

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**

1 **Q: Please state your name and business address.**

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

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

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

7 **Q: What are your responsibilities?**

8 A: I have primary responsibility for the design and administration of the Company’s  
9 compensation, benefits, Human Resource (“HR”) Information Systems, payroll,  
10 organizational development, and HR Service Center.

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

12 A: I graduated from Bucknell University with a B.A. Degree in International Relations. I  
13 have worked in a variety of HR positions since 1989. I began my career with KCP&L in  
14 1999 and have served in a variety of roles in HR and have also spent two years in a Six  
15 Sigma Black Belt role. Prior to joining KCP&L, I worked in HR in two international law  
16 firms headquartered in New York, and for a short time for First Data Resources in  
17 Omaha, Nebraska.

1 **Q: Have you previously testified in a proceeding before the Missouri Public Service**  
2 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**  
3 **agency?**

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

6 **Q: What is the purpose of your testimony?**

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

11 **Q: Please describe the ORVS Program.**

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

14 **Q: Why was ORVS implemented?**

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

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

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

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

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

11 **Q: What level of employees participated in the program?**

12 A: There were 140 employees that made such elections and the majority separated on April  
13 30, 2011.

14 **Q: What were the program costs?**

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

19 **Q: What were the expected benefits to customers?**

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

21 **Q: What are the non-monetary benefits?**

22 A: The Company strives to build a culture of innovation and process improvement. ORVS  
23 provided many opportunities for employees who remained to take on new responsibilities

1 and think through existing processes to look for new ways to approach work. An  
2 ongoing focus on valued services, streamlined processes, and products will benefit  
3 customers.

4 **Q: What are the monetary benefits?**

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

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

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

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

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

1 **Q: Were there any other impacts for ratemaking purposes?**

2 A: Yes. Under the ratemaking method used for pensions, there was a \$16.6 million pension  
3 settlement charge, excluding joint partner shares, that resulted from non-union pension  
4 distributions in 2011, primarily due to the voluntary separation program. KCP&L  
5 deferred its share of the charge as a regulatory asset. It expects to recover its deferred  
6 asset over future periods pursuant to the Non-Unanimous Stipulation and Agreement  
7 Regarding Pensions and other Post Employment Benefits approved in Case No. ER-  
8 2010-0355. For the anticipated ratemaking treatment of these pension costs, see Mr.  
9 Weisensee's direct testimony (adjustment RB-65/CS-65).

10 **Q: Does that conclude your testimony?**

11 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        )        Case No. ER-2012-0174  
A General Rate Increase for Electric Service        )

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 R. 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

