

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
St. Lawrence Gas Company, Inc.

Case 15-G-0382

October 2015

Prepared **REDACTED** Exhibits of:

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Edmundson Exhibits

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**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request No.: DPS-187
Requested By: Luke Quackenbush
Information Requested of: Thomas Hannan
Date of Request: July 23, 2015
Response Due Date: August 3, 2015
Subject: Labor Expense – Wage Increase

1. Provide the amount of the 2.5% increase in wages for supervisory employees effective April 1, 2016 and April 1, 2017 included as part of the rate year payroll expense.

See 'DPS-187 1. Amount of April Increases.xlsx'.

2. Page 3 of 22 of your pre-filed testimony states the basis for the management payroll increase is recent history. Explain the basis more in-depth and provide an explanation of recent wage increase history.

See the response to DPS-10, '10 2016 Budget Letter-May 15, 2015.pdf', Pg. 3 for the recommended wages increase for non-union employees effective April 1, 2016.

See 'DPS-187 2. Merit Increase History.xlsx.'

3. Provide all analysis the Company has performed showing how non-union wages compare to other local companies' wages.

The Company has historically attempted to compare its non-union wages to other local companies, but without success. Other companies are not willing to share this information.

The Company's non-union wages are determined by its parent, Enbridge Gas Distribution. Enbridge Gas Distribution Human Resource Department has contracted with the Consulting firm, Mercer Inc., to periodically compare Enbridge US affiliated companies' non-union wages to make sure they are competitive. A request has been made to provide the study. It will be forwarded when received.

Update 9/11/15: See 'DPS-187 Q. 3. St Lawrence Gas Compensation Study 2015.pdf'.

Enbridge St. Lawrence Gas
Case 15-G-0382
DPS-187

Question 1.

Rate Year Payroll Expense Based on April 2016 & April 2017 Merit Increases (2.5%) :

10 Month Increase - June 2016 to March 2017	\$ 41,992
2 Month Increase - April 2017 to May 2017	<u>\$ 8,608</u>
Total	<u><u>\$ 50,600</u></u>

Enbridge St. Lawrence Gas
Case 15-G-0382
DPS-187

Question 2.

Merit Increase History 2013-2014-2015

	Base Salary	Merit Amount	% Increase
2013	1,654,910	46,149	2.79%
2014	1,804,651	44,181	2.45%
2015	1,803,991	47,887	2.65%



St Lawrence Gas Company, Inc. Compensation Study

September 2015

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1. Introduction

St. Lawrence Gas Company, Inc.(SLG) has been requested by the New York State Department of Public Service Commission to provide a compensation study that measures SLG's overall compensation levels (including incentive plans) relative to similarly situated companies.

This study assesses SLG's external market competitiveness on base salary and incentives to assist in their regulatory proceedings before the New York State Department of Public Service Commission

The study covers 35 benchmark jobs representing 81% of the SLG total employee population. The benchmark jobs are categorized as follows:

- Salaried employee group – 26 jobs representing 26 employees.
- Union employee group – 9 jobs representing 16 employees.

The benchmark study represents 198,454 US incumbents from energy-related organizations.

Compensation Programs at SLG

A competitive total compensation package, including base pay, is essential to ensure that SLG can continue to attract and retain the talent the company requires to deliver on its strategic plan.

Base salary is reviewed annually from a policy and pay standpoint to ensure competitiveness.

Other compensation programs, like retirement programs, benefits, short-term and longer-term incentive programs, are also reviewed regularly to ensure the designs are effective and are aligned to the overall compensation philosophy.

2. Benchmarking Methodology

Benchmark Jobs

The following steps were used to identify and match SLG's benchmark jobs:

1. SLG identified benchmark jobs and proposed market survey matches representing a cross-section of jobs in the organization. Job descriptions were used in survey matching.
2. Benchmark jobs were categorized into two SLG employee groups:
 - Salaried employee group
 - Union employee group

Market Data Source

The 2014 US Mercer Total Compensation Survey (MTCS) for the Energy Sector was the key market data source for this study. The MTCS provides a comprehensive perspective on the energy industry reward levels in the US.

