

Exhibit No.:
Issues: *Incentive*
Witness: *Keith A. Majors*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *HR-2009-0092*
Date Testimony Prepared: *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-L&P STEAM

CASE NO. HR-2009-0092

Jefferson City, Missouri
March 2009

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Great Plains Energy, Inc.
GREATER MISSOURI OPERATIONS COMPANY
GMO-L&P STEAM
CASE NO. HR-2009-0092

EXECUTIVE SUMMARY..... 3
INCENTIVE COMPENSATION 4

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

2 A. The purpose of my rebuttal testimony is to address the Company's inclusion of
3 short term incentive compensation in GMO's cost of service for L&P Steam.
4 This inclusion is in the revenue requirement schedules in the Company's direct filing
5 supported by Company witness Ronald A. Klote in his direct testimony. Also, I will address
6 the issue of allocating costs of both long term and short term incentive compensation from
7 KCPL to GMO if those costs are to be included in the cost of service.

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

10 A. Yes. This section is on pages 73-74.

11 **EXECUTIVE SUMMARY**

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

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

16 Q. What is Staff's response?

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

20 As a point of clarification, following Great Plains Energy's acquisition of former
21 Aquila entities following this Commission's authorization to do so in Case No.
22 EM-2007-0374, all former Aquila employees became KCPL employees, and consequently
23 became covered under KCPL's incentive compensation plans. Also, as of December 16,

1 2008, all Great Plains Energy employees also became KCPL employees, but these employees
2 remain covered by the respective incentive plans they had with Great Plains Energy.
3 Regardless of timeframe, Staff will refer to all employees as KCPL employees in this
4 testimony.

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

7 A. GMO has proposed a level \$843,729, net of capitalized amounts for L&P in
8 the cost of service. L&P Steam receives a portion of the L&P Electric cost through the steam
9 allocation factors. This allocation results in \$71,894 of expense.

10 **INCENTIVE COMPENSATION**

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

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

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

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

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

1 A. No. This plan was terminated on July 14, 2008 when Great Plains Energy
2 acquired Aquila. The final payments under the plan were paid in the first quarter of 2008,
3 and there will be no further payments made under this plan in the future.
4 KCPL employees that were Aquila employees are covered under KCPL short term incentive
5 compensation programs. However, the 2007 payments under the Aquila Variable
6 Compensation program are what the Company has included in its cost of service.
7 The Company has made no reduction to short term incentive compensation for reduced
8 employee levels as it did for payroll expenses. If short term incentive compensation is
9 included in GMO's cost of service, it should be calculated under KCPL plans and the same
10 allocation basis Staff used for payroll will be used to allocate these costs between
11 the KCPL and GMO entities.

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

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

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

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

5 Q. Does this conclude your rebuttal testimony?

6 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

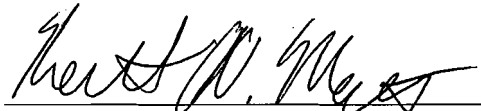
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L)
Greater Missouri Operations Company for) Case No. HR-2009-0092
Approval to Make Certain Changes in its)
Charges for Steam Heating Service)
)

AFFIDAVIT OF KEITH A. MAJORS

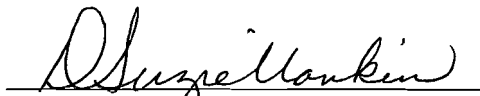
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071


Notary Public