

1 the control budget estimate at only 20 to 25 percent
2 engineering was complete that caused the engineering
3 to be so far behind what was anticipated in 2005?

4 A. I don't believe the engineering was
5 behind what was anticipated in 2005.

6 Q. How could KCPL have agreed to have a
7 definitive estimate in the fall of 2006 in 2005 if
8 that was not what was intended?

9 A. And your -- your question's predating my
10 time on the project so there are others that can
11 probably answer that.

12 Q. Do you believe from -- based on your
13 experience, that it was even possible from the point
14 at which the -- KCPL was in the spring of 2005 to have
15 a definitive estimate ready in the fall of 2006?

16 MR. FISCHER: Your Honor, I think I'm
17 just going to comment that Mr. Meyer is probably the
18 appropriate witness to ask that question since he
19 discusses at length the industry -- the industry
20 standards regarding budget estimates.

21 MR. MILLS: Judge, that's not an
22 objection. If anything, it's coaching the witness.
23 If the witness doesn't know the answer, he can say, I
24 don't know.

25 MR. FISCHER: I'm sorry for the

1 interruption. I was trying to be helpful.

2 JUDGE PRIDGIN: I understand. No, it's
3 not an objection. I agree. If he knows, he can
4 answer. And if not, he can say so.

5 THE WITNESS: Can you repeat the
6 question, Mr. Mills?

7 BY MR. MILLS:

8 Q. Yes. Assume for purposes of this
9 question that KCPL agreed in the Comprehensive Energy
10 Plan signed in the spring of 2005 that it would have a
11 definitive estimate ready in the fall of 2006. From
12 your experience, was that a reasonable commitment to
13 make? would that have been possible to do that?

14 A. I believe we -- I believe we did do that,
15 because our strategic schedule outlined what our key
16 milestones were. All right? Engineering did support
17 those key milestones. We made those -- those
18 foundation release dates to Alstom. All the
19 engineered equipment was on time. We did what we
20 planned to do in fast tracking the engineering on this
21 project and we ultimately had the end result as is
22 pointed out by our schedule and cost performance.

23 Q. So I guess your testimony now is not only
24 was it reasonable for KCP&L to make that commitment,
25 but they did make that commitment?

1 A. I believe we made the commitment to have
2 a control budget estimate that was based on our best
3 information at the time and I believe we met that
4 commitment.

5 Q. Okay. Are you familiar with the
6 Comprehensive Energy Plan agreement?

7 A. I'm generally familiar with it, yes.

8 Q. Does it use the term "control budget
9 estimate" or "definitive estimate"?

10 A. I can't answer that question. That would
11 be for a later witness.

12 Q. Okay. From your experience, do you
13 define those terms differently?

14 A. The control budget estimate is our
15 original budget for this project.

16 Q. Is that a term of art that's used in the
17 construction industry?

18 A. I would suggest asking Mr. Meyers [sic]
19 that question.

20 Q. You don't know?

21 A. I -- I don't know.

22 MR. MILLS: Okay. That's all the
23 questions I have. Thank you.

24 JUDGE PRIDGIN: Mr. Mills, thank you.

25 Excuse me. Ms. Ott, any cross?

1 MS. OTT: No.

2 JUDGE PRIDGIN: Redirect?

3 MR. FISCHER: Thank you, Judge.

4 REDIRECT EXAMINATION BY MR. FISCHER:

5 Q. Mr. Davis, does Mr. Meyer discuss, to
6 your knowledge, the industry classification system for
7 budget estimates in his testimony?

8 A. Yes. I believe he does.

9 Q. In questioning from Commissioner Jarrett
10 you went through the numbers as far as what the 2006
11 CBE was and also what the reforecasted number was. I
12 don't think I heard you say what the final expected
13 cost of Iatan 2 is.

14 A. Our current estimate at completion is
15 1.948.

16 Q. So a little less than \$50 million above
17 the '08 reforecasted number?

18 A. That's correct.

19 Q. Is that about 2 percent?

20 A. Yes.

21 Q. Is it your understanding that Kansas City
22 Power and Light Company agreed to track the costs from
23 the original 2006 CBE, whatever you called it?