The 2014 US MTCS for the Energy Sector survey profile includes:

Number of Distinct Organizations Participating in Module	219
Total Number of Organizations (Corporate, Subsidiary, Group and Division)	328
Observations Represented	198,454
Number of Positions Surveyed	626
Data Effective Date*	April 1, 2014

* All data is aged to an effective date of August 1, 2015. The effective aging rate used is 2.8% as used in the average reported base salary increase in the 2015/2016 Mercer US Compensation Planning Executive Report, July 2015.

The MTCS survey is segmented into modules. The 2014 Mercer MTCS General Benchmark, 2014 Mercer MTCS Cross Segment and the 2014 Mercer MTCS Field-Hourly were utilized for this study.

Data Elements

The MTCS market compensation data is compared to the SLG data for the following components:

- Base Salary (annual guaranteed cash amount an incumbent would receive)
- Total Cash Compensation (base salary plus other non-guaranteed cash payments, plus target short-term incentives for all incumbents. Incumbents who are not eligible for an incentive and incentive-eligible incumbents who did not receive a payout were included)
- Total Direct Compensation (All base salary/pay, plus other non-guaranteed cash payments, plus total perquisite value, plus short-term incentive, plus expected value of long-term incentives were included. Also short-term incentive-eligible incumbents who did not receive a payout and long-term incentive incumbents who did not receive an award were included)

Market Comparisons

SLG's position has been compared to the market 50th percentile (P50) on base salary, total target cash compensation, and total direct compensation, expressed as the % variance from market 50th percentile.

As standard compensation practice, the compensation positioning within 10% (+/-) of the market 50th percentile is considered to be within a reasonable range for comparison purposes when assessing a set of benchmark jobs.

3. Benchmark Summary of Findings:

1. Base Salary

Based on our analysis, and as demonstrated in the table below, SLG is at market 50th percentile for base salary.

The salaried employee group is slightly below the market 50th percentile for total cash compensation.

The union employees group is above the market 50th percentile for total cash compensation.

Employee Group	(# of St. Lawrence Gas Incumbents	(% Base Salary in Relation to the Market (P50)	Below P50 Compensation			Above P50 Compensation	
			0.5	0.75	P50 = 1	1.25	1.5
Salaried/Management	26	96%					
Union	16	109%					
All	42	100%					

2. Total Cash Compensation

Based on our analysis, and as demonstrated in the table below, SLG is slightly below market 50th percentile for total compensation.

The salaried employee group is slightly below the market 50th percentile for total cash compensation.

The union employees group is slightly above the market 50th percentile for total cash compensation.

Employee Group	(# of St. Lawrence Gas Incumbents	(% Total Cash in Relation to the Market (P50)	Below P50 Compensation			Above P50 Compensation	
			0.5	0.75	P50 = 1	1.25	1.5
Salaried/Management	26	97%					
Union	16	104%					
All	42	99%					

3. Total Direct Compensation

Based on our analysis, and as demonstrated in the table below, SLG is slightly below market 50th percentile for total direct compensation.

The salaried employee group is below the market 50th percentile for total direct compensation.

The union employees group is at the market 50th percentile for total direct compensation.

Employee Group	(#) of St. Lawrence Gas Incumbents	(% Total Direct Compensation in Relation to the Market (P50))	Below P50 Compensation					Above P50 Compensation	
			0.5	0.75	P50 = 1	1.25	1.5		
Salaried/Management	26	89%							
Union	16	100%							
All	42	92%							

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request No.: DPS-269
Requested By: Luke Quackenbush
Information Requested of: Sharon Gaines
Date of Request: September 15, 2015
Response Due Date: September 25, 2015
Subject: Incentive Compensation Plan

Referencing the Compensation study the Company provided to Staff in response to DPS-187, provide all workpapers the Company used to develop the Compensation study in a useable electronic format with all formulae intact.

