

Exhibit No.:
Issue: Incentive Compensation
Witness: Kelly Murphy
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Evergy Missouri Metro and Evergy
Missouri West
Case No.: ER-2022-0129 / 0130
Date Testimony Prepared: July 13, 2022

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2022-0129 / 0130

REBUTTAL TESTIMONY

OF

KELLY MURPHY

ON BEHALF OF

EVERGY MISSOURI METRO and EVERGY MISSOURI WEST

**Kansas City, Missouri
July 2022**

REBUTTAL TESTIMONY

OF

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Case No. ER-2022-0129 / 0130

I. INTRODUCTION

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Q. Please state your name and business address.

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

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

A: I am employed by Evergy Metro, Inc. and serve as Director Human Resources Operations for Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri Metro”), Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”), Evergy Metro, Inc. d/b/a Evergy Kansas Metro (“Evergy Kansas Metro”), and Evergy Kansas Central, Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central (“Evergy Kansas Central”) the operating utilities of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Evergy Missouri Metro and Evergy Missouri West (collectively referred to as “Company”).

Q: What are your responsibilities as the Director of Human Resources Operations?

A: As Director of Human Resource (“HR”) Operations I manage a team that administers company-wide HR Programs and services including policies, programs, payroll and HR Support. The HR Operations Team also leads projects related to benefit administration,

1 response to COVID-19, and escalation and troubleshooting of employee questions with
2 benefit providers.

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

4 A: I graduated from Bucknell University with a B.A. Degree in International Relations. I have
5 worked in a variety of HR positions since 1989. I began my career with the Company in
6 1999 and have served in a variety of roles in HR and also spent two years in a Six Sigma
7 Black Belt role. Prior to joining Evergy (including predecessor companies) I worked in
8 HR in two international law firms headquartered in New York, and for a short time for
9 First Data Resources in Omaha, Nebraska.

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

13 A: Yes. I have testified before the MPSC previously in Docket No. ER-2012-0174/0175. I
14 also provided testimony in ER-2016-0285.

15 **Q: What is the purpose of your rebuttal testimony?**

16 A: The purpose of my testimony is to rebut the Direct Testimony of Angela Schaben, which
17 she submitted on behalf of the Office of the Public Counsel (“OPC”) concerning incentive
18 compensation.

19 **Q: Please describe the purpose of incentive compensation?**

20 A: Incentive compensation is designed to drive performance in areas of key importance to the
21 Company. Incentive plans contain a scorecard that outlines the measures of key focus for
22 the year, along with metrics that outline expectations related to threshold, target, max and
23 superior performance. Incentive compensation is considered pay-at-risk which means that

1 it is only paid if the key measures are achieved. A portion of non-union employees at
2 Evergy and a majority of executive officer compensation is “at-risk” and granted in the
3 form of short-term and long-term incentives. This pay at-risk approach ties a portion of
4 non-union employee compensation to the achievement of key financial and operational
5 objectives and creates a strong link between pay and Evergy’s performance. The portion
6 of pay at-risk tends to increase from entry level positions through to senior leadership.

7 **Q: Why is incentive pay important?**

8 A: Incentive pay is part of an employee’s Total Rewards package of pay and benefits. Having
9 a competitive approach to Total Rewards is essential to attract and retain talented and high
10 performing employees. Evergy’s approach has not changed since my last testimony in
11 2012, which has been to offer a competitive pay package, with total target compensation
12 positioned around the market median and opportunities to earn higher or lower levels of
13 total compensation through performance-based incentives. Evergy offers the ability for all
14 non-union employees to earn incentive pay.

15 **Q: How is the target compensation established?**

16 A: Evergy participates in compensation surveys that provide information to benchmark
17 positions across the company. Evergy reviews this information to ensure the total
18 compensation offered by Evergy is competitive in the marketplace. For officer
19 compensation, the Compensation and Leadership Development committee is advised by
20 Meridian Compensation Partners. Meridian Compensation Partners provides this
21 Committee information related to industry and peer benchmarks and total compensation
22 specific to the scope and depth of each position. This information includes target
23 compensation by position.

1 **Q: What happens if the Total Rewards package is not competitive?**

2 A: Top performing employees who drive company performance are highly sought after given
3 their level of contribution to a company’s success. If a company doesn’t adequately and
4 equitably compensate employees who are key to its success, the employee is more likely
5 to be approached by another company for potential hire. If Evergy’s total rewards package
6 is not competitive, Evergy risks losing key contributors given other companies are
7 competing for the same top talent. Losing high performing employees would make it more
8 difficult for Evergy to achieve its business objectives and serve its customers.

