISSIONER GUNN: Going old school
13 there.

14 MR. FISCHER: Yeah, the books.

15 BY MR. FISCHER:

16 Q. Would you just read in the record the
17 first sentence that's been highlighted?

18 A. Sure. On page 346 it says, first full
19 paragraph, first sentence, For the foregoing reasons,
20 the Commission is rejecting Staff's proposed
21 disallowances in its rebuttal and surrebuttal cases as
22 they pertain to the reconciliation packages.

23 Q. Okay. Thank you. And again, there -- in
24 that particular case did you find any -- any Staff
25 adjustment that was proposed that's similar to the

1 plug disallowance in this case?

2 A. Absolutely not. And I have a table on
3 page 17 of my rebuttal that basically goes through
4 that. Wolf Creek was initially projected to cost --
5 the control budget estimate was \$1 billion. It ended
6 up costing 2.9 billion, so three times the original
7 budget. So Staff would have had to have proposed and
8 the Commission would have had to have adopted a
9 disallowance of \$2 billion based on prudence.

10 And then that's not what happened. The
11 Commission ultimately disallowed 200 million, which is
12 7 percent of the project cost or 11 percent of the
13 overrun. And that's --

14 MR. SCHWARZ: Move to strike,
15 speculation. I don't --

16 JUDGE PRIDGIN: Go ahead, Mr. Schwarz.

17 MR. SCHWARZ: The -- the only basis for
18 comparison between what might have happened in the
19 Wolf Creek case and Staff's position in this case
20 would require that the Wolf Creek order recite that
21 all of the cost overruns in Wolf Creek were
22 unexplained.

23 The testimony thus far, which is
24 apparently drawn from the Report and Order in Wolf
25 Creek, indicates that KCP&L in that case produced

1 specific packets to explain cost overruns since it
2 would appear that there are no unexplained cost
3 overruns in Wolf Creek and -- and the testimony just
4 given assumes that the entirety of the cost overruns
5 in Wolf Creek is unexplained. And I would suggest
6 that that is refuted both by the report -- by a
7 comparison of the Report and Order in that case to the
8 evidence in this case.

9 MR. FISCHER: I didn't hear a legal
10 objection to that in that recitation, Judge. I think
11 he's --

12 MR. SCHWARZ: No, I move to strike
13 because the testimony had already come out.

14 JUDGE PRIDGIN: Okay. I'm --
15 Mr. Fischer, do you have a response before I rule?

16 MR. FISCHER: Well, of course, Judge, I
17 think he -- Mr. Blanc is really just reciting what's
18 already in his surrebuttal testimony regarding the
19 comparison of the Wolf Creek decisions, the
20 disallowances that were made in that particular case
21 which Ja-- which Ms. Ott asked about this morning and
22 how it compares with the numbers that are being
23 proposed in this particular case.

24 If you look on his -- his surrebuttal
25 testimony, he has a very illustrative example of how

1 that compares. And that's all he's -- he's
2 elaborating on.

3 JUDGE PRIDGIN: All right. All right.
4 I'll overrule.

5 BY MR. FISCHER:

6 Q. Mr. Blanc, you were also asked some
7 questions I think from Ms. Ott regarding wasn't KCP&L
8 the only utility to enter into a regulatory plan that
9 required a cost control system that identifies and
10 explains cost overruns. Do you remember that
11 question?

12 A. I do.

13 Q. And then she went on to ask, well,
14 shouldn't KCP&L suffer the consequences? Do you
15 remember that?

16 A. I do.

17 Q. Does the stipulation in the regulatory
18 plan case identify in any way the consequences?

19 MS. OTT: I'm going to object. That's
20 mischaracterizing my question. My question was based
21 on a hypothetical and not on what should happen to
22 KCP&L.

23 BY MR. FISCHER:

24 Q. well, let me change it to a hypothetical.
25 Assuming that there was a stipulation and agreement

1 that had that kind of provision in it, should
2 hypothetically a utility suffer the consequences when
3 there's nothing in the stipulation that identifies
4 what those consequences are?

5 A. No. That would violate, in my mind, the
6 two-step process that's required by law. And if you
7 were to go there, that would have to be laid out very
8 specifically in the agreement that if this prese-- if
9 this provision is breached, this is the remedy.

10 The regulatory plan doesn't do that. And
11 we believe we have satisfied that commitment, but even
12 if you concluded we did not, disallowing a 97 million
13 dol-- \$93 million plug number wouldn't be an
14 appropriate remedy.