The work papers used to develop the compensation study contains privileged and personal information for St. Lawrence Gas (SLG) employees. To disclose the employee information would breach confidentiality.

The SLG study was based on data contained in the Mercer Total Compensation Survey (MTCS), which is protected by copyright. We do not have permission to disclose the data publicly.

The work papers include an Excel document with 13 Tabs. In brief, Tab 1 provides summary findings as provided on pages 5 and 6 of the study. Tab 2 provides analysis on an individual employee basis. Tabs 3 to 13 contain backup reports of both the survey data used for analysis and employee compensation data.

With an employee population of 52 and a one-to-one ratio of job to employee for the salaried jobs (26 jobs representing 26 employees) and 9 jobs representing 16 unionized employees, it is difficult to report the data by job without disclosing sensitive and confidential employee data. Therefore, the jobs were categorized into two SLG employee groups within the study.

A description of the work papers and its 13 tabs used to generate the study is as follows.

Tab 1 Summary Charts for doc

This tab includes;

1. Three summary pivot tables for the pay groups (Salaried/Management and Union) with each the compensation elements' average relative to the market: The 1st pivot is base salary, the 2nd pivot is total cash and the 3rd pivot is total direct compensation. The data source for the pivots is Tab 2 Consolidated Data.
2. Graphical representations of the three assessed market positions above. These three graphs are provided on pages 5 and 6 in Section 3 of the study.

Tab 2 Consolidated Data - Confidential data spreadsheet and MTCS survey data protected by copyright, including:

Name and Position of Respondent: Thomas A. Hannan

Date of Response: September 25, 2015; Update October 15, 2015 - CONFIDENTIAL

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Request continued.

- Confidential SLG employee information, including name, job title, salary/grade, bonus target, bonus actual 2015 payout, bonus target value if any, employee status, long term incentive (LTI) grant value awarded in 2015 if any, and LTI target as a % of salary. The data sources are Tab 9 TTL Comp Report 20150710 STL, Tab 11 STL 2015 STIP payout and Tab 13 LTI pivot.
- MTCS data results matched to the SLG employee and job, including survey job name, survey 2014 median salary (P50th), median salary aged by 2.8% (as reported on page 3 of the study), market LTI total \$ (P50th), total cash and total direct compensation. The data sources are Tabs 4 to 7 MTCS modules, as reported on page 3 of Section 2.

The MTCS material and the data contained are copyrighted works owned exclusively by Mercer and may not be copied, modified, sold, transformed into any other media, or otherwise transferred in whole or in part to any other party other than the named subscriber, without prior written consent from Mercer.

- By employee with a matched job: SLG job as a percent of the market data.

Tab 3 **AnneF file** - List of unionized employee names and their payroll pay group as provided by Anne Frary of SLG. Data was used for title and grade validation.

Tab 4 **2014 MTCS US backup** - List by employee of the confidential employee salary data for the 2014 MTCS for the energy sector. Submission data for SLG includes name, position, salary, incentives data and proposed MTCS survey job number.

Tab 5 **Gen Benchmark** - Copyright-protected MTCS General Benchmark Report with survey compensation information by position.

Tab 6 **Cross Segment** - Copyright-protected MTCS Cross Segment report data with survey compensation information by position.

Tab 7 **Field-Hourly** - Copyright-protected MTCS Field-Hourly Survey Report data with compensation information by position.

Tab 8 **Upstream-Midstream** - Copyright-protected MTCS Upstream-Midstream Survey Report data with compensation information by position. This information was not used in this study.

Tab 9 **TTL Comp Report 20150710 STL** - System-generated HR report, including employee personal confidential data used for total compensation (compensation and benefits.) This report includes such employee confidential information including such fields as; employee names, position,

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Request continued.

birthdate, gender, hire date, salary, salary grade, salary range, eligibility for bonus/incentive, incentive targets, status, locations, reporting relationships, e-mail addresses.