24 A. Yes, it is.

25 Q. And in your discussions with the

1 Commissioners you talked about an overheated
2 construction market. What did you mean by that term?

3 A. There was a tremendous -- in that 2005 to
4 2008 time frame, there was a tremendous amount of
5 construction activity and projects in the planning
6 phase that were projected to be built. That stressed
7 the market for basically all the functions of the
8 project; engineering, procurement resources, material,
9 equipment, and construction manpower.

10 Q. And that's what you were facing whenever
11 you were looking at the -- the EPC versus the balance
12 of plant contracting approach?

13 A. That's correct.

14 Q. Now, one question I had was, does an EPC
15 necessarily equate to a fixed price contract?

16 A. Not -- not in -- it could take other
17 final pricing forms other than a fixed price.

18 Q. So even if you had an EPC, you wouldn't
19 necessarily assume you were going to get a fixed
20 price?

21 A. That's correct. In fact, we believe that
22 our EPC fixed price contract with Alstom is one of
23 last ones that was gotten in that time frame.

24 Q. During your early cross-examination I
25 think by Mr. Schwarz, you were talking about the

1 efficiencies of a supercritical coal-fired unit versus
2 a subcritical. Do you recall that discussion?

3 A. Yes, I do.

4 Q. Could you discuss other operational
5 characteristics that are advantageous for a plant like
6 Iatan 2?

7 A. Well, I -- I'd probably characterize that
8 as talking about the performance of the plant. We
9 came online for the first time on July 20th and began
10 making electricity. We completed our in-service
11 criteria, as far as Commission in-service
12 requirements, by August 26th. That greatly exceeded
13 our expectations. That's an indication of how
14 smoothly this plant came online and how quick it got
15 to full power. That August 26th represents about
16 109 days better than what we had projected in our last
17 schedule reforecast.

18 That plant has made over two and a
19 half -- or right at two and a half million megawatt
20 hours since that July 20th date. It is operating at
21 below a 9,000 BTU per kilowatt hour heat rate,
22 which -- which is what it was designed to do. And the
23 operations work force there is well trained and that
24 plant will operate at the level it is today for years
25 to come and be a great asset for the region and Kansas

1 City Power and Light's customers.

2 Q. Do you recall some questions regarding
3 the -- I think it was discussed as Alstom transparency
4 in the Alstom unit 1 settlement agreement?

5 A. Yes.

6 Q. Would you elaborate on how the Alstom
7 unit 1 settlement agreement affected the remaining
8 relationships with Alstom?

9 A. I believe that settlement agreement --
10 and I'm talking from a perspective of a guy that was
11 onsite every day. That settlement agreement set the
12 tone for the entire rest of the project. As I said
13 yesterday, there were several commercial disputes that
14 were put to bed with that settlement. You could see
15 Alstom's performance improve from that day forward.

16 Q. Did the Alstom settlement unit 1
17 agreement affect Alstom's remaining schedule concerns
18 or did it affect the schedule after that?

19 A. We did -- as part of that agreement, we
20 adjusted the schedule on unit 1. We needed that from
21 our perspective. We'd added some scope to unit 1
22 outage. It did adjust that schedule, which was
23 jointly agreed to by us and Alstom.

24 Q. Did Alstom remain on schedule after that
25 point?

1 A. Yes, they generally did.

2 Q. You had some questions I think regarding
3 your experience at the Hawthorn 5 rebuild. Do you
4 recall those?

5 A. Yes.

6 Q. Would you explain how your experience at
7 Hawthorn 5 on that rebuild project was -- affected
8 your -- your experience at Iatan?

9 A. You know, the -- the Hawthorn experience,
10 as I said earlier, we built a boiler and an entire air
11 quality control system very similar to what we did at
12 Iatan. Many of the project team members at Hawthorn
13 were involved in the Iatan project at various times.
14 I think Kansas City Power and Light was uniquely
15 positioned to have that recent experience from the
16 Hawthorn project with in-house people that could be
17 applied directly to the Iatan project and the Iatan
18 project benefited from that.

19 Q. Did the Hawthorn rebuild project merely
20 include replacing the old plant or did it also involve
21 the construction of environmental equipment?

22 A. We -- we put all new state-of-the-art
23 environmental equipment, a fabric filter, dry scrubber
24 and an SCR on Hawthorn. Technology that's very
25 similar to what was put on at Iatan.