9 **Q: Do the Company’s incentive compensation scorecards change every year?**

10 A: Yes. Evergy has several incentive plans that correspond to different populations of
11 employees. The scorecards for each vary based on the relevance of the scorecard metrics
12 to those eligible under each plan. Evergy offers the Annual Incentive Plan (“AIP”) to
13 officers, and the AIP scorecard is established annually by the Compensation and
14 Leadership Development Committee of the Board of Directors. This Committee, under the
15 guidance of an executive compensation consultant from Meridian Compensation Partners,
16 discusses the measures of importance from year to year, reviews benchmarking and adopts
17 changes accordingly. Evergy offers the Variable Compensation Plan (“VCP”) to all non-
18 executive, non-union employees, and the scorecard for the VCP is reviewed and approved
19 by the Plan Administrative Committee. Evergy offers the Evergy Energy Partners Plan
20 (“EEPP”) in the power marketing group, and the scorecards for the EEPP are established
21 by an oversight group of senior executives who establish the parameters for the plan.
22 Evergy offers Wolf Creek Nuclear Operating Corporation union employees the

1 Performance Achievement Result (PAR) Incentive plan, and the scorecard for this plan is
2 established with review, approval and oversight by the Wolf Creek Board of Directors.

3 **Q: Has the Company's approach to regulatory recovery of AIP changed since 2019?**

4 A: No. It has been an established practice to establish a three-year incentive compensation
5 average. See the Rebuttal testimony of witness Klote for more information.

6 **Q: Do incentive plans generally operate the same within a regulated or non-regulated
7 environment?**

8 A: Yes. Organizations need to attract and retain key talent to drive company performance
9 regardless of whether they are a regulated or non-regulated entity.

10 **Q: Is there any tie between the Uplight SOW and the metrics established for the AIP?**

11 A: No, the scorecard and metrics for all Evergy compensation plans were reviewed and
12 approved irrespective of the Uplight SOW. See additional discussion of Uplight in the
13 rebuttal testimony of Company witness Charles A. Caisley.

14 **Q: Do you agree with OPC witness Schaben that the Commission should order the
15 disallowances of incentive compensation costs she recommends?**

16 A: No. I do not. As I discussed, Evergy's incentive compensation programs are well-designed
17 with effective oversight and measurement of results. Evergy's Total Rewards are
18 benchmarked and designed to median market compensation and benefits with included pay
19 at-risk consistent with market and with the objective of obtaining and retained talent
20 necessary for the provision of service to customers. Finally, Evergy has had its Total
21 Rewards philosophy in place for a number of years and the Commission has provided for
22 appropriate levels of incentive compensation expense in rates over the last several Evergy
23 rate proceedings.

1 In addition to my rebuttal testimony I would also refer the Commission to the rebuttal
2 testimony of Company witness Ronald Klote as he addresses incentive compensation
3 adjustment proposed by the Company in its direct filing to address measures that have
4 historically been considered by the Commission to benefit shareholders and non-regulated
5 operations. I would also refer the Commission to the rebuttal testimony of Company
6 witness Darrin Ives as he addresses the inappropriateness of utilizing positive regulatory
7 lag from efficiency savings to fund incentive compensation and his concerns that such an
8 approach runs afoul of the plan coming out of the Commission approval of the 2018 merger
9 between Great Plains Energy and Westar.

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 Evergy Metro, Inc. d/b/a Evergy)
Missouri Metro's Request for Authority to) Case No. ER-2022-0129
Implement A General Rate Increase for Electric)
Service)

In the Matter of Evergy Missouri West, Inc. d/b/a)
Evergy Missouri West's Request for Authority to) Case No. ER-2022-0130
Implement A General Rate Increase for Electric)
Service)

AFFIDAVIT OF KELLY MURPHY

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

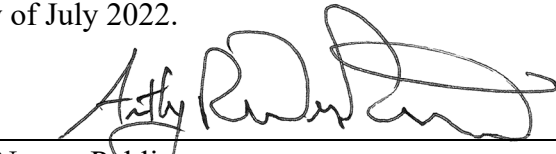
Kelly Murphy, being first duly sworn on his oath, states:

1. My name is Kelly Murphy. I work in Kansas City, Missouri, and I am employed by Evergy Metro, Inc. as Director Human Resources Operations.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Evergy Missouri Metro and Evergy Missouri West consisting of six (6) 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

Subscribed and sworn before me this 13th day of July 2022.



Notary Public

My commission expires: 4/26/2025