15 Q. From your perspective, what is it when
16 Staff suggests that is the appropriate remedy? Is
17 that a unilateral decision by Staff that we didn't
18 agree to?

19 A. Sure. It's their position. We never
20 understood that to be the requirement of the
21 agreement.

22 Q. In your discussions with the Staff,
23 have -- have they identified a cost control system
24 that in their -- from their perspective would be
25 adequate?

1 A. No, they haven't. We have certainly been
2 in talks with them since we saw the November report
3 basically asking what kind of list would satisfy what
4 they're asking for. And we haven't gotten an
5 explanation of what that list would look for, what we
6 would need to prepare in their mind to satisfy the
7 obligation.

8 Q. Have they suggested that you look at any
9 other utility's cost control system?

10 A. No.

11 Q. Ms. Ott also I think discussed with you a
12 letter that was dated in February of 2008 that was
13 sent by Mr. Dottheim to counsel to the company
14 requesting a meeting to talk about the reforecast
15 process, among other things.

16 A. I do recall that, yes.

17 Q. Had the company previously provided in
18 any quarterly reports notice to the staff that this
19 reforecast process was going to occur?

20 A. Yes, it did. I believe in the -- at
21 least the earliest I'm aware of is in the immediately
22 preceding quarterly report which would have come out
23 ahead of that, we indicated that it looked like a
24 reforecast would be necessary.

25 Q. Do you know if Mr. Downey or Mr. Giles

1 invited the staff to participate in that reforecast
2 process?

3 A. Yes, they did. And they're both
4 witnesses and can testify to those conversations. But
5 Mr. Downey contacted Mr. Henderson and Mr. Giles
6 contacted Mr. Schallenberg and asked them -- told them
7 we were about to embark on this reforecast process and
8 asked if staff would be willing to participate to make
9 sure they understood what we were doing, that we were
10 doing it right for a lack of a better term. They were
11 asked to participate in the process.

12 Q. And did they take you up on that offer?

13 A. No, they did not.

14 Q. Besides the company, who -- who else
15 could use the cost control system that has been
16 developed in this case for their work?

17 A. Sure. Mr. Drabinski used the cost
18 control system for his audit in support of the work he
19 did for the Kansas staff. Mr. Nielsen did it as part
20 of his prudence analysis of the project. Mr. Meyer
21 did it for his -- to support the pie charts we
22 discussed earlier that's in his pre-filed testimony to
23 categorize, identify and explain the cost overruns.

24 And then I would say that with respect to
25 the 17 allegedly imprudent acts that are on schedule 1

1 of Staff's report, that they used the cost control
2 system to identify and explain those particular cost
3 overruns.

4 Q. There were also some questions from
5 Ms. Ott regarding whether KCPL would -- I think she
6 used the term let the PSC Staff audit. Do you recall
7 that?

8 A. I do.

9 Q. When did the engineering Staff begin
10 their work in their audit of Iatan?

11 A. As I described earlier, from the very
12 beginning. Warren Wood when he was head of the
13 engineering staff, was up at the site literally in the
14 trenches when they were turning ground and putting in
15 the very, very first drainage pipes for the plant. So
16 he was there from the very beginning and that -- that
17 continued throughout. I think the engineering folks
18 were up there monthly at times, but at least at
19 significant points in the project.

20 Q. Do you recall that there's testimony that
21 they were there 20 times?

22 A. I think that's correct. Brent Davis
23 basically worked with them and interacted with them
24 when they were up there so he could go through
25 specifically when they were there, what they talked

1 about, but I believe that number is correct.

2 Q. Do you recall any testimony in the
3 preliminary audit case I think we've called it, or
4 it's probably EO-2010-329 that the auditors -- the
5 rate case auditors began their rate case audit after
6 the April 15th, 2009 order requiring them to complete
7 the audit by June of 2009?

8 A. That's my understanding. The outcome of
9 the depositions in that case and then the hearing
10 itself and the order I think showed that auditing
11 staff didn't start their audit until after they were
12 ordered to do so.

13 Q. Do you know how many times the rate case
14 auditors have been to Iatan, by chance?

15 A. I believe Mr. Schallenberg was there
16 once. I know Mr. Hyneman was there once to measure
17 the distance from a parking lot. I'm not aware if
18 Mr. Majors was there. So I'm aware of one visit, but
19 it would be single digits.