Tab 10 **Base Salary Graph** - Table and charts of salaries and incentives by job family to Market Median (P50th) Individual confidential data salaries and incentives are visible.

Tab 11 **STL 2015 STIP payout** – System-generated confidential report listing each SLG employee and any 2015 incentive/bonus paid in 2015.

Tab 12 **STL 2015 LTIP** – System-generated confidential report listing by employee, including name, grant value, performance ratings, grant, home address.

Tab 13 **LTI Pivot** - Summary pivot of Tab 13 showing by confidential employee information including name and grant value.

Update – October 15, 2015

The compensation study is being submitted today pursuant to the Protective Order dated October 9, 2015.

The Company's response to DPS-269 also included the CONFIDENTIAL file identified below. This file is not included in this document as it is voluminous and/or cannot be converted to PDF in a useable format. The file is available upon request, pursuant to the Ruling Adopting Protective Order issued on October 9, 2015, in this proceeding by ALJ Van Ort.

St_Lawrence_Gas_Compensation_2015_Study_Data_Confidential_Oct_14_2015.xlsx

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request No.: DPS-307
Requested By: Caitlyn Edmundson
Information Requested of: Sharon Gaines
Date of Request: September 30, 2015
Response Due Date: October 13, 2015
Subject: Incentive Compensation Study

1. Does the Compensation Study provided in the update to the response to DPS-187 look at all employees or just management employees?

The Compensation Study looked at all regular, full-time and part-time employees, including both unionized and salaried/management employees.

2. According to page 2 of the Compensation Study provided in the update to the response to DPS-187, "Other compensation programs, like retirement programs, benefits, short-term and longer-term incentive programs, are also reviewed regularly to ensure the designs are effective and are aligned to the overall compensation philosophy." Were the Company's "other compensation programs," such as benefits, included in the St. Lawrence Gas Company, Inc. Compensation Study?

The Compensation Study looked at compensation components of base salary/pay and short- and longer-term incentives of SLG employees. Non-cash programs such as benefits were not benchmarked as part of this study.

If no, was a separate benefits benchmarking study conducted?

A formal benchmarking study to compare benefits was not done. When preparing for the most recent labor negotiations an informal survey was sent to local businesses regarding health, dental, vision, pensions and 401(k) benefits. See 'DPS – 307 Q. 2 Local Benefit Survey Results.xlsx'. The results were used to compare the Company's benefits to those of other companies within the service territory.

3. According to page 2 of the Compensation Study provided in the update to the response to DPS-187, the study benchmarked 81% of the total employee population.
 - a. What percentage of the salaried/management employee population was benchmarked?

100% of the salaried/management employees at SLG were benchmarked.

- b. What percentage of unique salaried/management positions was benchmarked?

100% of the salaried/management positions at SLG were benchmarked.

Name and Position of Respondent: Thomas A. Hannan

Date of Response: October 13, 2015

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request continued.

- c. Provide a list of the positions not benchmarked and an explanation as to why each of those positions was not benchmarked.

The following unionized jobs were not benchmarked in the study:

Gas Technician– No benchmark job match applying the 80% job match rule (as described in 3.d. below)

Class 3 Operator– No benchmark job match applying the 80% job match rule

Gas Mechanic– No benchmark job match applying the 80% job match rule

Gas Technician– No benchmark match applying the 80% job match rule

- d. Provide an explanation as to how St. Lawrence matches its positions to the survey benchmark jobs in the 2014 US Mercer Total Compensation Survey (MTCS) for the Energy Sector.

Our positions are matched to MTCS benchmark jobs based on job content, not job title. Following MTCS survey guidelines, position descriptions are reviewed for potential matching to survey benchmark jobs. A position is considered for matching to a survey benchmark if it represents at least 80% of the benchmark position.

