

Exhibit No.:  
Issue: Payroll / Employee Data True Up  
Witness: Lora Cheatum  
Type of Exhibit: Rebuttal True-up Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2006-0314  
Date Testimony Prepared: November 13, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2006-0314**

**REBUTTAL TRUE-UP TESTIMONY**

**OF**

**LORA CHEATUM**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
November 2006**

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

2   A:   My name is Lora Cheatum. 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 ("KCPL" or the "Company") as

6       Vice President, Administrative Services.

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

8   A:   My general responsibilities include Human Resources, Purchasing and Facilities for

9       Kansas City Power & Light.

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

11  A:   I have an undergraduate degree from Washburn University in Topeka and an MBA from

12       the University of Kansas. I have held numerous Human Resources positions with both

13       PepsiCo and Wal-Mart since 1986. I joined Kansas City Power & Light on Sept. 11,

14       2001 as the Director of Human Resources for the Delivery Division and was promoted to

15       Vice President of Administrative Services in March of 2005.

16  **Q:   Have you previously testified in a proceeding at the Missouri Public Service**

17       **Commission ("Commission") or before any other utility regulatory agency?**

18  A:   No, I have not.

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

20  A.   The purpose of my testimony is to respond to the True-Up Direct Testimony of

21       Commission Staff witness Steve Traxler concerning the appropriate number of

22       employees to include in KCPL's rate case for cost of service purposes. My testimony

23       clarifies Mr. Traxler's characterization of KCPL's 2006 hiring practices. I also explain

1       how Mr. Traxler does not fully consider the cyclical nature of retirement decisions at  
2       KCPL, and as a result, how his position will consistently understate the number of KCPL  
3       employees in this case and any subsequent rate cases having a September 30 true-up  
4       mechanism.

5   **Q:   As you understand it, what is Mr. Traxler's position concerning the number of**  
6       **KCPL employees to consider for ratemaking purposes?**

7   A:   Mr. Traxler objects to the inclusion of 113 employees who he contends "were not  
8       employed by KCPL as of the September 30, 2006 true-up date." He argues that  
9       "projected employee additions as well as any other changes which occur after the  
10      September 30, 2006 true-up date should be excluded from the true-up cost of service  
11      determination."

12   **Q:   Do you agree with Mr. Traxler's characterization that the people at issue are**  
13      **"projected" employee additions?**

14   A:   No, I do not. For instance, it is not clear from Mr. Traxler's testimony that 104 of the  
15      employees whose employment with KCPL he questions not only received written offers  
16      of employment from KCPL, but also that each of them executed a letter of acceptance of  
17      employment prior to September 30, 2006. Although these employees' start dates will  
18      occur after September 30, 2006, there is little speculation about whether these individuals  
19      will soon be on KCPL's payroll or what their salaries will be. Their salaries are known  
20      and measurable because they were included in the executed letters of acceptance and are  
21      a condition of acceptance of employment with KCPL.

1   **Q:    You have described the 104 employees who accepted employment with KCPL prior**  
2       **to September 30, 2006. What is the status of the remaining nine positions about**  
3       **which Mr. Traxler is concerned?**

4    A:   With respect to six of those positions, KCPL extended offers of employment prior to  
5       September 30, 2006, but the offers have not yet been accepted. KCPL is committed to  
6       filling those positions. If one of the offerees should decline KCPL's offer, KCPL will  
7       actively pursue another candidate for the position. In any event, KCPL anticipates filling  
8       those positions by year-end—before the rates from this case go into effect. Of the  
9       remaining three positions about which Mr. Traxler is concerned, KCPL extended offers  
10      of employment after September 30, 2006, and those offers in each instance have been  
11      accepted by execution of a letter of acceptance that included the salary for the position.

12   **Q:    Do you have any other concerns about Mr. Traxler's characterization of KCPL's**  
13       **employment activities this year?**

14   A:   Yes, there are three issues addressed by Mr. Traxler that I would like to clarify. First,  
15       Mr. Traxler appears to presume that all of the 113 positions about which he is concerned  
16       relate to the workforce realignment KCPL implemented in March of this year. This is  
17       incorrect and leads to my second point of clarification; contrary to Mr. Traxler's  
18       assertions KCPL has not had six months to fill these positions. Due to the decision of 50  
19       employees to retire in late August and early September, in many cases, KCPL has had  
20       only a very brief period of time to fill positions. Third, Mr. Traxler states that KCPL  
21       made a "decision to delay" its offers of employment. His assertion is inaccurate, and I  
22       strongly disagree with his characterization. In fact, KCP&L has added 176 employees  
23       between May and September of this year and has terminated/retired 120 employees

1 during that time period. These numbers do not reflect the March 31, 2006 exiting of  
2 employees associated with workforce realignment.

