Exhibit No.:	
Issue:	Compensation and Severance Cost
Witness:	Barbara Curry
Type of Exhibit:	Rebuttal Testimony
Sponsoring Party:	Kansas City Power & Light Company
Case No.:	ER-2009-0089
Date Testimony Prepared:	March 11, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2009-0089

REBUTTAL TESTIMONY

OF

BARBARA CURRY

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
March 2009

REBUTTAL TESTIMONY

OF

BARBARA CURRY

CASE NO. ER-2009-0089

Q: Please state your name and business address.

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

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

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

Q: What are your responsibilities?

A: My responsibilities include the Human Resources function for the Company, and I am also the Corporate Secretary.

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

A: I have a Bachelor of Science in business from Indiana University and a Master of Science in business from the University of Texas at Dallas. I have also completed the Advanced Management Program (AMP) at Harvard University. Prior to joining Great Plains Energy/KCP&L in 2005, I spent 25 years with TXU, a Texas-based energy company, where I served in numerous executive roles, including Senior Vice President of Retail Operations; Executive Vice President of Global Human Resources; and Executive Vice President of Business Services. I have served in, or had responsibilities for, human resources for nearly 25 years of my 34-year working career.

Q: Have you previously testified in a proceeding at the Missouri Public Service Commission ("MPSC" or the "Commission") or before any other utility regulatory agency?

A: No.

Q: What is the purpose of your Rebuttal Testimony?

A: The purpose of my testimony is to rebut the Direct Testimony of witnesses Jatinder Kumar of the U.S. Department of Energy/National Nuclear Security Administration, Chuck Hyneman, Keith Majors, and Paul Harrison, all of the Missouri Public Service Commission Staff concerning (i) executive compensation; (ii) short-term incentive compensation; (iii) supplemental executive retirement plan ("SERP") payments; and (iv) severance costs that are unrelated to the Company's Talent Assessment.

EXECUTIVE COMPENSATION

Q: Please explain why you disagree with Mr. Kumar's conclusion regarding executive base salaries.

A: Mr. Kumar claims that executive salaries increased by 21.76% between 2005 and 2006, 7.5% in 2007, and 8.3% in 2008, while salaries for other employees increased only 3.0% to 3.8%. Looking only at the officers receiving merit increases effective January 1 of 2006, 2007, and 2008, the increases were 9.38%, 7.36%, and 8.17%, respectively. It is not uncommon for officers to have rates of increases that are higher than for non-officer positions. However, it is also important to note that the Company's officer cadre changed significantly between 2005 and 2006, with three new officers coming from outside the Company in 2005, and thus employed for only a partial year in 2005, and seven others promoted from non-officer positions to officers in March/April of 2005. While there are many different ways to look at executive salary adjustments, a more holistic way would be to look at the total officers on December 31, 2005 (19 officers) and compare their average base salary to the average base salary of the total officers (again, 19) on the payroll on December 31, 2006. This average base salary increased by 6.4%. Actual average base salary changes for 2007 over 2006 and 2008 over 2007 were 5.8% and 6.3%, respectively. This represents the average actual base salary increases taking into account increases for **all** reasons, whether for merit, promotion, or equity adjustment. While the average merit for non-executive, management employees and across-the-board adjustments for bargaining unit employees for 2005 – 2008 averaged 3.0% – 3.8% per year, this does not include any promotional or progression/step amounts, which could easily surpass the overall increase percentages for officers.

SHORT-TERM INCENTIVE COMPENSATION

Q: Do you agree with Staff's recommendation to remove from the Company's rate case any costs associated with short-term incentive compensation?

A: No, I do not. Staff's position ignores how companies typically compensate employees. Staff's position is also premised on the unrealistic assumption that the Company will not incur any short-term incentive compensation expenses going forward.

Q: Please describe the background associated with the incentive compensation issue.

A: For the majority of the last century, companies have typically compensated employees using a fixed base salary structure. However in the early 1990's, companies began introducing a variable component that would put a piece of base compensation 'at risk' through use of an incentive component. Most companies transitioned into this new structure by giving a smaller – or no – base salary increase and using the differential between what was given and what would have been given as the initial target incentive amount. The reason why this history is important is that for companies that target compensation at the median, as KCP&L does, the compensation structure contemplates the idea that in an average or 'normal' year an average employee would receive a median base salary and a median annual incentive amount. For officers, this would also include a median long-term incentive amount. For KCP&L, in an estimated 20% of years, an employee would receive a median base salary but only a threshold amount of incentive. And in 20% of years, the average employee would receive a median base salary and a superior incentive amount. But for <u>most of the time</u>, both the base salary and the incentive should pay out at median.

Q: Please explain what you believe accurately represents the Company's incentive costs going forward.

A: KCP&L's formal annual incentive plans for both officers and non-officers have not paid out for the last two years as a result of a financial 'trigger' which has not been met – even though many of the actual scorecard metrics which are important to customers have been achieved at target or even superior levels. The Company's compensation consultant (Mercer) has recommended that the 'trigger' structure is outdated. Consequently, the Company is changing this annual incentive structure effective in 2009. This will allow KCP&L's plan to work like other plans, allowing a 'typical' or median (target) payout level in most years, with opportunities for lower levels in years when targets are not met and higher levels in years when targets are exceeded.

