

Exhibit No.:
Issue: Compensation
Witness: Barbara Curry
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2009-0089
Date Testimony Prepared: April 7, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2009-0089

SURREBUTTAL TESTIMONY

OF

BARBARA CURRY

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
April 2009**

SURREBUTTAL TESTIMONY

OF

BARBARA CURRY

CASE NO. ER-2009-0089

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

2 A: My name is Barbara Curry. My business address is 1201 Walnut, Kansas City, Missouri
3 64106.

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

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or the “Company”)
6 as Senior Vice President – Human Resources and Corporate Secretary.

7 **Q: Are you the same Barbara Curry that filed Rebuttal Testimony in this case on**
8 **March 11, 2009?**

9 A: Yes, I am.

10 **Q: What is the purpose of your Surrebuttal Testimony in this proceeding?**

11 A: The purpose of my Surrebuttal Testimony is to address several points and arguments
12 made by Commission Staff (“Staff”) witness Keith A. Majors in his Rebuttal Testimony
13 filed on March 11, 2009, concerning incentive compensation.

14 **Q: Overall, Mr. Majors recommends disallowance of short term and long term**
15 **incentive compensation because a component of those awards is based on EPS. Do**
16 **you agree with his reasoning?**

17 A: No. EPS is a measure related to funds from operations and operating income. For
18 investor owned entities, the measure of performance is the capital returned to the investor
19 and EPS is the index of this performance. As KCP&L is a regulated public utility, it is

1 committed to responsibly achieve its EPS through the provision of efficient, clean, safe
2 and affordable electricity to its customers. The Company's incentive plans are a
3 combination of overall financial performance measured by EPS, indices of business
4 performance and productivity in areas related to product and service delivery and
5 individual performance factors relating to an employee's responsibilities and
6 contributions to achieving the Company's overall performance objectives. This
7 integration ensures that the incentives encourage and reward performance that contributes
8 to the Company's growth and productivity specifically through the enhancement of
9 service and performance of direct benefit to customers.

10 Moreover, stronger performance through EPS provides additional cash, which
11 allows the Company to invest in ongoing maintenance and upgrading of facilities which
12 influences a steady, reliable, low cost supply of electricity for customers. The use of
13 incentive compensation to focus the Company on the achievement of EPS goals is an
14 appropriate investment in the business.

15 **SHORT-TERM INCENTIVE COMPENSATION**

16 **Q: Do you agree with Mr. Majors' contention at p. 2 of his Rebuttal Testimony that the**
17 **one-time cash awards paid to Company employees in early 2008 for 2007 were not**
18 **related in any way to the Company's normal short-term incentive plans and that**
19 **since the amounts were one-time bonuses, they should be removed from cost of**
20 **service.**

21 **A:** No. As referenced in the internal memorandum dated January 31, 2008 (Attachment
22 KAM-6), which I believe Mr. Majors is referring to, while the normal ValueLink and
23 Rewards programs did not pay out as a result of failing to meet the financial threshold,

1 there were significant results that were achieved that did benefit customers and which
2 were on the ValueLink and Rewards scorecards, including reliability (SAIDI), residential
3 customer satisfaction, and safety. Accordingly, individual bonuses were calculated based
4 on 25% of the respective ValueLink or Rewards target level, or, in aggregate, about \$2
5 million. No bonuses were paid to officers. In the email (Attachment KAM-6) to all
6 employees in which it was communicated that the regular 2007 ValueLink and Rewards
7 did not pay out, it was stated that the Company “continued to achieve top tier reliability
8 and customer satisfaction.” The document went on to mention the many awards received
9 which reflect “our overall excellence in operations.” These awards do tie to the
10 ValueLink and Reward scorecards for SAIDI (reliability) and the JD Powers Customer
11 Satisfaction Index.

12 **Q: Are there any other points of clarification you’d like to make?**

13 A: Yes. On page 4 of his Rebuttal Testimony, Mr. Majors points out that the Officer,
14 ValueLink, and Rewards programs have been funded based on an earnings per share
15 (“EPS”) ‘trigger’. Mr. Majors is not, correct, however, when he says later on p. 4 that
16 “EPS is the primary goal for all GPE and KCP&L short term incentive compensation
17 programs.” Scorecards for these plans have been provided to Staff and show that the
18 goals of the programs for which employees are incented include aspects of plant
19 performance; reliability; safety performance; and others. Also, just to clarify, only the
20 GPE and KCP&L goals for the executive plans are set and approved by the
21 Compensation and Development Committee and ultimately, the full Board of Directors.
22 A senior team of officers approves the corporate scorecards for the ValueLink and
23 Rewards programs.