1 Q. Is that similar to the animations that
2 you talked about in the film, the video that we had
3 the opening about?

4 A. Yes. The one major difference is
5 Hawthorn was a dry scrubber and Iatan is a wet
6 scrubber.

7 Q. You also had some questions from Ms. Ott
8 regarding the project execution plan. Do you recall
9 those?

10 A. Yes, I do.

11 Q. Did the fact that the project execution
12 plan was finalized three months after the Ernst &
13 Young recommendations, that you developed that, did
14 that affect the -- or have an impact on the -- on the
15 Iatan project?

16 A. None whatsoever.

17 Q. Did it affect the cost of the plant in
18 any way?

19 A. No.

20 Q. Did the fact that there were no
21 formalized documents at -- until June of '07 have any
22 adverse impact on -- on the Iatan project?

23 A. No adverse impact at all.

24 Q. I believe you made a comment in an answer
25 that there were no open audit findings. would you

1 expand on what you meant by that term?

2 A. As I said yesterday, during the life of
3 the project, part of our -- part of our management
4 toolbox was audits. We used those extensively. There
5 were many audits performed through the life of the
6 project. Each one of those audits were taken very
7 seriously.

8 A responsible management person was
9 assigned, a management action plan was developed and
10 those action plans were implemented and executed.
11 That was a very important part of our overall
12 management of the project and it led to a more
13 effective execution of the project.

14 Q. You used the term "appropriate processes
15 were in place" in answer to one of her questions. Is
16 that what you were talking about or something else?

17 A. That's correct. And those audits allowed
18 us to refine those projects -- processes and make them
19 even better.

20 Q. You also had some questions from Ms. Ott
21 regarding Schiff Hardin's work, I believe?

22 A. Yes.

23 Q. What did Schiff Hardin do for you from an
24 operational perspective?

25 A. From an operational perspective, Schiff

1 Hardin was very involved in the contracts --
2 development of contracts and in the overall
3 administration and commercial execution of those
4 contracts. They had onsite resources for schedule and
5 cost.

6 Those resources -- most of the disputes
7 you have on a contract are cost or schedule based. I
8 think Schiff Hardin was uniquely positioned in that
9 they provided that full suite of services so that
10 those schedule people knew how to interact with those
11 commercial folks that were helping us with the
12 contracts. That put us in a very good position to
13 manage those contracts.

14 Schiff Hardin did much more than legal
15 work on this project. There were several instances --
16 I'll give you a couple of examples. The crane
17 collapse, the T23 tube situation with Alstom and those
18 settlement agreements that we've talked about earlier,
19 all of those Schiff Hardin was very instrumental in
20 helping us work through those issues and their input
21 was extremely valuable.

22 Q. were Schiff Hardin's efforts important to
23 the success of Iatan?

24 A. Absolutely.

25 Q. And did you have interaction regularly

1 with Schiff Hardin onsite?

2 A. On a daily basis.

3 Q. You also had some questions I think from
4 the Bench and perhaps from Ms. Ott regarding fast
5 track --

6 A. Yes.

7 Q. -- do you recall those?

8 In the audit report that the staff filed,
9 they indicated that they believe that a major factor
10 that led to KCP&L incurring cost overruns that it --
11 at Iatan was fast tracking. Do you agree with that?

12 A. No, I disagree with that. I think our
13 ability to get up front and get the engineering
14 complete in order to get particularly that engineered
15 equipment on order got us ahead of that overheated
16 market.

17 If you look at our cost reports in the
18 procurement section where we bought all that
19 engineered equipment, we were basically on budget.
20 That was largely due to getting that engineering done
21 and getting out ahead of that overheated market.

22 Q. Was Mr. Elliott aware that the company
23 was fast tracking aspects of the project?

24 A. I believe he was well aware of that, yes.

25 Q. And did you fast track some of the

1 aspects of the Hawthorn 5 project?

2 A. That entire project was fast tracked.

3 Q. Is there anything unreasonable, from your
4 perspective as an operations guy, that -- when you
5 fast track a project?