What percentage of job duties and responsibilities of a St. Lawrence job have to correspond to those of a Mercer survey benchmark job for the St. Lawrence position to be considered a match to the survey benchmark job?

80% of job duties and responsibilities corresponded to those of the Mercer survey.

4. According to page 3 of the Compensation Study provided in the update to the response to DPS-187, the MTCS was the key market data source for the study and it represents 198,454 incumbents from 219 energy-related organizations.

- a. What criteria were used to determine that these 219 energy-related organizations were in fact reasonable comparators to St. Lawrence Gas?

The MTCS provides an annual comprehensive compensation overview of the US energy industry. Within the 219 distinct organizations in the MTCS, there were 55 utility sector entities (corporate, subsidiaries, group, and divisions) that participated in the survey. The MTCS database provided a statistically relevant, reasonable, and reliable market representation for the purpose of this study.

- b. If a separate benefits benchmarking study was conducted (per question 2 above), was this same peer group of 219 energy-related companies used as a comparison? If not, provide a list of the peer companies used for the benefits analysis.

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request continued.

Refer to the response in Question 2..

- c. Provide a list of previous employers for all management employees hired within the last five years.

See 'DPS – 307 Q. 4. c. New Hires.xlsx'.

Name of Company	Defined Pension Benefit Plan				Defined Contribution Benefit Plan (Ex: 401k)				Health Insurance Benefits - Employees								High Deductible Plan			Retiree Health Benefits			Dental Insurance to		Vision Insurance to						
	Yes	No	Formula	Vesting Rights	Yes	No	Amt of Company Match	Vesting Rights	Single		Two Person		Family		EE & Children		Yes	No	How Much?	Yes	No	Criteria	EE & Spouse?	EE Contribution Upon Retirement	Yes	No	Yes	No			
									\$	%	\$	%	\$	%	\$	%															
Company A		X			X		\$1 for \$1 first 3%/ \$0.50 next 2%. EE would need to contribute 5% to get full 4%. This is safe harbor plan. If someone does not want to contribute co. still provides 3%. Also offer Roth choice.	Fully vested first contribution	\$113.21/Mo	25%	\$218.48/Mo	25%	299.37/Mo	25%					X		HRA - high ded plan \$5 500/\$11 000. HRA pays \$5 200 S/ \$10 400 TP/ \$10 300 F. EE deductibles \$300 / \$600 / \$700 (can set up FSA if desired). Charge higher premiums (20%) to tobacco users and those who don't partipate in wellness screenings (\$50).	X					X		X		
Company B		X			X		10% base salary	Immediate	\$53.64	9%	\$467.26	32%	\$495.86	32%	\$400.50	32%			X		\$1 560 S/ \$3 120 F	X				X		X			
Company C	X		1.28% of monthly annual earnings for each completed year of service	5 Year Vesting	X		1-5 yrs. - 5% 5-15 yrs. - 8% 15-20 yrs. - 9% 20 yrs. > - 10%				25%		30%		30%				X				Enrollment in health ins as EE 10 yrs of svc election to begin collecting pension at termination (norm retirement date or early retirement)	X	100%		X		X		
Company D		X			X				\$40.19/\$45.19 <\$25 000/>\$25 000		5%	\$69.03 / \$74.03 <\$25 000/>\$25 000		100%	\$88.77/\$98.77 <\$25 000/>\$25 000		100%		X		\$400 for Wellness Completion	X			15 yr. min. only to age 65		15-20 yrs. - 75% 20-25 yrs. - 50% 25-30 yrs. - 25% 30 yrs. > - 0%	X		X	
Company E		X			X		4% no match	1 year											X							X		X			
Company F		X			X		1% and then moving up to 3% w/ another discretionary 3% on Jan 1 if the EE was employed in an eligible statused position on Dec 31	Immediate vesting under contratual obligations	PPO \$13.76 HDHP \$10.14			PPO \$232.85 HDHP \$22.82			PPO \$428.30 HDHP \$29.44				X		Ind \$325 EE & Child \$600 EE & Spouse \$670 Family \$870	X					X		X		
Company G	X		Current benefit accrual rate \$40.19 / each year of pension credit. Rate is \$1.001 / hr.	5 Year Vesting	X		100% up to 3%; 50% for next 4 to 6% of EE contribution	Full Vesting - 5 Years	\$56	13%	\$167	20%	\$237	18%					X				EE & Children \$114 / 13% *** also see notes on survey	X					X		X
Company H	X		NYS Retirement has 6 tiers w/ diff formulas. Most Ees are Tier 4 which provides for x/50 yrs of service	5 Year Vesting	X						10%		20%		30%				X				See Labor agreement 8.105. Retirement @ age 63 - CO will pay same premium for single ac active EE until Medicare eligible (age 65); retirees cover dependent by paying full premium until Medicare (age 65)	X				X		X	
Company I		X			X		10% up to first 6% of salary	20%/year until fully vested at Year 5.			26%		29%		29%				X				15 yrs svc continue same premium as active	X				X		X	
Company J		X			X		50% up to 3% of EE's pay plus Profit Sharing	7 years			20%				50%				X				Rule of 75 (age ys svc w/ min age of 55)	X		100%		X		X	

