Exhibit No.:
Issue: Organizational Realignment and Voluntary Separation Program
Witness: Kelly R. Murphy
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2012-0174
Date Testimony Prepared: February 27, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0174

DIRECT TESTIMONY

OF

KELLY R. MURPHY

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
February 2012

DIRECT TESTIMONY

OF

KELLY R. MURPHY

Case No. ER-2012-0174

Q: Please state your name and business address.

A: My name is Kelly R. Murphy. My business address is 1200 Main Street, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Director - Human Resources.

Q: What are your responsibilities?

A: I have primary responsibility for the design and administration of the Company's compensation, benefits, Human Resource ("HR") Information Systems, payroll, organizational development, and HR Service Center.

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

A: I graduated from Bucknell University with a B.A. Degree in International Relations. I have worked in a variety of HR positions since 1989. I began my career with KCP&L in 1999 and have served in a variety of roles in HR and have also spent two years in a Six Sigma Black Belt role. Prior to joining KCP&L, I worked in HR in two international law firms headquartered in New York, and for a short time for First Data Resources in Omaha, Nebraska.

Q: Have you previously testified in a proceeding before the Missouri Public Service Commission ("MPSC" or "Commission") or before any other utility regulatory agency?

A: No. I have not testified before the MPSC or any other regulatory agency prior to this time.

Q: What is the purpose of your testimony?

A: The purpose of this testimony is two-fold: (1) to describe the Organizational Realignment and Voluntary Separation ("ORVS") Program implemented by KCP&L during 2011; and (2) to support the rate case adjustment to defer the associated costs for recovery over future years.

Q: Please describe the ORVS Program.

A: In March 2011, KCP&L announced ORVS to enhance organizational efficiency and to assist in the management of overall labor costs.

Q: Why was ORVS implemented?

A: Consistent with its continuing efforts to implement process improvements, improve overall efficiency, and reduce costs, the Company determined that an organizational realignment was desirable. After a thorough review of all departments, 150 non-union positions were identified for elimination. Although the positions were being eliminated, the Company planned to utilize a voluntary separation program to achieve the desired headcount reduction. Employees whose positions were eliminated would be eligible to apply for jobs being vacated by those departing under the voluntary separation component of ORVS.

Q: Will ORVS result in only a temporary reduction of costs?

A: No. The realigned organizational structure was determined to be the most appropriate structure to meet the Company's continuing operational needs. The Company and its customers will benefit over future years through the enhanced efficiencies and lower overall full-time employee headcount.

Q: How was the voluntary separation program designed to work?

A: Under the voluntary separation program, any non-union employee could voluntarily elect to separate and receive a severance payment equal to two weeks of salary for every year of employment, with a minimum severance payment equal to fourteen weeks of salary. Employees electing the program were also eligible for career transition services.

Q: What level of employees participated in the program?

A: There were 140 employees that made such elections and the majority separated on April 30, 2011.

Q: What were the program costs?

A: GPE recorded $12.7 million for the twelve months ending September 30, 2011 related to this voluntary separation program, excluding joint partner shares, which reflects severance and related payroll taxes to employees who elected to voluntarily separate. A small amount of expense related to career transition services also was recorded.

Q: What were the expected benefits to customers?

A: We anticipate both non-monetary and monetary benefits to our customers.

Q: What are the non-monetary benefits?

A: The Company strives to build a culture of innovation and process improvement. ORVS provided many opportunities for employees who remained to take on new responsibilities and think through existing processes to look for new ways to approach work. An ongoing focus on valued services, streamlined processes, and products will benefit customers.

Q: What are the monetary benefits?

A: As identified above, 140 employees elected to participate in the program. These employees had a combined annual salary of $12,471,500. This reduction in employees was reflected in the Company's payroll annualization, supported by Company witness John P. Weisensee in his direct testimony (adjustment CS-50). This reduction in the number of employees also resulted in associated reductions in the cost of employee-related benefits that would otherwise have occurred, bringing the total annual savings to approximately $20 million annually, including amounts capitalized.

Q: How is the Company proposing to treat the ORVS Program costs for ratemaking?

A: The Company is proposing to defer these costs into a regulatory asset and amortize the deferred costs over five years. The annual amortization expense is included in Mr. Weisensee's Schedule JPW-3, also JPW-4, adjustment CS-55. The Company is not requesting rate base treatment.

Q: Why did you choose a five-year amortization period?

A: The Company believes that this program will provide benefits over a multi-year period. Consequently, the Company does not believe that inclusion of the program costs in a single year is appropriate. In Case No. ER-2007-0291, the Commission authorized the Company to use a five-year amortization period to recover the costs of its Talent Assessment Program. A consistent amortization period was considered appropriate to recover the costs of the ORVS Program.

Q: Were there any other impacts for ratemaking purposes?

A: Yes. Under the ratemaking method used for pensions, there was a $16.6 million pension settlement charge, excluding joint partner shares, that resulted from non-union pension distributions in 2011, primarily due to the voluntary separation program. KCP&L deferred its share of the charge as a regulatory asset. It expects to recover its deferred asset over future periods pursuant to the Non-Unanimous Stipulation and Agreement Regarding Pensions and other Post Employment Benefits approved in Case No. ER-2010-0355. For the anticipated ratemaking treatment of these pension costs, see Mr. Weisensee's direct testimony (adjustment RB-65/CS-65).

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2012-0174

AFFIDAVIT OF KELLY R. MURPHY

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Kelly R. Murphy, being first duly sworn on her oath, states:

1. My name is Kelly R. Murphy. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director – Human Resources.

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 five (5) 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.

Kelly Murphy
Kelly R. Murphy

Subscribed and sworn before me this 1st day of February, 2012.

Barbara E Samuels
Notary Public

My commission expires: 12-22-14

BARBARA E. SAMUELS
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: December 22, 2014
Commission Number: 10482468