6 A. No. And in particular, in an overheated
7 market like this, if you can get that engineering done
8 and get that equipment headed your way at a reasonable
9 cost and get it out in front of an overheated market,
10 it's a very prudent thing to do.

11 Q. Was the engineering on the foundations at
12 Iatan on the critical path at one point?

13 A. Yes, it was.

14 Q. Did you fast track that aspect --

15 A. We -- we --

16 Q. -- accelerate it, whatever you call it?

17 A. We accelerated the foundations -- many of
18 the foundations at Hawthorn. And when I say
19 "accelerated," we made those a priority for Burns and
20 Mac to get the engineering done so we could get those
21 engineering packages to Kissick who was our major
22 foundation contractor so they could get those
23 foundations installed to meet that key release date to
24 Alstom of August 15th, 2007 so Alstom could get
25 started on their critical path work.

1 Q. Had you not done that, do you think you
2 would have been able to complete the project within
3 three months of the original targeted in-service date?

4 A. Absolutely not.

5 Q. Do you believe that fast tracking had any
6 adverse impact on the cost of Iatan 2?

7 A. I believe fast tracking saved that
8 project money.

9 Q. Let's talk a little bit about the cost
10 control system that you were asked about by Ms. Ott.
11 She -- she showed you a couple of documents. One of
12 them was a -- a change order on LogIn -- or LogOn
13 Consulting. Do you recall that?

14 A. Yes.

15 Q. Just as a generic matter, what is a
16 change order and how do you use it as an operations
17 guy?

18 A. A change order is basically what it says.
19 It's a change. Any original contract, any original
20 budget line item that had a change involved in it,
21 many of them are incorporated in a change order such
22 as this. Those change orders feed directly into a
23 contract -- a line item in the control budget and can
24 be tracked all the way back to that original control
25 budget estimate amount.

1 Q. Would you be the one that might approve
2 change orders onsite?

3 A. I approved -- my signature's on probably
4 a majority of the change orders on both unit 1 and
5 unit 2.

6 Q. And would you occasionally not approve
7 change orders?

8 A. Absolutely. In fact, we -- in the -- in
9 the change notice portion of our process, that's
10 normally where the disapproval comes. But when you
11 get to an executed change order like this, normally I
12 would approve them.

13 Q. Would a change order be important in
14 understanding the -- the quantification and -- and
15 reasons for a change?

16 A. Absolutely. To give you an example, we
17 talked earlier about the Kiewit contract. I think
18 Ms. Ott put the recommendation to award letter. If
19 you take that recommendation to award letter and you
20 took all of these change orders that are associated
21 with the Kiewit contract, that would capture much of
22 the change of the -- from the original CBE because
23 within that Kiewit contract is where that engineering
24 progressed from that 25 to 70 percent. And that's
25 also where we experienced much of the price pressures

1 on the -- on the material that went into that balance
2 of plant.

3 Q. Well, let's take a look at one of those
4 recommendations to award letters that Ms. Ott showed
5 you. I think it's Exhibit 250. It's an HC document.

6 A. Yes.

7 Q. I don't want to do the numbers. I want
8 to stay in open session, but -- but what would the
9 contract value indicate to you on that -- that -- do
10 you have that -- that recommendation to award letter
11 for the general contract for the balance of plant?

12 A. Yes, I do.

13 Q. Can you just explain to the Commission
14 what information you would get as an operations guy
15 from this recommendation to award letter and how you
16 would use it?

17 A. At the time of -- at the time that the
18 contract was let, the contract value was that number
19 that you see there. That included both unit 1 and
20 unit 2 based on the engineering information that was
21 available at the time. And any change to that as time
22 went on would have been incorporated in one of these
23 change orders.

24 Q. And then there's an indicative estimate
25 here that -- and a variance. What -- what does that

1 information give you?

2 A. That indicative estimate would have
3 indicated the amount that had been included in the
4 control budget estimate back at that point at time.
5 And the variance would have been the amount that we
6 pulled out of contingency to fund that Kiewit contract
7 at that time based on the risks that we viewed that
8 the Kiewit contract had addressed.

9 Q. Then there's a section for the evaluation
10 team, which on this particular one has six different
11 people. What -- what does that show you?

12 A. That means that those six individuals
13 were very key in both reviewing the contract and
14 reviewing this recommendation to award letter.

