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KCP&L faulted for mismanagement in power plant project

By STEVE EVERLY
The Kansas City Star

Kansas City Power & Light mismanaged much of the early construction of its new coal-fired power plant near Weston, causing cost overruns that it wants its customers to cover, according to a report to Kansas regulators.

The utility ignored expert advice, delayed important decisions and had a "dysfunctional" relationship with the contractors on the Iatan 2 project, according to Walter Drabinski, president of Vantage Consulting Inc., who was retained by the staff of the Kansas Corporation Commission.

His report said those problems added costs and caused delays for the coal-fired power plant, now estimated to cost almost $2 billion — about double original estimates.

Chuck Caisley, a KCP&L spokesman, said Drabinski ended up criticizing only 10 percent of the plant's cost, which the utility defended.

"We were reasonable and prudent in building this plant," Caisley said.

Drabinski's report said one of KCP&L's biggest missteps was entering into agreements with major contractors that required more supervision than KCP&L was able to provide. The utility was unaware of the scope of the job, he said, and had few employees with experience in construction.

"Had a sufficient number of qualified construction management staff been available from the onset, risk of mismanagement would have been significantly reduced," Drabinski said in testimony filed with the Kansas regulators.

The Iatan 2 plant has taken more than four years to build and is scheduled to begin operation later this year. It is the biggest part of a comprehensive energy plan that includes environmental improvements at Iatan 1 and another coal-fired plant, energy conservation programs, and a wind farm.

KCP&L is seeking rate increases of 14.5 percent in Missouri and 11.5 percent in Kansas, in part, to help pay for Iatan 2. If those increases are granted, KCP&L customers' rates will have increased nearly 50 percent in the past four years.

But Iatan 2 and its final costs are being scrutinized. The alleged imprudence in building the plant is one of the reasons the Kansas Corporation Commission's staff is recommending that the utility give some money back, instead of getting its latest request for higher rates.

A decision in the Kansas rate case is expected by the end of the year. Missouri's rate case is not as far along, but the Iatan 2 plant is also expected to get a close look there.

"A reasonable look at this shows there should be an adjustment" in the request, said Ed Peterson, an attorney representing commercial electricity users in Kansas.

The 184-page document from Drabinski was filed earlier this year, but most of it was confidential. Now, more of it has been declassified.

Besides KCP&L, it criticizes Burns & McDonnell, a Kansas City engineering firm the utility picked as its "owner engineer" for the power plant.

The report says Burns & McDonnell began the project with inadequate personnel and oversight, and did not recognize the problems until after the engineering portion of the project had begun.

The report also faulted Alstom, a company hired to work on Iatan 2's boiler and environmental systems, saying the poor productivity of its workers caused delays. The report also said KCP&L should have provided more supervision of Alstom.

A spokesman for Burns & McDonnell declined to comment Wednesday.

An Alstom spokesman did not respond to a message seeking comment.

But the focus of Drabinski's investigation was on KCP&L.

Drabinski said the utility's previous statements, which attributed the cost overruns and delays to cold weather and rising prices for commodities such as steel, had overstated those problems. Instead, he said, KCP&L struggled to take control of the project, although the problems eventually eased after the utility got extra help.

Construction on the power plant began in January 2006, and within a year relations between the utility and contractors at the plant had become so bad that a management consultant was called in to offer advice. The report said the project was also harmed early on by excess turnover in project management until mid-2008, when a new vice president of construction stepped in.

The problems were made worse by not taking advice from the experts hired by the company to help, the report said. Meanwhile, the company's board of directors sometimes let months go by without discussing the plant at their meetings, Drabinski said, although the company faced the problems caused by underestimating the number of project management personnel needed.

"The result was that the project team and senior management realized they could not manage the 10 to 15 contractors" and had to seek help, the report said.

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To reach Steve Everly, call 816-234-4455 or send e-mail to severly@kcstar.com.