ST. LAWRENCE GAS COMPANY, INC.
Case 15-G-0382
DPS-307 Q. 4. c.
Previous Employer of New Hires

Below is a list of previous employers for all management (Supervisory) employees hired within the last five years.

Position	Hire Date	Previous Employer
Customer Service Representative	1/1/2015	The Home Depot
GIS/Records Coordinator	10/7/2013	Massena Recreation Department
Supervisor Technical	6/17/2013	WCT Surveyors, P.C.
Distribution Pipeline Inspector	9/4/2012	Enbridge Gas Distribution
Assistant to Treasurer	6/18/2012	Kelly-Moore Paint Company
Supervisor Damage Prevention	6/1/2012	Ceramic Matrix Composites
Safety and Training Advisor	4/23/2012	League Association of Risk Management
Supervisor Integrity Management	8/3/2009	Blue Mountain Engineering
IT & Network Administrator	7/1/2009	Corning, Inc.

**STAFF OF THE DEPARTMENT OF PUBLIC SERVICE
INTERROGATORY/DOCUMENT REQUEST**

**St. Lawrence Gas Company
Case 15-G-0382
Gas Rates**

Request No.: DPS-320
Requested By: Caitlyn Edmundson
Information Requested of: Sharon Gaines
Date of Request: October 20, 2015
Response Due Date: October 30, 2015
Subject: Incentive Compensation Study

According to page 3 of the Compensation Study provided in the update to the response to DPS-187, the 2014 US Mercer Total Compensation Survey (MTCS) for the Energy Sector was the key market data source for the study. Provide a list of the names of all of the energy-related organizations that participated in the MTCS.

See 'DPS-320 Confidential - 2014 US MTCS for Energy Sector Participating Companies.pdf'.

Name and Position of Respondent: Sharon A. Gaines
Date of Response: October 20, 2015

Company Name

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Effect of Benefits on Market Competitiveness of Total Compensation

Hypothetical Example #1			
	Company	Peer Group	Ratio of Company to Peers
Direct Compensation*	89	100	0.89
Value of Benefits	29.67	7.88	3.77
Total Compensation	118.67	107.88	1.10
% Benefits of Total Compensation	25%	7%	

Hypothetical Example #2			
	Company	Peer Group	Ratio of Company to Peers
Direct Compensation*	89	100	0.89
Value of Benefits	43.84	20.76	2.11
Total Compensation	132.84	120.76	1.10
% Benefits of Total Compensation	33%	17%	

* Direct Compensation = Base Salary + Incentive Compensation