3 **Q: You state that Mr. Traxler's apparent presumption that the 113 positions at issue**  
4 **relate to KCPL's workforce realignment is incorrect. Please explain.**

5 A: Mr. Traxler states that KCPL initiated a workforce realignment program in 2005 that  
6 resulted in approximately 118 employees leaving the company on March 1, 2006. As a  
7 point of correction, the departure date for those employees was March 31, 2006—not  
8 March 1. More to the point, however, is that Mr. Traxler appears to make the incorrect  
9 assumption that KCPL hired the 113 new employees at issue here to fill the positions left  
10 vacant as a result of the workforce realignment. This is an inaccurate oversimplification  
11 of the facts. The truth is that KCPL eliminated a number of positions as a result of the  
12 realignment. Those positions will not be filled. His presumption also ignores the fact  
13 that there is always some level of turn over, continuously creating positions to be filled.  
14 Several of the positions being filled are the result of such normal-course-of-business  
15 turnovers. Lastly, his presumption also fails to recognize that 50 KCPL employees  
16 retired in late August and early September of this year. KCPL is hiring many of the 113  
17 new employees to fill vacancies left by those retirees.

18 **Q: Why did so many retirements occur at the end of the third quarter of 2006?**

19 A: Under KCPL's retirement program, retirees have the option of receiving monthly  
20 payments or a single lump sum payment upon retirement. The interest rate paid on the  
21 30-year Treasury bill has a direct impact on the value of the lump sum payment option in  
22 particular. The 30-year Treasury bill interest rate for each plan year is issued in August  
23 of the preceding year. In 2006, the change in the 30-year Treasury bill rate had the effect

1 of reducing the lump sum payment for the 2007 plan year. Consequently, employees  
2 who qualified for retirement had a strong financial incentive to retire prior to the 2007  
3 plan year. To do so, those employees had to retire by September of 2006.

4 Approximately 50 employees (in August/September) chose to do so.

5 **Q: Do you expect this pattern of retirements to reoccur in subsequent years?**

6 A: Yes. Like many companies, KCPL has many employees who either currently qualify for  
7 retirement benefits or who will qualify for such benefits within the next couple of years.  
8 So long as the 30-year Treasury bill interest rate information continues to be posted in  
9 August and future rate cases have a September 30 true-up mechanism, this issue has the  
10 potential to reoccur in each subsequent rate case. The unknown variable is what the 30-  
11 year Treasury bill interest rate will be in each subsequent year. Movements in one  
12 direction will create an incentive for qualifying employees to retire within a very brief  
13 timeframe to stay within the current plan year. Movements in the other direction will  
14 create an incentive for qualifying employees to postpone their decision to retire. We  
15 have approximately 25% of the workforce that is eligible to retire in the next five (5)  
16 years.

17 **Q: Mr. Traxler states that KCPL made a “decision to delay” its offers of employment.**

18 **Do you agree with that characterization?**

19 A: No. First, there has been no delay in KCPL’s hiring practices. Over the past several  
20 years, KCPL has needed on average 63 days to fill an open position. Despite a tight labor  
21 market and the highly skilled positions KCPL is seeking to fill, KCPL has managed to  
22 maintain that 63-day average in 2006. In fact, KCPL contracted with seven additional  
23 recruiters in April of this year, to ensure that it could fill its outstanding positions as

1 expeditiously as possible. Also, having successfully completed its workforce  
2 realignment, KCPL is taking great care in its hiring practices to ensure that it is hiring the  
3 correct people for the correct position. Staff's position that an employee must be on the  
4 payroll as of September 30, 2006 to be considered for cost of service purposes creates an  
5 incentive to hastily fill all outstanding positions by September 30, 2006 even if KCPL has  
6 not had an opportunity to determine whether the candidate is a good fit for the position.  
7 The increased turnovers that would likely result from such rushed hiring would no doubt  
8 increase KCPL's employment costs. KCPL has made the prudent decision to take the  
9 time to hire the correct people for the correct position. KCPL should not be penalized in  
10 this rate case for exercising such prudence.

11 **Q: Would including the true-up payroll costs that KCPL has requested mean that**  
12 **ratepayers would be compensating KCPL for employees that are not on KCPL's**  
13 **payroll?**

14 A: No, not at all. KCPL's number of employees as of September 30, 2006, which Staff  
15 seeks to use, was temporarily far below the number of employees KCPL expects in the  
16 future and what KCPL has experienced in the past. KCPL's requested true-up of its  
17 employee numbers is intended to accurately reflect the number of employees on hand on  
18 January 1, 2007, when the rates from this case go into effect. KCPL fully anticipates that  
19 all 113 employees about whom Mr. Traxler is concerned, as well as others, will be on  
20 KCPL's payroll by the time the rates from this case go into effect.

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

22 A: Yes, it does.

In the Matter of the Application of Kansas City )  
Power & Light Company to Modify Its Tariff to ) Case No. ER-2006-0314  
Begin the Implementation of Its Regulatory Plan )


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

1. My name is Lora C. Cheatum. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, Administrative Services.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal True-Up Testimony on behalf of Kansas City Power & Light Company consisting of 6 pages, 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.

accurate to the best of my knowledge, information a

  
Lora C. Cheatum

re me this 13<sup>th</sup> day of November, 2006.

Subscribed and affirmed to before me this 13<sup>th</sup> day of November, 2006.

Notary Public

My commission expires:

Feb. 4, 2007