20 Q. There was also a discussion with Ms. Ott
21 about KCPL withholding documents. Do you recall that?

22 A. I do recall that.

23 Q. Did any documents that were redacted or
24 withheld include any change orders?

25 A. No.

1 Q. Any purchase orders?

2 A. No.

3 Q. Any risk and opportunity analysis sheets?

4 A. No. Unless there was a legal opinion
5 associated with it with respect to our rights, but as
6 far as the R&Os, no.

7 Q. Was anything related to the cost control
8 system withheld from the Staff that you know of?

9 A. Not that I'm aware of, no.

10 Q. There was also an early question from
11 Mr. Schwarz about La Cygne. Do you recall that
12 discussion?

13 A. I do.

14 Q. And I think he was asking would KCPL
15 consider building a new plant if it was determined La
16 Cygne wasn't the best option. Do you recall that
17 discussion?

18 A. Yes, I do.

19 Q. Would it be prudent for management to
20 build a new plant, from your perspective, if it knew
21 that the policy of the state would be to disallow all
22 costs above the initial preliminary estimate even if
23 there's no evidence of imprudence?

24 A. No. Without evidence of imprudence, it
25 would be inherently risky for a company to make any

1 investment.

2 Q. Well, just in closing, there was a couple
3 questions about Schiff Hardin. Has KCPL been
4 generally pleased with Schiff Hardin's work, to your
5 knowledge?

6 A. Yes, we have.

7 Q. Did you feel like you received sufficient
8 bang for the buck from that firm?

9 A. Absolutely. From our own perspective, I
10 think the team that we talked about and then the
11 philosophical approach that basically was make sure
12 you have the information to avoid the train wreck
13 before it happens. Because your contracts might give
14 you the right to try and fix the train wreck, but by
15 then it's already happened and the damage is done and
16 damage to the project is significant.

17 And then bas-- that's been our
18 experience. And then Dan Meyer will testify that
19 given the scope of work they did and the quality that
20 they did, that less than 1 percent is extremely
21 reasonable.

22 MR. FISCHER: Judge, I would conclude by
23 asking for the admission of Exhibit 68. And I'm not
24 sure that we marked the KCPL cost control meeting
25 attendance list with the attachments. I'd like to

1 make that an exhibit if it hasn't already been.

2 MS. OTT: It's Staff Exhibit 248.

3 JUDGE PRIDGIN: Let me go through these
4 one at a time. I think, first of all, Mr. Fischer
5 you've offered Exhibit 68?

6 MR. FISCHER: Yes.

7 JUDGE PRIDGIN: All right. Are there any
8 objections to that?

9 Okay. Hearing none, Exhibit 68 is
10 admitted.

11 (KCP&L Exhibit No. 68 was received into
12 evidence.)

13 JUDGE PRIDGIN: And then, Mr. Fischer, I
14 believe Ms. Ott had labeled as Exhibit 248-HC a
15 July 11th, 2006 --

16 MR. FISCHER: I would ask that it be
17 admitted if it hasn't already.

18 JUDGE PRIDGIN: -- list of attendees to a
19 meeting and then it's an HC report from Kansas City
20 Power and Light. And KCP&L has moved for that to be
21 admitted. Is there any objection to 248-HC?

22 MR. MILLS: Judge, I ask that you reserve
23 ruling until the parties have a chance to get a copy
24 of that and look at it.

25 JUDGE PRIDGIN: I will do so. So 68 is

1 admitted. I will withhold ruling for now on 248-HC.

2 MR. FISCHER: That's all I have, Judge.

3 JUDGE PRIDGIN: Mr. Blanc, thank you very
4 much.

5 MS. OTT: Would that be the same for 249?
6 I've provided copies to the Bench but not to all the
7 parties.

8 JUDGE PRIDGIN: That's fine. I don't
9 believe 249 has been offered, but I would be glad to
10 reserve ruling on that waiting on the copies.

11 All right. Are we ready to move on to
12 Mr. Davis?

13 MR. FISCHER: Yes, sir.

14 JUDGE PRIDGIN: All right. Mr. Davis, if
15 you'll come forward and be sworn, please.

16 MS. OTT: Can I have about five minutes
17 to reorganize for Mr. Davis?

18 JUDGE PRIDGIN: That's fine. Let's go
19 off the record briefly for five minutes.

20 (A recess was taken.)

21 JUDGE PRIDGIN: All right. We're back on
22 the record. Let me -- Mister -- is there anything
23 else from counsel? Mr. Davis has taken the stand and
24 he needs to be sworn. Is there anything else from
25 counsel before Mr. Davis takes his oath?