15 Q. Now, this document goes on for 19 pages.
16 And I don't want to go through all of that, but
17 would -- would you -- would you agree with me that
18 this particular one that she happened to show you is a
19 very significant recommendation to award letter from
20 your project perspective?

21 A. The most significant one in the life of
22 the project.

23 Q. Why -- why is that?

24 A. Because it did represent a change from
25 the multi-prime strategy to a single contractor, a

1 single, sole source contractor. We took that very
2 serious and made sure we did our due diligence in
3 analyzing this decision.

4 Q. Just on a generic basis, are
5 recommendations to award letters and change orders an
6 important part of your cost control system?

7 A. Yes, they are. They are two of the key
8 ingredients. The recommendation to award letter will
9 outline if there was any difference from what the
10 final award was to the budget -- original budgeted
11 amount. And the change orders will tell you what
12 changed over the life of the contract.

13 Q. Based on your cost control system, were
14 you able to tell when you were going over budget?

15 A. Absolutely. And, in fact, that original
16 control bud-- or cost reforecast of 1.901 million done
17 in 2008, we had actually spent considerably less money
18 than that. I don't remember the exact number. But we
19 were able to use our cost control system to
20 effectively forecast those costs once we got to that
21 70 percent engineering complete and that number was
22 very good for the rest of the project.

23 Q. Well, from an operations guy perspective,
24 is -- was that cost control system important to you in
25 the field?

1 A. Absolutely. It -- it gave us the tool to
2 know where we stood cost-wise basically on a real-time
3 basis.

4 Q. Back to those change orders, did -- did
5 you participate personally in meetings with the Staff
6 engineers on change orders?

7 A. Yes, I did.

8 Q. Would you describe those meetings?

9 A. From the very early stages of the
10 project, Dave Elliott had come sometime in the 2006,
11 early 2007 time period. We had went over our change
12 order process, asked him if he had any input into that
13 process.

14 In general, his feedback was that he
15 thought that would give him what he needed. He put in
16 an ongoing request for any change orders greater than
17 \$50,000 or any -- any reverse charges less than 150 --
18 or I'm sorry, \$50,000. That amounted to over 600
19 change orders that over the life of the project Dave
20 periodically reviewed.

21 We would -- when we was there on his
22 periodic visits, we would sit down, he would ask
23 detailed questions about those change orders that he
24 had reviewed up to that date and make engineering
25 judgments. In his final report he said he saw really

1 no engineering issues with all those change orders
2 that he had reviewed. And as I stated earlier,
3 engineering is a direct driver of cost. As we've
4 talked earlier, 25 percent engineered versus
5 70 percent engineered.

6 Q. Were you the only KCPL person that
7 interacted with Mr. Elliott or were there others?

8 A. No. Depending on the nature of
9 Mr. Elliott's questions, if I couldn't answer them, I
10 would go get the appropriate party and bring them in
11 and we would answer them together.

12 Q. Do you recall going over many of those
13 change orders with Mr. Elliott?

14 A. Many. Hundreds.

15 Q. Did you have similar meetings with the
16 rate case auditors on this -- on the change orders?

17 A. No, I didn't.

18 Q. Why not?

19 A. I can't answer that. I don't know.

20 Q. Were you ever requested to meet with
21 them?

22 A. I have met with the auditors. Not on
23 that specific subject.

24 Q. Okay. Thank you. Did you ever meet with
25 them -- the rate case auditors regarding

1 recommendations to award letters?

2 A. Not that I recall. I -- I do have a
3 recollection of a meeting with Warren Wood when Warren
4 was with the Staff. It was probably prior to this
5 recommendation to award letter written to Kiewit. We
6 had not awarded the contract yet, but we -- Dave Price
7 and I met with Warren and went over basically what our
8 plan was with Kiewit.

9 Q. Mr. Warren Wood was an engineer with the
10 Staff at that time?

11 A. Yes.

12 Q. And I believe he was on the list of
13 attendees at the cost control meeting that we had in
14 2006. Is that your recollection?

15 A. I believe so.

16 Q. But the -- were the Staff auditors at
17 that meeting?

18 A. I can't recall.

19 Q. Okay. Do you recall what Mr. Wood's
20 comments were about your cost over -- your cost
21 control system at that meeting generally?