Q: Describe the one-time special bonuses to employees for 2007 performance.

A: As previously stated, as a result of the structure of KCP&L's annual incentive plan, the ValueLink and Rewards programs were not 'triggered' for payment for 2007 performance. However, the actual scorecard results met or exceeded targets in many instances. And the scorecard metrics included measures such as the System Average Interruption Duration Index ("SAIDI") as discussed in the Rebuttal Testimony of Company witness William Herdegen, the results of JD Power's Customer Satisfaction surveys, as discussed in the Rebuttal Testimony of Company Witness Jimmy Alberts, as well as the Company's safety record – considerations that are important to our customers. As a result of the Company's exemplary performance in 2007, Messrs. Chesser and Downey decided that some special recognition was called for. Consequently, they authorized the payment of bonuses in an amount totaling about $2 million, which represented half of the threshold payment, or 25% of target. It is important to note that this was a fraction of the normal ValueLink and Rewards target amounts, and so even when this was paid to employees they were still compensated in aggregate for 2007 less than the median targeted amount as previously described.

Q: How does the Company select individuals to be eligible for the executive incentive plan and how are individual incentive amounts determined?

A: All persons considered executive officers by the Board of Directors are eligible for participation in the executive annual incentive plan. The plan is based 80% on identified financial and operational metrics that are important to the Company and its stakeholders, and 20% based on an individual performance component. The individual component encompasses, but is not limited to, a subjective review of the individual's personal leadership; engagement of employees; disciplined performance management; accountability for results; and community involvement.

Q: Why do you disagree with the Staff's proposed disallowance of incentive compensation that is based on financial goals tied to earnings per share?

A: Staff appears to believe that achieving financial objectives does not significantly benefit customers and does not improve utility operations as a whole. A financially sound and stable company provides a direct benefit to all stakeholders including employees, customers, shareholders and the community in which the company operates. Specifically, customers benefit when the company is strong financially as the company is able to raise the capital it needs. A solid financial foundation means that the company receives more favorable rates on capital, reducing the overall costs that ultimately get charged to customers. For these reasons, the Company's customers do benefit from KCP&L achieving financial goals.

Q: With that in mind, what does the Company propose to include in this case for short-term incentive compensation?

A: The Company believes that a three-year average of short-term incentive compensation payments, including the 2007 bonuses, is appropriate and accurately reflects the Company's costs going forward.

SERP EXPENSES

Q: Do you agree with Staff's proposed treatment of the Company's SERP expenses?

A: No, I do not. As Mr. Hyneman recognizes, during the period 2000 through 2007 KCP&L made varying levels of lump sum SERP payments in six of eight years. However, he incorrectly concludes that since lump-sum SERP payments are not a known and measurable expense, they cannot be accurately quantified enough to be included in cost of service. Consequently, he recommends that only KCP&L's 2007 annuity-related SERP expenses of $168,140 meets the known and measurable test, which coincidentally happens to be the lowest year of SERP payment in eight years. Upon retirement, plan participants have the choice of receiving either a lump sum payment or an annuity paid out on a monthly basis.

It is appropriate for the Company to include in its rates expenses that accurately reflect the Company's costs going forward. By only including annuity payment costs, Staff's proposal would result in a significant under recovery. All of the officers are eligible for SERP payments upon retirement. Given that 10 of the currently employed 22 officers are of retirement age in 2009, and of those, 4 can retire with no early reduction penalty, it is highly likely if not virtually certain that the Company will be experiencing additional retirements and therefore additional SERP payments in the next one to two years, including lump-sum payments. Because of the 'lumpiness' of SERP payments, using an average of payments over time is appropriate, including both lump-sum and annuity payments.

SEVERANCE COSTS – NON-TALENT ASSESSMENT

Q: Do you agree with Staff's contention that severance costs unrelated to the Company's Talent Assessment should be excluded from this case?

A: No, I do not. The severance costs that the Company incurs on a routine basis support the same goals as the severance costs related to the Talent Assessment. The Talent Assessment was a focused effort to ensure that the Company had the right people in the right jobs. Although the Talent Assessment was a significant undertaking, the Company cannot ignore the fact that it must remain diligent about having the most qualified, most productive people performing the appropriate job functions. Not only do ongoing severance costs benefit the Company's customers in the same manner as the Talent Assessment, but such costs also shield the Company from significant litigation expenses. Defending a meritless or frivolous labor or employment claim against the Company is expensive. It is for this reason that the payment of severance is a common business practice when an employee is terminated for something other than gross misconduct.

Q: Staff also suggests that the Company already collects its severance costs through regulatory lag. Do you agree with that assessment?

A: No. Staff's position would potentially be accurate when an employee is terminated and their position remains unfilled. However that is not the case with respect to these types of routine severances. In these cases, the Company typically fills the position as soon as it can locate a qualified and interested candidate. That being the case, in nearly all cases the position does not remain unfilled long enough for the Company to recover its severance cost through regulatory lag.

Q: Does that conclude your testimony?

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	)	Case No. ER-2009-0089
Continue the Implementation of Its Regulatory Plan	)	

AFFIDAVIT OF BARBARA B. CURRY

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

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 Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of eight (8) pages and ~~Schedule(s)~~ _____-___ ~~through~~ _____-___, all of which 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
Barbara B. Curry

Subscribed and sworn before me this 10th day of March 2009.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200