1 In reference to Mr. Majors comments at the bottom of page 4 and top of page 5 of his
2 rebuttal testimony, it should be clarified that 2007 was the year in which there was a
3 communication sent to all employees on behalf of Mike Chesser on September 12, 2007,
4 saying that GPE employees (non-officers) would utilize the same core EPS measures as
5 KCP&L employees for 2007, and these were changed to \$1.83, \$1.92, and \$2.00 for
6 threshold, target, and maximum, respectfully. Of course, there were still no normal
7 ValueLink or Rewards payouts in 2008 for 2007 – just the one-time special recognition
8 bonuses for achieving significant operating results as I discussed earlier in my testimony.
9 In addition, the threshold, target, and superior EPS measures for the executive plan were
10 \$1.70, \$1.80, and \$1.90 for KCP&L officers and \$1.80, \$1.90, and \$2.00 for GPE
11 officers.

12 **Q: Do you have any other points of clarification?**

13 A: Yes. To clarify Mr. Majors' Rebuttal Testimony on page 6, the Company's scorecard
14 goals for the executives' annual incentive plan were developed and recommended by
15 management and approved by the Compensation and Development Committee and
16 subsequently, the Board of Directors. While the Board has engaged an external executive
17 compensation consultant who assists with incentive plan design and may, on occasion,
18 suggest a category of goals to be considered (such as operational, financial, etc.), the
19 consultant generally would not assist with identification of specific goals. For the
20 ValueLink and Rewards programs, annual scorecard goals are developed by
21 management. The *concept* of using a balanced scorecard approach to performance
22 measurement was recommended by a consultant to the Company a number of years ago.

1 Also, Mr. Majors notes on page 8 of his rebuttal testimony that the 2006 ValueLink
2 scorecards on page 7 of Attachment KAM-2 are the most current scorecards to Staff's
3 knowledge. In the response to Staff's data request 0584, the Company has provided the
4 2007 and 2008 scorecards, as well.

5 **LONG-TERM INCENTIVE COMPENSATION**

6 **Q: On page 2 and in the section starting on page 16, Mr. Majors makes the point, and**
7 **cites past Commission orders in support, that KCP&L's and GPE's long-term**
8 **incentive compensation should not be included in cost of service for setting rates**
9 **because there is no tangible benefit to ratepayers (customers). Do you agree?**

10 **A:** No. The Company believes that a) as explained above, a financially sound company is in
11 the best interests of customers and shareholders; and b) as stated in my rebuttal
12 testimony, for companies such as KCP&L that target compensation at the median, the
13 compensation structure contemplates that in an average or 'normal' year an average
14 executive would receive a median base salary, median annual incentive amount, and
15 median long-term incentive amount which are normal costs of doing business. It should
16 also be noted that for the 2005-2007 KCP&L long-term incentive grants (which paid at
17 an 85% level for KCP&L executives) there were several non-financial goals such as
18 reliability (SAIDI), safety (OSHA Incident Rate) and customer satisfaction (J.D. Powers
19 scores).

1 **Q: Are there any other points you would like to make?**

2 A: Mr. Majors cites on page 18 of his Rebuttal Testimony part of the Commission’s Report
3 and Order issued in Case No. ER-2006-0314 which stated: “KCPL management is free
4 to offer whatever compensation packages it wants....However, because maximizing EPS
5 could compromise service to ratepayers, such as by reducing customer service or tree
6 trimming costs, the ratepayers should not have to bear that expense.” It is important to
7 clarify that by using a balanced scorecard approach to annual incentive compensation, the
8 Company is attempting to balance customer interests with other interests such as top tier
9 employee safety, as one example. In the extreme, a short-sited company could choose
10 “dollars spent for tree trimming” as the *sole* metric on its scorecard and have maximum
11 payout year after year – which could actually be detrimental to customers. Consequently,
12 the Company’s position has been, and continues to be, that it will try to reasonably
13 balance all stakeholder interests and utilize a compensation structure that results, in an
14 average or ‘normal’ year, a median base salary and median incentive payouts for
15 employees. KCP&L believes this is a reasonable and appropriate position which
16 accurately reflects the Company’s costs going forward.

17 **Q: Does that conclude your Surrebuttal Testimony?**

18 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariff to)
Continue the Implementation of Its Regulatory Plan) Case No. ER-2009-0089

AFFIDAVIT OF BARBARA B. CURRY

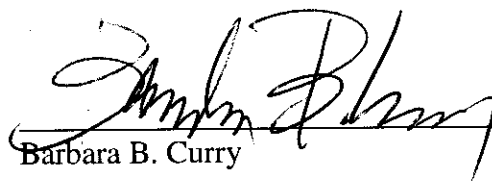
STATE OF MISSOURI)
)
COUNTY OF JACKSON)
) ss

Barbara B. Curry, being first duly sworn on her oath, states:

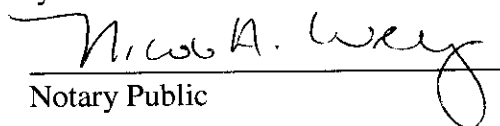
1. My name is Barbara B. Curry. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Vice President-Human Resources and Corporate Secretary.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Kansas City Power & Light Company consisting of Six (6) pages and Schedule(s) through , 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.


Barbara B. Curry

Subscribed and sworn before me this 7th day of ~~March~~ ^{April} 2009.


Notary Public

My commission expires: Feb. 4 2011

