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Witness: *Compensation*
Sponsoring Party: *Keith A. Majors*
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Case No.: *Rebuttal Testimony*
Date Testimony Prepared: *ER-2009-0090*
March 13, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

KEITH A. MAJORS

Great Plains Energy, Incorporated
GREATER MISSOURI OPERATIONS COMPANY
GMO-MPS-L&P ELECTRIC

CASE NO. ER-2009-0090

Jefferson City, Missouri
March 2009

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6 **GMO-MPS AND GMO-L&P ELECTRIC**

7
8 **CASE NO. ER-2009-0090**

9 Q. Please state your name and business address.

10 A. Keith A. Majors, Fletcher Daniels State Office Building, Room G8,
11 615 East 13th Street, Kansas City, Missouri 64106.

12 Q. By whom are you employed and in what capacity?

13 A. I am a Utility Regulatory Auditor with the Missouri Public Service
14 Commission (Commission or PSC).

15 Q. Are you the same Keith A. Majors that contributed to the
16 Staff's Cost of Service report filed in this case on February 13, 2009?

17 A. Yes. I contributed to that report which addresses Staff's analysis
18 of cost of service for the two territories where KCPL Greater Missouri Operations Company
19 (GMO) has differing rates, designated as MPS (Kansas City area)
20 and L&P (St. Joseph area) for ratemaking purposes. In addition, I contributed to the
21 Staff Report Cost of Service filed on February 11, 2009 which addresses Staff's analysis of
22 cost of service for Kansas City Power & Light Company (KCPL or the Company).

23 Q. What is the purpose of your rebuttal testimony in this proceeding?

24 A. The purpose of my rebuttal testimony is to address the Company's inclusion of
25 short term incentive compensation in GMO's cost of service for MPS and L&P.

1 This inclusion is in the revenue requirement schedules in the Company's direct filing
2 supported by Company witness Ronald A. Klote. Also, I will address the issue of allocating
3 costs of both long term and short term incentive compensation from KCPL to GMO if those
4 costs are to be included in the cost of service.

5 Q. Were you the Staff Expert who authored and supported the section of Staff's
6 Cost of Service report concerning short-term incentive compensation?

7 A. Yes. This section is on pages 103-104.

8 **EXECUTIVE SUMMARY**

9 Q. What was the Company position on the amount of short term incentive
10 compensation in its direct filing?

11 A. The Company proposed the 2007 short term incentive compensation expense
12 be included in the cost of service.

13 Q. What is Staff's response?

14 A. It is Staff's position that short-term incentive compensation booked to the test
15 year which consisted of cash awards to, at the time, Aquila employees under an Aquila
16 compensation plan, should not be included in GMO's cost of service.

17 As a point of clarification, following Great Plains Energy's acquisition of former
18 Aquila entities following this Commission's authorization to do so in Case No.
19 EM-2007-0374, all former Aquila employees became KCPL employees, and consequently
20 became covered under KCPL's incentive compensation plans. Also, as of December 16,
21 2008, all Great Plains Energy employees also became KCPL employees, but these employees
22 remain covered by the respective incentive plans they had with Great Plains Energy.

1 Regardless of timeframe, Staff will refer to all employees as KCPL employees in this
2 testimony.

3 Q. What amounts of short term incentive compensation is GMO proposing to be
4 included in GMO's cost of service?

5 A. GMO has proposed a level of \$2,703,414 and \$843,729, net of capitalized
6 amounts for MPS and L&P, respectively, in cost of service. In addition, L&P Steam receives
7 a portion of the L&P Electric cost through the steam allocation factors.

8 **INCENTIVE COMPENSATION**

9 Q. During the test year, what short term incentive compensation plans were
10 available to the former Aquila employees that are now KCPL employees?

11 A. The Aquila Variable Compensation program was available to them.
12 That program was designed to grant cash awards based upon metrics in corporate, state, and
13 individual employee measures. Within these measures are various metrics determined by
14 management with various weights. The level of achievement of these goals, from threshold to
15 maximum, determines the amount of weighting of that goal. Target award amounts were
16 based upon classification of employee by band and status, field or support.

17 Q. Did Staff remove any part of this incentive compensation from Aquila's cost of
18 service in the last Aquila rate case, Case No. ER-2007-0004?

19 A. Yes. Staff removed the metrics related to financial measures.

20 Q. Is the Aquila Variable Compensation program still active?

21 A. No. This plan was terminated on July 14, 2008 when Great Plains Energy
22 acquired Aquila. The final payments under the plan were paid in the first quarter of 2008,
23 and there will be no further payments made under this plan in the future.

1 KCPL employees that were Aquila employees are covered under KCPL short term incentive
2 compensation programs. However, the 2007 payments under the Aquila Variable
3 Compensation program are what the Company has included in its cost of service.
4 The Company has made no reduction to short term incentive compensation for reduced
5 employee levels as it did for payroll expenses. If short term incentive compensation is
6 included in GMO's cost of service, it should be calculated under KCPL plans and the same
7 allocation basis Staff used for payroll will be used to allocate these costs between
8 the KCPL and GMO entities.

9 Q. Is the same issue relevant to Staff's disallowance of long term incentive
10 compensation?

11 A. Yes. The costs of equity compensation in the test year were included in the
12 costs of service for MPS and L&P (both electric and steam operations of L&P).
13 However, the Company does not have an issue with Staff's disallowance of the restricted
14 stock under the Aquila plan charged to expense in the test year. When Great Plains Energy
15 acquired Aquila, this program was discontinued and, as stated above, all remaining Aquila
16 employees became KCPL employees subject to KCPL compensation programs, including the
17 Long Term Incentive Program. If long term incentive compensation is included
18 in GMO's cost of service as an allocation from KCPL, it should be calculated
19 under KCPL programs using the same allocation basis Staff used for payroll to allocate these
20 costs between KCPL and GMO.

21 Q. Has Staff included any long-term incentive compensation for KCPL employees
22 in GMO's cost of service for MPS or L&P?

1 A. No. Staff has not included any long term incentive compensation expense in
2 GMO's cost of service for MPS or L&P in this case as an allocation from KCPL.

3 Q. Does this conclude your rebuttal testimony?

4 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for) Case No. ER-2009-0090
Approval to Make Certain Changes in its)
Charges for Electric Service.)
)

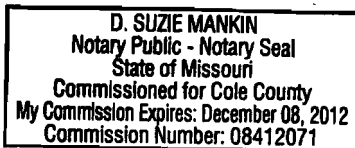
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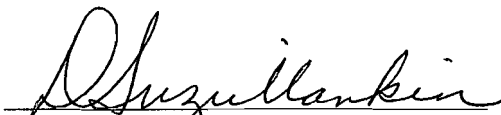
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Keith A. Majors, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Keith A. Majors

Subscribed and sworn to before me this 13TH day of March, 2009.




Notary Public