22 MR. SCHWARZ: Objection, hearsay.

23 MR. FISCHER: I'll withdraw it.

24 BY MR. FISCHER:

25 Q. I recall a discussion with Ms. Ott about

1 ramping up management. Do you recall that?

2 A. Yes.

3 Q. What did that term -- what does that term
4 mean?

5 A. That means bringing on personnel when
6 they are needed. A just-in-time type management for
7 when they're needed to perform various functions on
8 the project.

9 Q. Is that considered a good management
10 practice or why were you discussing that?

11 A. I believe it's a good management practice
12 because it allows you to control your costs of your
13 management folks onsite.

14 Q. I believe you also had a discussion with
15 Ms. Ott regarding the baseline schedule and the CBE.
16 Do you recall that?

17 A. Yes.

18 Q. Would you describe how the baseline
19 schedule and the CBE are related?

20 A. They are directly tied -- the control
21 budget estimate, which was published in December of --
22 of '06, reflects the schedule and the schedule risks
23 that are contained in the original baseline schedule.

24 Q. You also had a discussion today, I
25 believe, regarding the provisional acceptance dates of

1 Iatan 1 and Iatan 2 and their in-service dates?

2 A. Yes.

3 Q. Why is the provisional acceptance date of
4 Iatan 2 and the in-service date different?

5 A. The in-service date is a -- was the day
6 we met all the criteria that was agreed to with the
7 Missouri Public Service Commission Staff. The -- the
8 provisional acceptance date is a contractual date with
9 Alstom where they had to meet basically those same
10 criteria plus some more requirements in order to get
11 to provisional acceptance. So they made that date a
12 month -- basically a month later because of those
13 added criteria.

14 Q. You also had a discussion with Ms. Ott
15 regarding the LogOn personnel. Do you recall that?

16 A. Yes.

17 Q. Is it your understanding that the Staff
18 has substituted LogOn rates for Cushman rates in this
19 case?

20 A. I'm not sure I understand your question.

21 Q. Their hourly rates. Do you recall an
22 adjustment like that?

23 A. Yes, I do. Sorry.

24 Q. Can you tell me did -- did Cushman do the
25 same thing as LogOn?

1 A. No. Cushman was -- he was in the early
2 stages of the project. He helped us develop that
3 project execution plan. His experiences is, in my
4 view, world renowned. And LogOn was more of staff
5 augmentation, providing people to perform specific
6 project functions.

7 Q. You also had a conversation with Ms. Ott
8 regarding back charges. Do you recall that?

9 A. Yes.

10 Q. Was there a process in place to catch
11 issues before back charges were necessary?

12 A. Yes, there was. We watched the -- the
13 construction very closely with both our construction
14 management people and our quality people. There were
15 several occasions that during the construction process
16 we found issues that could have ultimately resulted in
17 back charges that were taken care of as the
18 construction was occurring. So that helped us on both
19 cost and schedule. We didn't have to go back and do
20 massive amounts of rework because those issues were
21 caught in real-time.

22 Q. At one point during your
23 cross-examination yesterday you had a discussion of
24 all the different -- or a number of the different
25 people and their experience on Ia-- on the project.

1 Do you recall that?

2 A. Yes.

3 Q. I don't think you mentioned Bob Bell. Do
4 you have impression of his experience?

5 A. Yes. Bob has -- has -- as I believe was
6 stated yesterday, 25, 30 years of industrial
7 commercial experience, has ran many EPC power jobs all
8 over the world. And he was definitely a added asset
9 to the project team.

10 Q. I think he'll be our next witness too.

11 A. Okay.

12 Q. My last -- my last question -- and I know
13 you're somewhat of a humble man, but do you have any
14 comments about your appraisal?

15 A. I never thought it'd be put in front of a
16 Commission like this.

17 Q. I'll withdraw it if you don't want to
18 answer it.

19 A. I don't want to answer.

20 MR. FISCHER: Thank you.

21 JUDGE PRIDGIN: All right. Mr. Davis,
22 thank you very much. You may step down.

23 And Mr. Bell will be our next witness?

24 This looks to be a convenient time to take a break.

25 Let's take roughly ten minutes. We'll go back on the